

# University of Michigan - Fall 2018

**Instructor:**

Maciej Dudek

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**Office Location:** 213

Lorch Hall

**Office Hours:**

T: 10AM-11AM

**Econ 310: Money and Banking****Location: 1400 CHEM**

Class Time: Lecture - MW - 11:30AM-1:00PM

**Course Overview**

Our focus in this class will be primarily on the structure, organization, and functioning of financial markets in facilitating inter-temporal trade, and the role money plays in both intra- and inter-temporal trade. Millions of participants in financial markets daily seek to borrow (trading future consumption for current consumption) and lend (trading current consumption for future consumption), and do so primarily through a host of financial intermediaries (including banks), which reduce the transactions costs of doing so. As we trade into an uncertain future, there is attendant risk and uncertainty that must be confronted by parties on all sides of such trades, and this affects not only the characteristics of the instruments being traded but also the way roles of financial intermediaries have evolved through time.

We will also consider the potential strengths and weaknesses of monetary policy, which impacts financial markets first before we experience spillover effects in the real sectors of our economy: production and sale of goods and services, accumulation of capital and economic growth, and employment, etc.

**Recommended Text**

Money, Banking, and the Financial System, Third Edition, R. Glenn Hubbard, and Anthony Patrick O'Brien, Pearson, ISBN 10: 0-13-452406-3, ISBN 13: 978-0-13-452406-1.

**Additional Reading**

The Economics of Money, Banking and Financial Markets, Eleventh Edition, Frederic S. Mishkin, Pearson, ISBN 13: 9780133836790.

**Course Objectives**

Upon completion of this course students will

- possess understanding of the financial system, its institutions and roles
- understand the role of financial intermediaries
- be familiar with financial instruments
- understand the role, objectives, and tools of monetary policy
- understand the links between the real and financial sectors

**Assessment**

There will be two midterm exams during the semester, plus a cumulative exam at the end of the course. In addition, students will be expected to complete homework assignments.

The grade in the course will be based on your performance on the three exams and the homework assignments. In particular, the following weights will be used

- Homework Assignments – 20%
- Midterm Exam #1 - 25%
- Midterm Exam #2 - 25%
- Final Exam – 30%.

Please note that you are not graded on attendance, however, being present in class is *strongly* recommended. Furthermore, I will take attendance at each lecture and I will treat your attendance record as if it were extra credit work (worth up to 10% of your final grade.)

In addition to counting 30% toward the final grade, the final exam score will be substituted for the lowest midterm exam score as long as the lowest midterm exam score is lower than the final exam score.

Furthermore, the lowest individual homework assignment score will be ignored.

Final grades will be set according to the following criteria:

- A - 90%+
- B - [80%,90%)
- C - [70%,80%)
- D - [60%,70%)
- F - less than 60%.

### **Academic Integrity**

Students are expected to behave in line with the standards of the academic community. Please make sure that you never take advantage of your fellow students.

### **Special Accommodations**

We follow the standard University Guidelines. Students in need of special academic accommodations should either contact me personally or contact directly the relevant university center to arrange appropriate accommodations.

### **Learning Resources**

This semester we will use an online software package, MyEconLab. Please see instructions on Canvas on MyEconLab.

**Course Schedule (Tentative) - Please regularly visit the course website on Canvas for updates and additional course materials.**

<b>Week</b>	<b>Subject</b>	<b>Homework Assignments</b>
1	Money and the Financial System – Introduction	

2	Money and the Payment System	HWK #1 Due
3	Interest Rates and Rates of Return	HWK #2 Due
4	Interest Rate Determination	HWK #3 Due
5	The Risk Structure and the Term Structure of the Interest Rates	HWK #4 Due
6	The Stock Market, Information, and Financial Market Efficiency	Midterm #1, October 10, 2018
7	Derivatives and Derivative Markets, Foreign Exchange Markets	HWK #5 Due
8	Transaction Costs, Asymmetric Information, and the Structure of the Financial System	HWK #6 Due
9	The Economics of Banking, Beyond Commercial Banks: Shadow Banks and Nonbank Financial Institutions	HWK #7 Due
10	Financial Crises and Financial Regulation	HWK #8 Due
11	The Federal Reserve and Central Banking	Midterm #2, November 14, 2018
12	The Federal Reserve's Balance Sheet and the Money Supply Process, Monetary Policy	HWK #9 Due
13	The International Financial System and Monetary Policy	HWK #10 Due
14	Monetary Theory I: The Aggregate Demand and Aggregate Supply Model	HWK #11 Due
15	Monetary Theory II: The IS-MP Model	Exam #3, December 11, 2018

### Exam Schedule

Week	Subject
6 – October 10, 2018	Midterm #1
11 – November 11, 2018	Midterm #2
15 - December 11, 2018	Exam #3