

Syllabus for Econ 160: Money and Banking Winter 2020

11am-11:50am BUNCHE 1209B

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Final: Monday, March 16, 2020, 3:00 PM - 6:00 PM

1 Course Description

This course brings a fresh perspective to today's major questions surrounding financial policy. Money and Banking Course offers students a unique viewpoint and informed insight into the monetary policy process, the regulation and supervision of the financial system, and the internationalization of financial markets. Most important, the intertwining of previously separate capital markets and money markets has produced a system with new dynamics as well as new vulnerabilities. That's the reason this course also studies dealers, in both capital markets and money markets, as suppliers of market liquidity to the new system of market-based credit. The course also studies central banks' new role as dealers of last resort after the financial crisis. The result was nearly a decade of innovation by central banking authorities in an effort to stem the collapse.

2 Prerequisites

ECON 101.

3 Textbook

The main textbook is:

- **The Economics of Money, Banking, and Financial Markets**, by Frederic S. Mishkin, 12th edition.

However, the course will also cover a few chapters from the following*:

- **Trading and Exchanges: Market Microstructure for Practitioners**, by Larry Harris, 1st Edition.

**This book is optional.*

4 Grade Distribution

The composition of the final grade will be roughly as follows:

- Midterm 1 Exam 15%
- Midterm 2 Exam 15%
- Group Project: Book Review 30%
- ECON Lowdown Biweekly Quiz 10%
- Final 30%

** Active participation has up to 10 percent *credit*. Participation includes but not limited to regular class attendance, asking questions, regular use of office hours. Please note that as this 10 percent is in form of credit, it is totally at the discretion of the instructor.

5 ECON Lowdown- FREDcast

Part of workload for this class is your active engagement with online platforms, **ECON Lowdown** and **FREDcast**:

5.1 ECON Lowdown and Biweekly Quiz

Every two weeks, students must read materials for the topic assigned to that period and take the quiz at the end of each period:

| ECON Lowdown Readings and Quiz | | |
|--------------------------------|---|---------------|
| Period | Topic | Quiz Deadline |
| Week 1 and 2 | | |
| 01/6-01/20 | Capital Markets | Jan, 20th |
| Week 3 and 4 | | |
| 0/21- 02/03 | A New Frontier: Monetary Policy with Ample Reserves | Feb, 3rd |
| Week 5 and 6 | | |
| 02/04- 02/17 | The Benefit of the Fiat Money System | Feb, 17th |
| Week 7 and 8 | | |
| 02/17-03/02 | Bitcoin: Money or Financial Investment | March, 2nd |

5.2 Instruction to Join ECON Lowdown

Students should:

1. Visit the Econ Lowdown student login page: <https://www.econlowdown.org/student>
2. Click the **Google** Log In button.
3. Log in to their **Google account**.
4. Click “Join a classroom” and enter the Classroom Join Code “**TaRrhEr**”

5.3 FREDCast

You should also participate in the forecasting game through FREDCast, which is part of the ECON Lowdown website.

- The deadline to enter your forecast for January is on January 20th.
- The deadline for February and March will be announced later in the quarter.

6 Group Project: Book Review

- This project is a 2000-word paper that uses the concepts of the class to write a critical assessment of the “The New Lombard Street: How the Fed Became the Dealer of Last Resort” by Perry Mehrling.
- The deadline is **Friday, March 13th, by 11:59 pm**.
- This is a hard deadline and cannot be extended.
- Link to the book*: https://press.princeton.edu/class_use/courses/mehrling

**Princeton University Press is delighted to provide free online access to this title*

6.1 Groups

- Every group should constitute **3** students.
- If you want to choose your group mates, send me an email with the name of students in your group and their email address by **Friday, January 17th**.
- Please make sure you write “ECON 160 Book Review Project” in the title of the email. If you do not have group mates, I will assign you to a group.
- Every group should choose three chapters of the book **plus** the introduction.

6.2 Essay’s format

- The main body of the essay should not exceed **2,000 words**.
- This is around 4 pages single spaced or 8 pages double spaced.

- Your essay should have a reference page.

It also should provide a cover page that clearly mentions this information:

- Full name of group members and their emails.
- The covered chapters.
- The contribution of each group members.
- The Title for your essay.

6.3 Guideline

Here is a short guideline on how to write this essay. To get the full grade, please make sure you read the guideline carefully:

- This book project is a critical evaluation of Mehrling's book and should have an argument.
- The most important feature of this review project is that it is a commentary, not a summary.
- You should enter a dialogue with the book's author and other audiences, including but not limited to, me and my graders.
- The maximum grade you will get for submitting even a very good summary of Mehrling's is 40/100.

Instead, your essay should share these common features:

First, a review gives the reader a concise summary of the content. This includes a relevant description of the topic as well as its overall perspective, argument, or purpose.

Second, and more importantly, a review offers a critical assessment of the content. This involves your reactions to the work under review: what are the main thesis of the book, which difference strikes you as noteworthy, whether or not it was effective or persuasive, and how it enhanced your understanding of the issues at hand.

Third, your essay should compare Mehrling's main thesis with the standard theories. Your essay should describe what are the differences and similarities between Mehrling's ideas and standard theories as we learn from Mishkin's, and

Finally, in addition to analyzing the work, a review often suggests whether or not the audience would appreciate it.

6.4 Submission

- Just one member of the group requires to submit the project on behalf of the whole group.
- The essay should be submitted **electronically**.

- The deadline is Friday, March 13th, by 11:59 pm. No extensions will be granted.

6.5 Extra Office Hours for Writing Project

From week 5 onwards, there will be an additional office hour to guide you through your writing project.

7 Policy on Missed Exams

–Exams must be taken at their scheduled time.

Please note that under no circumstances will a makeup exam be administered if a student misses a midterm. If a student has a valid medical excuse and can provide written documentation of such of an excuse, or if the student has received prior permission (at least one week in advance of the exam) to miss an exam from the instructor, then additional weight will be placed on the final exam.

–Any documentation provided, such as a doctor’s note, should clearly state that the student was incapacitated and was therefore unable to take the exam, or faced a serious impediment that prevented attendance at the exam. A student who misses an exam without a valid, verifiable excuse will receive a zero.

–If due to a verifiable emergency, a student misses the final exam, then that student will be required to take a makeup final exam administered by the department at the officially announced day and time. If a student misses all exams this student will receive an automatic grade of “F”.

8 Lectures

–On Fridays of each week, we start the class by discussing a relevant news article, typically from FT, WSJ or The Economist. These articles will be posted in the course website a few days prior to Friday.

–The material is difficult and cumulative. To be successful in the class it is very important for you to read the relevant material before class.

9 Discussion Sessions

–*From Week 2 onwards*, there will be a weekly discussion session to discuss papers that captures advance topics on Monetary Economics and Finance. These papers will be posted on the course website a week in advance.

–These sessions are not mandatory although they are highly recommended.

9.1 Other Materials

Students should be regularly checking the developments in capital and money market. Some of the excellent resources are as below:

- FRB Balance Sheet https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm
- Enhanced Financial Accounts <https://www.federalreserve.gov/releases/efa/enhanced-financial-accounts.htm>
- Quarterly Trends for Consolidated U.S. Banking Organizations https://www.newyorkfed.org/research/banking_research/quarterly_trends.html
- Indicators and Data: Cleveland Fed <https://www.clevelandfed.org/en/our-research/indicators-and-data.aspx>
- Monitoring Systemic Risk in U.S. Financial System: OFR <https://www.financialresearch.gov/>
- U.S. Treasury Yields and Yield Curve <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>
- Derivatives Statistics: BIS <https://www.bis.org/statistics/extderiv.htm?m=6%7C32%7C616>
- Markets Data: New York Fed <https://www.newyorkfed.org/markets/data-hub>
- Capital Market and Securitization data: SIFMA <https://states.sifma.org/#states>
- Economics in Brief: Banque de France <https://publications.banque-france.fr/en/liste-rubrique/economics-brief-0>

Please note that this list is not exhaustive. Students are required to be well-informed about other resources.

10 Accommodation and Center for Accessible Education

-Any student with a pre-existing illness or condition who requests special arrangements must (a) qualify under CAE rules for such special arrangements and (b) must take the exam with CAE. Any such arrangements with CAE must be made the first week of classes, or as soon as possible. The instructor must be informed of any such arrangement in the first week of classes.

-For additional information and the qualification conditions of Center for Accessible Education (CAE), please visit their website at <https://www.cae.ucla.edu/>

11 Academic Dishonesty

-Students have an obligation to integrity in all academic work. Submission of test answers to be counted towards the course grade automatically imply a personal pledge that the student has neither given nor received unapproved information about the test, whether by copying answers, exchanging unauthorized prior information, etc. The college may initiate disciplinary proceedings against a student accused of scholastic dishonesty.

–Scholastic dishonesty may involve one or more of the following acts: cheating, plagiarism, and/or falsifying academic records.

–Cheating is the willful giving or receiving of information in an unauthorized manner during an examination, illicitly obtaining examination questions in advance, using someone else's work for assignments as if it were one's own, or any other dishonest means of attempting to fulfill the requirements of the course.

–Any cases of cheating will be reported to the Office of the Dean of Students.

–For more details please refer to the Office of the Dean of Students website at <https://www.deanofstudents.ucla.edu/>

12 Provisions for Possible Syllabus Revisions

There may be changes in the assignments and topics. Students are responsible for learning of any changes in the syllabus that are announced during class.

13 Tentative Course Outline

The weekly coverage might be different from this outline as it depends on the progress of the class:

| Course Outline | | |
|----------------------|---|-----------------------------|
| Date | Topic | Reading |
| Week 1 | | |
| | The Stock Market and the Theory of Rational Expectations | Mishkin, Chapt. 7 |
| Week 2 | | |
| | Economics of Dealers Function: Liquidity Suppliers | Harris, Part IV |
| Week 3 | | |
| Jan 20th Jan 22nd | Martin Luther King, Jr. holiday The Money Supply Process | Mishkin, Chapt. 14 |
| Week 4 | | |
| Jan 29th Jan 31st | Midterm Preparation Midterm | |
| Week 5 | | |
| | The Tools of Monetary Policy | Mishkin, Chapt. 15 |
| Week 6 | | |
| | The Conduct of Monetary Policy: Strategy and Tactics | Mishkin, Chapt. 16 |
| Week 7 | | |
| Feb 17th | Presidents' Day holiday | |
| Week 8 | | |
| Feb 26th Feb 28th | Midterm 2 Review Session Midterm 2 | It is Not Cumulative |
| Week 9 | | |
| | The Transmission Mechanisms of Monetary Policy | Mishkin, Chapt. 25 |
| Week 10 | | |
| March 13th | Review for Final Exam | |
| Final | | |
| March 16th | It is Cumulative | |