

ECON 3020: Money and Banking

Spring, 2016

Syllabus

Date prepared: March 8, 2016

This syllabus is subject to change at any time at my discretion

1 Contact

Instructor: Randy Cragun

Office: Surrine 417

Email: rcragun@clemson.edu

Office hours: by appointment

Course information: http://randycragun.com/courses/3020_spring_2016.html and Blackboard

Credit hours: 3.00

Lecture hours: 3.00

2 Course Details

Section: 001

Meeting time: 11:00 am – 12:15 pm TR

Meeting place: Surrine Hall 302

Course duration: 2016-01-06 – 2016-04-29

Recommended textbook: Frederic Mishkin. The Economics of Money, Banking and Financial Markets 11 ed. I highly recommend you get this (or another textbook at a comparable level) to read. It will not technically be required. You could use an earlier edition; the data of the last few years are important, so you will be missing important facts, but the cost reduction may be worth it.

3 Prerequisites

Formally ECON 2120 (introductory macroeconomics) is a prerequisite for this course. In addition to having a working knowledge of macroeconomics, it is important that you understand microeconomics and some math in order to be successful in any econ course (including this one). You would be best served by having taken 2110, 3140, or both (*microeconomics*). The ideas in *microeconomics* are the basis for everything we will cover, and there will not be time to give you a thorough understanding of them if you do not have it now. If you have a poor background in microeconomics, please let me know so that I can recommend some reading.

You should also be comfortable with math. These concepts and procedures will be important:

- Functions and function notation
- Graphing (you might be surprised by the graphing skills that you lack)
- Simple derivatives (if you have not studied calculus, the concepts in this course—and the rest of life—will be more difficult but not impossible).
- Logarithms, exponential growth, and percent changes
- General algebra and arithmetic (solving equations, combining functions, etc.)

4 Objectives

From the course catalog: “Considers the function of money and banking in both the product and financial markets. Special emphasis is placed on monetary theory and current problems of monetary policy.”

This is an economics course. Most students in the class have business-related fields, but it is not a business course. It is not a finance, financial engineering, or financial management course, either. If you are expecting a how-to on wealth management, you will be disappointed. I am a macroeconomist, so you can expect me to focus more on the money side of “money and banking”.

5 Academic Integrity

“As members of the Clemson University community, we have inherited Thomas Green Clemsons vision of this institution as a ‘high seminary of learning.’ Fundamental to this vision is a mutual commitment to truthfulness, honor, and responsibility, without which we cannot earn the trust and respect of others. Furthermore, we recognize that academic dishonesty detracts from the value of a Clemson degree. Therefore, we shall not tolerate lying, cheating, or stealing in any form.”

I will only add that it is your responsibility to understand what academic integrity means and that most of you (yes, you) likely do not know.

6 Grading

My philosophy on grading is that if you show that you are competent with the material, then you should get a good grade, and if you do not show that you are competent, you should not get a good

grade. This is your responsibility. Unfortunately, when the class size is large, it is too costly for the instructor to individualize grading expectations. **Your grade will be based on a final exam and a mid-term exam.**

6.1 Problem Sets

There will be problem sets, but they will not be graded. Although they are not graded, you should work through them carefully if you want to do well on the exams. I will be happy to review your work on the problem sets and give you mock grades, which will be similar to my grading on the exams, so it would be silly to not use this chance to practice and learn my expectations. If you come to me after the exam and complain that I was unfair because you did not know what I expected, I will not be sympathetic.

6.2 Exams

There will be **one final exam and one mid-term exam**. Together they will count for 100% of your grade with 60% assigned to the final and 40% assigned to the mid-term. If you do better on the final than on the midterm, I will change the weights so that the final will be worth 85% and the midterm worth 15%. This should make it easier for you to have more chances to show your competence. However, *you cannot pass the course without passing the final*. Some parts of the exam will likely seem difficult to you, but this is intended to help me differentiate between various levels of competence. The exam questions will come almost directly from the study guide/problem sets, so use those tools. Students should keep in mind that much of their grade will be determined at the end of the semester. Plan your success in advance.

Although there is nothing magical about the 90/80/70/60 grade division, I try to build the exams to match model simply because students typically have trouble understanding alternative schemes. However, I find that on my exams lower scoring students typically get lower percent scores than this model predicts, so I check a selection of individual exams, and if the scores on those exams do not match up with the grading scheme above, I adjust the grade distribution accordingly. Note that this does not mean that you are competing for grades with other students. I know what an A grade and a D grade look like, and I match performance on exams to grades.

6.3 Partial Credit

I am a harsh but fair grader. It has probably been the norm in your other classes that your teachers will give partial credit when your exam and homework answers are wrong but sound vaguely like a correct answer or use some correct terminology. I will not do this. I do not give partial credit for economic-sounding bullshit for three reasons:

1. It is not fair to those with good answers
2. Your grade should reflect your competence—not your ability to remember a few words and reproduce them in the wrong context
3. Economic-sounding bullshit is the norm in lay discussions of economics. If you cannot do better than the ignorant guy at the coffeehouse who lectures me on my profession, then you do not deserve a good grade. I refuse to incentivize students thinking they are experts when they are not.

6.4 Attendance and Participation

You are required to attend class. You may miss up to three course meetings with no explicit consequences (although your grade will likely suffer, because you will understand less). Every two absences after three will reduce your grade by one letter. Under no circumstance will I review material in class because some students missed something important. I will also not provide private lectures simply because you choose to not attend.

6.5 Late work and cancellations

No late work will be accepted except sometimes in the case of class cancellations. Any exam that was scheduled at the time of a class cancellation due to inclement weather will be given at the next class meeting unless contacted by the instructor. Any assignments due at the time of a class cancellation due to inclement weather will be due at the next class meeting unless contacted by the instructor (except where work is turned in online, in which case, no extension will be granted). Any extension or postponement of assignments or exams must be granted by the instructor via email or Blackboard within 24 hours of the weather related cancellation.

I rarely miss class and have always communicated the class cancellation in advance. However, in the unusual case where I am late or do not show up, students should wait 15 minutes from the usual beginning of the course before leaving. After this 15 minute time, the class will be canceled by default.

6.6 Academic integrity

I will fiercely pursue action against violations of the university's academic integrity policy. It is your responsibility to know what does and does not constitute plagiarism or cheating. Consider this: *you probably do not know what plagiarism is even if you think you do.* Every semester, my students turn in work that is clearly not theirs and act oblivious to their misconduct. Your teachers in the past have told you, "Put it in your own words." Your teachers were wrong. Taking another person's work and changing the wording is still plagiarism when you do not acknowledge the source. Last semester, I found plagiarism in the submissions of about forty students. If you have any questions, talk to me.

7 Confidentiality (particularly important for athletes)

The confidentiality of your student records is protected by law and university policy. If you are a student athlete, the athletics department will likely contact me to ask for updates on your progress in the course. ***I will not respond*** unless you tell me that you want me to provide that information them. Even then I may not provide all the information they request and may not be willing to provide the information in the format they request. Your academic progress is *your* responsibility and your academic record is *your* property. I will also not provide your information to your parents.

8 Accomodations for Students with Disabilities

Students with disabilities requesting accommodations should make an appointment with Dr. Margaret Camp (656-6848), Director of Disability Services, to discuss specific needs within the first

month of classes. Students should present a Faculty Accommodation Letter from Student Disability Services when they meet with instructors. Accommodations are not retroactive and new Faculty Accommodation Letters must be presented each semester.

9 Classroom Conduct and Sexual Harassment

Clemson University is committed to a policy of equal opportunity for all persons and does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender, pregnancy, national origin, age, disability, veterans status, genetic information or protected activity (e.g., opposition to prohibited discrimination or participation in any complaint process, etc.) in employment, educational programs and activities, admissions and financial aid. This includes a prohibition against sexual harassment and sexual violence as mandated by Title IX of the Education Amendments of 1972. This policy is located at <http://www.clemson.edu/campus-life/campus-services/access/title-ix/>. Mr. Jerry Knighton is the Clemson University Title IX Coordinator. He also is the Director of Access and Equity. His office is located at 111 Holtzendorff Hall, 864.656.3181 (voice) or 864.565.0899 (TDD).

10 Tentative Schedule

Date	Topic	Other	Mishkin chapters
Jan 12	Why study money and banking?		1
Jan 14	Overview of financial system		2
Jan 19	Understanding interest rates		4
Jan 21	Understanding interest rates		4
Jan 26	Behavior of interest rates		5
Jan 28	Behavior of interest rates		5
Feb 2	Financial structure & regulation		8/11
Feb 4	Financial structure & regulation		8/11
Feb 9	Financial structure & regulation		8/11
Feb 11	Financial structure & regulation		8/11
Feb 11	What is money?		3
Feb 16	What is money?		3
Feb 18	Money supply basics		14
Feb 23	Money supply basics		14
Feb 25		Exam	
	Market for reserves		15
	Monetary policy tools		15
	Quantity Theory of Money		19
	Theories of money demand		19
	Theories of money demand		19
	IS curve		20
	IS curve		20
	MP and AD curves		21
	MP and AD curves		21
	AD-AS		22
	AD-AS		22
	Theory of monetary policy		23
	Theory of monetary policy		23
	Expectations and monetary policy		24
	Expectations and monetary policy		24
	Transmission Mechanisms of monetary policy		25
	Transmission Mechanisms of monetary policy		25
		Final Exam	