

Brandeis University
Department of Economics
Fall 2012

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**ECONOMICS 172B
MONEY AND BANKING
PRELIMINARY SYLLABUS**

Course description: This course provides an overview of the financial system and its place in the economy. Topics include (1) the monetary and payments systems, (2) financial instruments and their pricing, (3) the functions of financial markets and financial intermediaries in our economy, (4) the role of governments and central banks in supporting the financial system, and (5) the conduct of monetary policy and its macroeconomic effects. Special emphasis will be placed on what we can learn from recent events relating to the financial system, its regulation, and central banking. We will also examine some of the potential challenges facing the Federal Reserve System moving forward.

Learning Goals: This course has five broad goals. (1) By the end of the semester, every student should have a better understanding of the role the financial system and financial prices play in allocating resources in developed economies. (2) Every student should be familiar with current economic thinking on what explains the division of labor between financial markets and financial intermediaries. (3) Every student should be able to explain some of the dynamics at work in financial crises. (4) Every student should have an enhanced understanding of the channels through which monetary policy affects the economy. (5) Every student should have greater knowledge of financial instruments and institutions, e.g., bank checks, commercial paper, commercial banks, the Federal Reserve System.

Meeting times: MWTh 1:00 - 1:50.

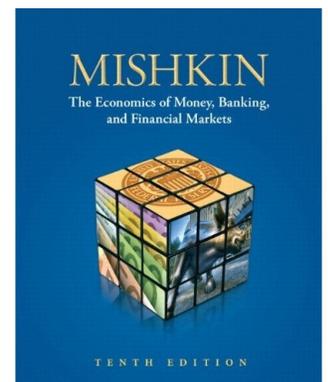
Classroom: TBD.

Office hours: MWTh 2:30-4:00.

Prerequisites: Macroeconomic Theory (Economics 82b) and Statistics for Economic Analysis (Economics 83a).

Textbook: The required textbook for this course is Frederic S. Mishkin, *The Economics of Money, Banking, and Financial Markets*, 10th Edition (Addison-Wesley, 2013).

Supplementary materials will be posted in LATTE on a topic-by-topic basis. You are also encouraged to keep up with current economic and financial events by reading [*The New York Times*](#), [*The Economist*](#), the [*Financial Times*](#), [*The Wall Street Journal*](#), or similar publications.



Grading: Grades will be assigned according to a curve of the raw course scores computed using the following formula:

Problem sets	10%
Exam I	10%
Exam II	25%
Exam III	25%
Final Exam	30%

Class participation can also influence your grade. To help you track your progress over the semester, I will post a rough grade distribution for each midterm in LATTE.

Exams: The topics and chapters covered on each of the exams are given in the course outline below. The exams may include any material from class, the text, the homework, and course supplements. Sample exams will be posted in LATTE.

Homework: Homework assignments and due dates will be posted in LATTE

“Extra-credit” assignments: Please note that I will not give any “extra-credit” assignments.

Policies.

Attendance: Class attendance is required and will be monitored over the semester.

Excused absences: If there is an emergency in your family or you experience health problems during the semester, **please contact your advisor at Academic Services.** Your advisor will then inform me, along with your other professors. At an appropriate time, we will then determine what to do about the work you missed.

Information dissemination: Course information will be posted in LATTE. You are responsible for checking the LATTE course page frequently. Any significant changes to our schedule will be announced via email.

Contacting me: In addition to my office hours, the best way to contact me is via email. I check my email regularly. I do not routinely check my office voicemail when I am away from campus so I cannot guarantee a timely response to voicemail messages.

Accommodations: If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me immediately. Such accommodations cannot be provided retroactively.

Academic integrity: You are expected to be familiar with and to follow the University’s policies on academic integrity (see <http://www.brandeis.edu/studentaffairs/srcs/ai/index.html>). Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University.

COURSE OUTLINE

8/30: Introduction and Course Organization chs. 1 & 2

I. The Monetary and Payment Systems

9/5:	Money: Definitions and Concepts	ch. 3
9/6 & 10	Retail Payments	ch. 3
9/12 & 13	Wholesale Payments	ch. 3
9/17:	The Federal Reserve and Wholesale Payments	ch. 3

9/24: Exam I covering Section I

II. Financial Instruments and their Pricing

9/19 & 20:	Financial Instruments	ch. 2
9/27 & 10/3:	Security Valuation and Analysis	chs. 4 & 7, pp. 141-44
10/4:	The Determinants of Interest Rates	ch. 5
10/9 & 10:	Explaining Variation in Security Returns	ch. 6
10/11:	The Term Structure of Interest Rates	ch. 6
10/15 & 17:	Derivative Securities	

10/24: Exam II covering Section II

III. Financial Intermediaries

10/18 & 22:	Why Financial Intermediaries Exist	chs. 2 & 8
10/25 & 29:	Financial Crises	ch. 9
10/31 - 11/5:	Depository Intermediaries	ch. 10
11/7 - 12:	Regulation	chs. 11 & 12

11/19: Exam III covering Section III

IV. Central Banking

11/14:	The Macroeconomic Goals of Monetary Policy	ch. 13
11/15:	The Structure of the Federal Reserve System	ch. 13
11/26 & 28:	The Money Supply Process and Money Multiplier	ch. 14
11/29 & 12/3:	The Implementation of Monetary Policy	chs. 15 & 16
12/5 - 12/10:	The Monetary Transmission Mechanism	ch. 25
12/12:	Current Challenges of Monetary Policy	

TBA: The final focuses on Section IV but will include questions about earlier material
