Syllabus for Econ 3200-070  
Spring Semester 2019  
Monday 6:00 PM – 9:00 PM; Sandy 205

Instructor: Taeyoung Lee
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Office Hours: Monday 5:00 PM – 6:00 PM and by appointment
Office Location: Sandy 205

Reading Materials
Money, Banking, and Financial Markets, 5e by Steven Cecchetti and Kermit L. Schoenholtz, McGraw-Hill. (Required)

The textbook is currently in its fifth edition. But you may purchase the fourth edition if you can find one on Amazon.

See “Topics and Reading Assignments” below for other reading materials from central banks, which will be posted on Canvas.

Course Description from the University Catalogue
This course examines monetary and financial instruments, institutions, and markets from the perspectives of theory, practice, and policy. The major sections of the course are the history and evolution of the monetary and financial system, the modern financial system and banking money and finance in macroeconomic theory, and the conduct of monetary policy.

Prerequisite: College Algebra, ECON 2010 and ECON 2020 or instructor's consent.
Requirement Designation: Quantitative Intensive BS
Credit hours: 3

Course Objective and Outcomes
As a student of economics, we are accustomed to thinking about the economy in terms of real activities. We spend a lot of time studying the flows of real goods and services, using the supply and demand framework. Money and banking are usually treated as something that simply accommodates what is happening in the real economy. In reality, however, a transfer of a good from one agent to another entails an equal (in value) and opposite transfer of money. Everyday, economic agents make countless monetary transactions with each other to realize economic transactions. The web of credit and debt relations formed by monetary transactions, indeed, forms the very core of economic relations. Our main goal in this course is to understand the creation, valuation, intermediation, and regulation of financial instruments (various forms of money, credit, and bonds) that facilitate economic transactions. We will also develop an overview of what money and banking is all about from the perspective of what money really is.
By the end of the semester, you should be able to answer the following questions.

- What is money? How are different forms of money created in the economy? How are they related to each other? Are they equal in quality? What constraints money creation?
- How are risks measured? How do different types of risks affect interest rates (the price of borrowing money)? How are the spreads in interest rates interpreted from the perspective of macroeconomics and policy makers?
- What functions do financial intermediaries perform? What risks do they face in managing their balance sheets? How do they manage those risks?
- What is the goal of the central bank? How does it achieve its goal? How did the new financial environment created by the 2007-09 financial crisis affect the way the monetary policy is conducted by the Fed?
- What is money and banking all about from the perspective of what money really is? What is shadow banking? How is it different from the traditional banking?

University Policies

1. *The Americans with Disabilities Act.* The University of Utah seeks to provide equal access to its programs, services, and activities for people with disabilities. If you will need accommodations in this class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, (801) 581-5020. CDS will work with you and the instructor to make arrangements for accommodations. All written information in this course can be made available in an alternative format with prior notification to the Center for Disability Services.

2. *Addressing Sexual Misconduct.* Title IX makes it clear that violence and harassment based on sex and gender (which includes sexual orientation and gender identity/expression) is a civil rights offense subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories such as race, national origin, color, religion, age, status as a person with a disability, veteran’s status or genetic information. If you or someone you know has been harassed or assaulted, you are encouraged to report it to the Title IX Coordinator in the Office of Equal Opportunity and Affirmative Action, 135 Park Building, 801-581-8365, or the Office of the Dean of Students, 270 Union Building, 801-581-7066. For support and confidential consultation, contact the Center for Student Wellness, 426 SSB, 801-581-7776. To report to the police, contact the Department of Public Safety, 801-585-2677 (COPS).

Expectations and Course Policies
Teaching will mainly consist of lectures and discussions. Each week you are expected to read the textbook and lecture slides and check Canvas for any take-home quiz, assignment, and announcement.

*Cheating:* Turning in work that is not your own is an act of cheating. Any act of cheating will result in a failing grade (zero points) on the exam, quiz, or assignment. Any subsequent act of cheating will result in a failing grade for the course.
Course Webpage: Canvas

Cell phone and computer: The use of cell phone and computer for the purpose of texting, email, social media, and web surfing is not permitted during the class. If you violate this rule, you will be asked to leave the classroom.

Grading Policy
  1. Take-home quizzes (10%)
  2. Assignments (20%)
  3. One midterm (35%)
  4. Final exam (35%)

There are four take-home quizzes. Quizzes will be assigned after each of the chapters 4 through 7 is covered in class and will be due in the following week. Solutions to the quiz problems will be discussed at the beginning of class.

More will be said about the assignments as they are announced.

The midterm covers chapters 3 through 7. The exam date will be announced at least two weeks in advance. The final exam covers the rest and will be held from 6:00 PM to 8:00 PM on Monday, April 29. All students are required to take exams as scheduled. No early or late exams will be given.

Attendance and class participation are not part of grading. However, if you miss classes twice at most, up to 3% of extra credit will be added to your grade at the end of the semester based on your class participation. If you miss classes three times, up to 2% of extra credit will be added to your grade based on your class participation.

Topics and Reading Assignments

Part I. Money Creation in the Modern Economy


Part II. Interest rates, Financial Instruments, and Financial Markets

Chapter 3. Financial Instruments, Financial Markets, and Financial Institutions
Chapter 4. Future Value, Present Value, and Interest Rates
Chapter 5. Understanding Risk
Chapter 6. Bonds, Bond Prices, and the Determination of Interest Rates
Chapter 7. The Risk and Term Structure of Interest Rates
Part III. Financial Institutions

Chapter 11. The Economics of Financial Intermediation
Chapter 12. Depository Institutions: Banks and Bank Management

Part IV. Central Banks, Monetary Policy, and Financial Stability

Chapter 15. Central Banks in the World Today
Chapter 16. The Structure of Central Banks
Chapter 17. The Central Bank Balance Sheet and the Money Supply Process
Chapter 18. Monetary Policy: Stabilizing the Domestic Economy

Chapters 17 and 18 may be replaced by the following articles that discuss similar topics:

Precrisis Monetary Policy
Postcrisis Monetary Policy

Part V. Money and Banking from the Perspective of What Money Really Is

Money and Banking: an Overview from the Perspective of What Money Really Is (Lecture Slides)

Note: This syllabus is meant to serve as an outline and guide for the course. I may modify it with reasonable notice to you.