 **Eco 211: Money, Credit and Banking**

**Spring 2013 Syllabus Professor Michael Rizzo**

**Course Information**

The prerequisites for taking this course are Economics 108 or its equivalent and Economics 207 (Intermediate Microeconomics) or its equivalent. Students that have also taken Economics 209 (Intermediate Macroeconomics) are likely to find more learning opportunities from the course than others who have not.

1. **Section 20595**: is the NON-writing section of the course
2. **Section 20600**: is the writing section of the course

**Websites**

Course Website: All course materials will be posted on the Blackboard site for the class.

Office Hours Website: <http://tiny.cc/RizzoHours>

**Instructor Information**

* Office Hours: Tuesday and Thursday: 11:00am to 12:15pm (my Eco 211 class gets out

at 10:55, I’ll be coming from there to my office, so if I am not there precisely at 11 please wait)

Friday: 9:00am to 12:00pm

Due to high volumes, office hours will be by **Electronic Sign-Up Only**

<http://tiny.cc/RizzoHours>

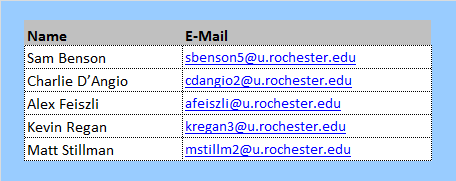
* Office Location: 236 Harkness
* Office Phone: 275-5273
* E-mail: [michael.rizzo@rochester.edu](mailto:michael.rizzo@rochester.edu)
  + Please make the subject line of your e-mail “ECO211.”
  + I do my best to respond to e-mails promptly. If you do not receive a prompt response it is either because your e-mail was regarding something I spent time on in class already, that I put in the syllabus or on the website, or came while I was in, or preparing for, class.
  + Note: this year I am attempting to take weekend sabbaticals from my computer. Therefore I will not be online, reading or returning e-mails on Saturdays and Sundays. If you have a question, ask it prior to those days, or call me. I will not be queuing up e-mails over the weekend to return them on Monday morning – so if you have something to e-mail me, wait until the weekdays to do so.
* Google Chat / Talk: [rizzo.liberty@gmail.com](mailto:rizzo.liberty@gmail.com) or [econchatter@gmail.com](mailto:econchatter@gmail.com)

Other Phone: 585-478-2677 is my cell phone. I am more than happy to chat with you from home if you need me. Please try not to call after 10:00pm. I urge you to leave a message if I do not answer, I am often found with my hands full and neglect to charge after a ringing phone due to concerns for my own, my wife’s, our animals’ and our children’s safety!

**TA Information**

The TAs have each been selected to assist with this course based on a combination of their prior performance in the 211 class, their interest in working with fellow students, their interest in the material, and their excellent character. You should treat them just as you would treat me. They are very approachable and amiable people, and have a wonderful grasp of the material for this course.

The TAs will be available for office hours. They will also be responsible for grading portions of the class assignments. You are welcome to approach any of the TAs with class related questions. Below you will find a list of their names and e-mail addresses. On the Blackboard course site, you will find additional information about their office hours and locations.



**Course Description**

Money is nearly as old as dirt. It has inspired great works of poetry and prose both to celebrate and denigrate it. Virtually every human that has ever lived has used some form of money in their economic lives. We moderns deal with it every day. Monetary and financial institutions are the most heavily regulated sector of the American economy. Every action by the Fed is watched closely by “Fed watchers”, news junkies, laymen and economists alike. Financial panics are not uncommon events. Prices increase rapidly in some countries and don’t change much at all in others. Inflation fears seem to ignite any time a single price (e.g. gasoline) rises. Many of us will have a mortgage (or two) in our lifetimes. Millions of businesses rely on loans to finance operations or invest in new plant and equipment. Hundreds of millions of individuals and institutions act as lenders and savers.

Yet, money, banking and financial markets are among the least well understood areas of the economy. A well working monetary and financial system is crucial to the high functioning of an economy. If the monetary system breaks down, commercial society is turned upside down. The best way to ensure monetary stability is through public understanding. The better we know what money is and how it can affect economic activity, the greater will be our ability to avoid future monetary crises.

This course is an intermediate-level course that breaks down the principles of money, banking and financial markets into three areas. The first part of the course will be an institutional and historical analysis of the development of money and financial institutions. The second part of the course will be a theoretical introduction to the topic. Money can be studied using the standard economic framework of supply and demand, and with it the concept of “monetary equilibrium.” We will study whether (and if so, how) disruptions in the money market can have an affect on prices, but also on the real economy, including the level of economic activity and interest rates. The final part of the course will address the tools of monetary policy, including a brief introduction to the international financial system, and ideas for how to reform existing malfunctioning banking and currency regimes (*we are unlikely to get to this section, but the readings will be provided for you)*.

**Course Materials and Resources**

There is no required textbook for the course. I have drawn together a reading list from a variety of print, online and multimedia sources. The required readings are indicated at the end of this syllabus. A more comprehensive reading list is available on the Blackboard site. If the materials are not directly available via electronic link, they have been uploaded to the Blackboard site. I will be adding additional recommended readings and links to new news and economics articles as current events dictate throughout the semester.

Several of the sections of the course are straightforward theoretical applications. For these sections, textbook treatments may be helpful. You may wish to purchase a used, inexpensive copy of Frederic Mishkin’s The Economics of Money, Banking and Financial Markets in order to have a formal treatment of the topics of interest rate determination and the elementary structure of financial markets. The Mishkin references in the readings refer to the chapters from the most recent edition of the book.

An introductory money and banking course does injustice to the complexity and subtlety of many economic issues that give them real meaning. To understand and appreciate these subtleties, it is not enough to pay attention to my classes, or to read the text, but rather to read original and analytical texts. I have also put together a collection of supplementary readings that will enrich your understanding, and hopefully increase your enjoyment of, money and banking. Many an economics student (even PhD students) will go an entire career without reading any of these original works, but yet will reference them repeatedly, and form opinions on them nonetheless. Some names may not be familiar to you, but their inclusion should indicate their importance, given the high opportunity cost involved. This is still only a preliminary list. The topics and readings are subject to change.

**Class Policies**

1. *Attendance – missed classes and late attendance*Attendance is not mandatory. However, if your lack of attendance or regular lateness for class constitutes a cost to me or your classmates, you will be asked to internalize those costs. Therefore, it is your responsibility to make up any materials missed, announcements missed, etc. Some classes will follow along the readings tightly, while others will not. The lectures are meant to amplify, supplement and modify what you might be able to do on your own. Taking good lecture notes and mastering them is essential for performing well in the course. If you miss class, I am not able to give you a mini-lecture on what you missed.
2. *Late Work*  
   Unanticipated late work will not be accepted and will receive a grade of zero. This policy is in effect in order to be fair to those students that do complete their work on time. Once again, late work on a job is not acceptable, nor is it acceptable in this class. Students with medical or other emergencies will not be penalized if a note from Health Services or Student Support Services has been provided to me.   
   1. If students decide to ask for special treatment to have their late work accepted, the act of asking will generate a 1/3 grade decrease off of their midterm, for each infraction.
3. *Rescheduling Assignments*If the timing of a certain assignment is extraordinarily difficult for you to satisfy, please see me BEFORE the assignment is due so that we can work out a solution together. When I say BEFORE, I do not mean midnight on the evening it is due, but 3 or more days advance notice is sufficient.
4. *Back-Up Your Work!!!*

Back up your work to Google Documents or another external hard drive as you are working. There is no excuse for your computer crashing causing you to lose all of your work. I have seen this too many times and cannot urge you strongly enough to regularly back up your work, or to work off of a drive that is already backed up.

1. *Students with Special Needs*If you need special accommodation for classes and / or assignments, please see me BEFORE the assignment is due or class meets so we can work out something that will make you comfortable. Students who request an accommodation must provide appropriate documentation to the Disability Coordinator in their respective college or school. A list of the various coordinators for each school [can be found here](http://www.rochester.edu/ada/cdr2.html). General accommodations made to qualified individuals in the past have included provision of assisted listening devices, note takers, and interpreters and arranging for extended test time, alternative test locations, and use of adaptive equipment.
2. *Assignment and Exam Pick-up*

I will bring graded papers, quizzes and exams back to class as soon as they are graded. If you are not there in class when they are being returned, we are not responsible for getting them back to you otherwise. Items not picked up in class will remain in the Eco 211 cubby on the second floor main hallway of Harkness Hall for only one week. Materials that are not picked up within one week of being handed back ***will be discarded***.

It is your responsibility to pick up your exams AND to check that the grades on Blackboard are entered and are entered properly. We will not accept changes or corrections once the last day of class has passed.

1. *Grading questions, changes, regrading considerations*
   1. In cases where clear grading mistakes have been made (e.g. points are added up incorrectly) please notify me immediately and I will correct them.
   2. In cases where there is a dispute over a grade, I ask that students not just “barge into my office” with a complaint. I will listen to all disputes as long as the student submits a written (or e-mailed) description to *the person that did the grading* as to why she/he feels the grade is incorrect (referencing the correct answer as well as your answer). If it is clear that we have made a mistake, we will make the change. In cases where complaints are non-specific and your submission does not address the economics of the question asked, we will not consider the request.
   3. We reserve the right to regrade other portions of the quizzes/exam or the entire quiz/examination, not merely the question in dispute. Please consider that it is highly unlikely that we only make grading “errors” in one direction, we are just as likely to make discretionary decisions and errors that work in your favor as against you.
   4. There is a one-week time limit on regrading considerations. We will not look at your quizzes or exams after 7 days have elapsed beyond us handing back the exams. Failure to respect this policy will result in a 1/3 grade drop on the assignment in question.

**Course Requirements**

1. Examinations (75% of course grade)

* You will have two examinations during this course, one midterm and a final.
* The midterm exam will count as 30% of the course grade. The final exam will count as 45% of the course grade.
* The midterm will be in class on Thursday, March 7th.
* The final examination will be a three-hour written, in-class examination. The final exam is scheduled for Thursday, May 9th from 4:00pm to 7:00pm in Hutchison 141, our regular classroom.
* There will be NO MAKEUP examinations offered for any reason for any exam. An *unannounced* missed exam will result in a grade of F. If you are excused from a midterm examination, your other class materials will count for proportionally more. There will be no make-up exams.
* No one will be permitted to take the final exam at any time other than the scheduled time unless they will be off campus due to a college sponsored event.
* NOTE: there will be work to do outside of class that I may ask you to bring in as part of your exams. This work may include doing outside readings, research and data analysis. You will have at least one week of advanced notice for any such work.

1. Book Reviews (25% of course grade)

* All students will be expected to complete a short book review, no longer than 3,000 words in length (preferable shorter, such as half that much), to be completed by 9:40am on Thursday morning, April 18th.
* The assignment is to be printed and handed in at the start of class. Papers should be stapled, with 11 or 12 point font, single-spaced but with double spaces between paragraphs. Papers that are either late (even if by 10 seconds) or do not follow the formatting guidelines will not be accepted under any circumstances.
* Papers must ALSO be delivered electronically. On Blackboard, under “Writing Assignments” I have already created the assignment area for you to submit the paper. Simply upload either a Word or PDF document by the due date. That, too, is due at 9:40am on the 18th of April.
* Your book review is going to be on a book that was written recently about the Financial Crisis of 2007-8, its causes, consequences and aftermath. In some cases I will allow the use of books that are not specific to this crisis, but that are nonetheless germane (such as Kindleberger’s Manias, Panics and Crashes or some of the work of Hyman Minsky). I have uploaded a list of suggestions on Blackboard under writing assignments and it is my hope that you will choose one of the books from this list.
* Your review is to accomplish the following:
  + A brief summary of the argument of the book.
  + Placing the argument in the larger economic context of the course and the ideas. Remember that many (all?) of these are written from a particular standpoint, advancing an idea that many hold dear. Does the author do this already? If so, illustrate, if not then please do it. For example, you might read a book saying that the entire crisis was caused by the Community Reinvestment Act. I would like for you to indicate how that fits in with other arguments that have been advanced for the causes of the crisis, even if you are persuaded that this is indeed the major problem.
  + Discuss the basic monetary/financial economics underlying the argument(s) of the book. Particularly good papers will tie the book in with what we do in lecture or what we have seen in our readings (or in readings later in the reading list that we have not already covered).
  + Illustrate what the debate among economists ***about the book*** has been. Almost every one of these books has been the subject of major book reviews, series of blog posts, podcasts, and more. I’d like for you to examine the content on those reviews and characterize what the professionals within the economics profession are saying about the books, if anything.
  + To what extent do you believe reform is possible given both economic and political realities if you take the arguments of the book seriously. What are the consequences, intended and unintended, of such reforms and illustrate what the real hard choices we face are, or if indeed there seem to be “regulatory free lunches” that seem to be able to improve the stability and performance of the financial system with little to no costs to lenders, investors, entrerpreneurs, and more.
  + Say something interesting. Make me want to share your review with your classmates and others.   
    - There are many, many resources online about how to properly write a book review. Feel free to avail yourselves of them. I again think this is more art than science and do not want you to be locked into a particular way of covering a book. I encourage you to read some popular periodicals for examples of nice full-length book reviews (such as the *New Yorker*) and to examine the London Review of Books, the New York Times Review of Books as well as the academic economic literature that includes book reviews. You will find examples in the *Journal of Economic Perspectives, the Journal of Economic Literature* as well as in many of the popular major field journals. Here, for example, are reviews I wrote for a popular labor economics journal. This one is [on an education book](http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1905&context=ilrreview). This one is about a book on [monopsony](http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1066&context=ilrreview).
    - Students are NOT required to run their book topic by me, but all ARE encouraged to come during office hours to discuss ideas and have questions answered about the book and even about your writing.
    - I will NOT be accepting drafts for review beyond Thursday, April 4th. If you would like written feedback on your work it must be handed to me before that date.

1. Writing Assignments for Students Enrolled in the W-section (See below for grading rubric)   
     
   There will be two assignments required of the students enrolled in the W section of the course.
   1. Both assignments must be completed by the start of class on Thursday, April 25th, 2013.
   2. Both may NOT be handed on that date, which means you must complete at least one of them prior to April 25th.
   3. Based on a combination of the quality of the writing and the execution of the assignment, students will receive an overall grade for the W section of either, “Beyond Satisfactory; Satisfactory; or Not Satisfactory.” In order to obtain the W credit you must obtain at least a grade of Satisfactory.
   4. If students obtain a Beyond Satisfactory grade, their final exam grade will be increased by up to a full letter grade.
   5. If students obtain a Satisfactory for the papers, their final exam scores will be unchanged.
   6. If students obtain a Not Satisfactory for the papers, their final exam score will be reduced by a full letter grade.

Under “Writing Assignments” on Blackboard I have put a folder for the W students that contains the topics for your writing. You will be putting together two very short pieces that are meant for you to discuss and characterize popular arguments in Money, Banking and Financial Markets today. I may be adding to that list as the semester goes along, and you may propose controversies to me as well.

* Your papers are to be ***no longer than 1,200 words.*** These are short papers, so do not waste writing time with unimportant and “filler” words. Make your points clearly and concisely and don’t spend too much time leading in and out of comments and observations. Make the points directly and when necessary spend your writing time explaining ideas rather than using big words.   
  + Please bring a printed copy to the start of class. Late papers, even by one minute, will not be accepted for any reason. Please ensure that they are stapled, single spaced with 11 or 12 point font, with double-spacing between paragraphs. Failure to follow formatting instructions will result in an unsatisfactory grade.
* I am NOT asking you to provide me with your opinion on the questions offered. Your task is to discuss as clearly as possible what the controversy is all about, and what the legitimate economic arguments are on each side of the arguments. There is no single best way to do this. You may wish to provide an historical narrative. You may wish to summarize two opposing academic articles on the topic. You may wish to summarize a public debate, or the discussions in a podcast, but be sure that your reader knows exactly what the controversy is all about and why it is important.
* Is there *empirical evidence from the peer-reviewed economic literature* that addresses any of the arguments made by either side? If so, what does such evidence suggest? Can you find any data to illustrate particular aspects of the arguments?
* What would you want interested readers to take away from reading your analysis? Note that this is not asking your opinion. I am asking you to make a strong closing observation or two (and please do not start that paragraph with, “In conclusion” or “it is important to note that …” Is there something missing from the debate? Is the debate more important or less important than its combatants lead on? Is there something from class that could be used to shed some light on the importance and ideas of the debate? In an ideal world, would there be any experiment you might conduct or any data you might collect to help answer the questions? And so on.   
  + Your papers, as suggested above, will be evaluated both by how well you execute the task of the assignment but also on how well you write the paper. Grammatical errors, spelling errors, sloppy writing, etc. will all be evaluated. If you have concerns or questions about your writing, it is strongly suggested that you see me as you go through the writing process and we can work on good language and writing together.
  + Part of the assignment is following instructions – this is just as important as any of the content, so please pay attention to that.

**Grading Policy**

To summarize from above, your course grade will be comprised of:

1. Midterm Exam (March 7) 30%
2. Final Exam (May 9) 45%
3. Book Review (April 18) 25%
4. W assignments, Eco211W students only (April 25) see above

You are NOT in competition with your fellow classmates for grades. **Economics is NOT a zero-sum game, nor is learning**. I have no limits on the number of A’s I will award. At the same time, I do not have a target number of scores to award either. You will receive the grade that you **earn.**

The grades will **not be curved** though they *may* be scaled to adjust for the relative difficulty of the exams. Your total score for the course will be converted into a percentage. Then, I will use the following grade scale to determine your letter grade:

94% ≤ A ≤ 100%

90% ≤ A- < 94%

88% ≤ B+ < 90%

83% ≤ B < 88%

80% ≤ B- < 83%

78% ≤ C+ < 80%

73% ≤ C < 78%

70% ≤ C- < 73%

60% ≤ D < 70%

0% ≤ E < 60%

**NOTE #1:** There will be **no rounding** for the grades in this course. For example, if your class average is an 89.995%, then your grade, per the rubric above, is a B+. You might refer [to this piece](http://theunbrokenwindow.com/2011/12/30/theres-always-someone-just-0-01-from-the-cutoff/) for additional thoughts on the matter. Further, when the problem set letter grades are given, they correspond to the *midpoints* to the above grade ranges. For example, a grade of a B corresponds to an 85%.

**NOTE #2:** The gross point totals for any of the exams or quizzes or assignments are not to be construed literally. Remember that your grade is a weighted average percentage score you obtain on each assignment. For example, I may offer an exam out of 30 points and another out of only 10. That does NOT mean the first exam counts for more. For example, suppose you scored a 30 of 30 on the first one and a 3 of 10 on the second. Your class average for these two exams is NOT 33 of 40 or an 82.5%, but rather it is the average of 100% and 30%, which is 65%

**NOTE #3:** There are no extra credit opportunities in this class.

**NOTE #4:** It is your responsibility to make sure your grades are accurately reflected in Blackboard at all times. We will not make changes to your grades once the final exam has been given. So please check after each exams and assignments have been returned that your grade on the paper is exactly as it appears in Blackboard and vice versa.

**NOTE #5:** Your final grade, based on the terms of this syllabus, is non-negotiable. I will make myself abundantly available in my office, via e-mail, Google chat and telephone to assist you. If you are having trouble in the course, the time to see me is well before exams and papers are due. As we go through the course, I will provide more advice on how to do well in the class. These strategies include:

1. Attending classes (even though it is not mandatory);
2. Doing the readings (attending lectures can never be a substitute for reading. The lectures give you a broad overview; the readings supply details and, if read with care, will "drive home" the main points);
3. Do the review problems and re-practice the midterm questions; think of problems yourself!
4. Read broadly outside of the class. We post articles, videos and other material regularly on the blackboard site and my website. Plus there are dozens of magazines, newspapers, blogs, journals, etc. that write on issues related to the course. Fully engaging with and enjoying the material is the best way to master it, and appreciate it. We will do our best to provide you with as many opportunities for this as we can;
5. Study like a serious student. Consider carefully and neatly re-writing your notes, combining information from the lectures with information from the readings. I do not believe studying with other students is an effective way to learn the material. Grapple with readings and problems on your own. Bring up points of confusion with the TAs or with me in class. Offer up points of confusion to group members, but I worry that when people study together they may be lazy, or they may all end up making the same mistakes. And certainly do not wait until the last minute to study. That way, if you still find yourself confused about some topic, you can …
6. See me. Please do not end up being one of those students who never sees me at all all term, but then comes to my office during the last week of class to inform me that he or she hasn't understood anything. There is very little I can do for such a student. So, if you are inclined to panic, please panic early!
7. My view is that you will need to spend at least five or more hours per week *outside of class* reading, studying, working on problems, etc. to do well in the class. I used to do more than this.

**NOTE #6:** Past course performance is not a perfect indicator of future performance.

**NOTE #7:** In response to the types of concerns and questions regarding grades that have come up in the past, please consider the following.

The overall point total on Blackboard does not mean anything. Blackboard is merely the repository of your raw course scores for each assignment. The grades are calculated according to the guidelines set forth on the syllabus.

**Academic Honesty**

Academic honesty is a serious matter; students in this course are expected to strictly abide by the College of Arts and Science’s Academic Honesty Policy. The entire policy can be [read here](http://www.rochester.edu/college/honesty/docs/Academic_Honesty.pdf). More information about these policies can be found at this [website](http://www.rochester.edu/College/honesty/). If I suspect a student of compromising their honesty or integrity, I am bound by university policy to report the incident to the Board of Academic Honesty. Note that by university policy I am **not** permitted to handle cases of suspected dishonesty on my own with the exception of there being a very clear cut case of misunderstanding.

When I announce that a particular assignment is to be completed individually, we mean it.

We vigorously monitor the exams for violations of the honesty policy.

If I give early exams, I have decided that the fairest and most efficient way to do this is to give the same exact exam to early takers as everyone else. This puts me in the position of having to trust you to keep the questions on the exam confidential. By taking the early exam you acknowledge this, and any suspected sharing of questions (or anything else that might be deemed an inappropriate advantage) will be met with the harshest penalty possible – for both the givers and receivers of assistance. I cannot emphasize this strongly enough.

Penalties in the past for violations of academic honesty have included outright expulsion from the University of Rochester. I will not tolerate academic dishonesty and should you find yourself in a position to do the wrong thing, ask yourselves whether the benefits really outweigh the costs – and remember that I will vigorously seek the maximum punishment for the offense.

**Course Topics**

We have only 28 class meetings to work with (and one will be taken up by an exam). In order to keep the pace of the course flexible and the content adaptable, I will include an outline of the topics and readings I’d like to cover, but the specific dates (as well as the topics) and relevant readings are subject to change. I am targeting to complete through Section 10 for the course. What follows are only the required readings as determined by the start of class. Additional readings may be assigned during the semester. A full reading list (with supplemental readings) is available on Blackboard.

**LECTURES AND REQUIRED READING ASSIGNMENTS**

PART I: INSTITUTIONS

1. Why Study Money?

Wells, H.G., 1908. *A Modern Utopia,* Chapter 3, “Utopian Economics.” [Available online](http://www.online-literature.com/wellshg/modern-utopia/3/).

2. The Nature and Functions of Money

Radford, R.A. 1945. “The Economic Organization of a P.O.W. Camp.” *Economica,* XII, No. 48, New Series, pp. 189-201. [Available online](http://www.jstor.org.ezp.lib.rochester.edu/stable/2550133).

Weatherford, Jack, 1998. *The History of Money,* Three Rivers Press. Chapter 1: Cannibals, Chocolate and Cash. Uploaded to Blackboard “Readings/Uploaded Readings.”

3. The Evolution of Money

Menger, Carl, 1871. “The Theory of Money,” in *Principles of Economics.* Mises Institute. [Available online](http://mises.org/etexts/menger/eight.asp).   
  
Selgin, George, 1996. “Salvaging Gresham's Law: the Good, the Bad, and the Illegal,” *Journal of Money, Credit and Banking,* Vol. 28, No. 4, pp. 637-649. [Available online](http://www.jstor.org/stable/2078075).

Lerner, Abba, 1947. “Money as a Creature of the State,” *American Economic Review,* Vol. 37, No. 2, pp. 312-317. [Available online](http://www.jstor.org/stable/1821139).

Tymoigne, Eric and L. Randall Wray, 2005. “Money: An Alternative Story,” *CFEPS Working Paper 45,* July 2005. [Available online](http://www.cfeps.org/pubs/wp-pdf/WP45-Tymoigne-Wray.pdf).

4. The Origins of Banking and the Clearinghouses – This is a Large Section and Really Covers All of the Following (see after the readings)

Mishkin, Chapters on: Understanding Interest Rates, The Behavior of Interest Rates, and the Risk and Term Structure of Interest Rates.

Selgin, George and Lawrence White, 1985. “The Evolution of a Free Banking System,” NYU CV Starr Center for Applied Economics Working Paper # RR85-38. [Available online](http://econ.as.nyu.edu/docs/IO/9398/RR85-38.pdf).

Demsetz, Harold, 1968. “The Costs of Transacting,” *Quarterly Journal of Economics,* Vol. 82, No. 1, pp. 33-53. [Available online](http://web.cenet.org.cn/upfile/100078.pdf).

**Section 4 Content:**

**Subsection a)** The theory of interest rate determination (and applications)

**Subsection b)** What are financial markets and what happens in financial markets?

**Subsection c)** What is intermediation and the role of indirect finance?

**Subsection d)** The Basic Accounting Identity and Different Types of Financial Institutions

**Subsection e)** Interlude: Government Sponsored Enterprises, in particular Fannie and Freddie

**Subsection f)** Bond pricing

**Subsection g)** The term structure of interest rates

**Subsection h)** Interlude: Futures

**Subsection i)** Origins of Commercial Banking

**Subsection j)** Evolution of the Payment System and Competition in the Banking Sector

5. Central Banks and Fiat Money

Dowd, Kevin. "The Establishment of Central Banking." Uploaded to Blackboard under Readings/Uploaded Readings/Reserve Readings.

Bagehot, Walter, 1873. *Lombard Street: A Description of the Money Market,* London: Henry S. King and Co. Read the introductions by Harley Withers. [Available online](http://www.econlib.org/library/Bagehot/bagLom0.html#Introductions,%20by%20Hartley%20Withers). You may wish to refer to the rest of the book throughout the course.

6. The Development of Banking in the United States

McCarthy, F. Ward, 1984. “The Evolution of Bank Regulatory Structure: A Reappraisal,” *Federal Reserve Bank of Richmond Economic Review.* [Available online](http://www.richmondfed.org/publications/research/economic_review/1984/pdf/er700201.pdf).

Trivoli, George, 1979. "The Suffolk Bank: A Study of a Free–enterprise Clearing System," [*Adam Smith Institute*](http://en.wikipedia.org/wiki/Adam_Smith_Institute). [Available online](http://www.adamsmith.org/images/stories/suffolkbank.pdf).

Dwyer, Gerald P. 1996. "Wildcat Banking, Banking Panics, and Free Banking in the United States", *Federal Reserve Bank of Atlanta Economic Review.* [Available online](http://www.frbatlanta.org/filelegacydocs/ACFCE.pdf).

Summers, Brian, 1976. “Private Coinage in America,” *The Freeman.* [Available online](http://www.thefreemanonline.org/featured/private-coinage-in-america/).

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PART III: POLICY (see Blackboard)

**Important Dates for Money and Banking**

**Spring 2013**

1. **Thursday, March 7th Midterm Exam (in class)**
2. **Thursday, April 18th Book Reviews Due at the start of class,**

**printed and uploaded to BB. No**

**exceptions.**

1. **Thursday, April 25th Last day for Second W assignment to be**

**handed in. First one must be handed in**

**prior to this date. This is for students**

**enrolled on Eco 211W only.**

1. **Tuesday, April 30th Last Class**
2. **Thursday, May 9th Final Exam (4:00pm in Hubbell)**