NORTHWESTERN UNIVERSITY
Department of Economics

Economics 308—Money and Banking

Eric Schulz KGH 3193
eschulz@northwestern.edu 491-8204

Important: It is my assumption, as well as that of Northwestern University, that you will attend every class. The following is tentative. You are responsible for any changes or additions to what follows that may be announced in class, as well as all class material. Some class material will be posted on Canvas; some may be handed out in class instead. Should you for whatever reason miss a class, it is your responsibility to get the notes from someone in the class and to ask during office hours should you have any questions after studying them. Please note that the specifics of this course syllabus are subject to change in the case of unforeseen circumstances. Instructors will notify students of any changes as soon as possible. Students will be responsible for abiding by the changes.

Purpose: This course presents a smorgasbord of topics related to money and banking. Topics include: Financial market details, perceptions of financial markets in society, and their actual role in society; the behavior of asset markets; the term structure of interest rates and its significance; the structure and role of banks in the economy and society; the causes and consequences of financial crises, both perceived and actual; the structure, history, and functions of the Federal Reserve System, modern monetary theory and policy.

Texts: The text for the course is Money, Banking, and Financial Markets, 6th ed. by Cecchetti & Schoenholtz, McGraw Hill, 2021. Also required is *A Random Walk Down Wall Street* by Burton G. Malkiel, W.W. Norton, 2023 edition. Other readings may also be made available as the quarter progresses. The material covered in class will generally correspond to the material assigned in the texts, although the lectures may present the material from a different point of view. Lectures should be viewed as complements to, rather than as substitutes for, the readings.

Method of Evaluation: There will be two exams (each accounting for 40% of the total possible points), and a quiz (which accounts for the remaining 20%). Class participation certainly will be considered in borderline cases.

Office Hours: Starting on Wednesday, January 15: I'll be available Mondays and Wednesdays starting at 7:30 PM in Swift 107. I'll stay to answer questions until they run out or 8:30 PM, whichever comes first. I'll also be available online for individual sessions on Tuesdays, typically in the evening or late afternoon for a couple of hours. Students will be able to request a meeting after I announce the exact times of availability on Monday night. Extra office hours will also be held prior to the exams.

Section: Attendance at the weekly section is expected and required on the day of the quiz. The sections will be used to discuss homework problems, to expand on ideas presented in lecture or in the text, and to address questions that you may have. The TA will announce her office hours during the first section meeting, which will be held during the second week of classes.

Examination Policies and Dates:

Exam 1—Wednesday, February 5
Exam 2—Monday, March 10
Quiz—Friday, February 21

Should unforeseen circumstances prevent us from using any of the dates above (e.g., a snowstorm), we'll plan then on giving Exam 1 on Monday, February 10, the quiz on Friday, February 28, and Exam 2 during the regularly scheduled exam time on Friday of exam week. Failure to be there will result in a score of ZERO on the exam.

We'll broadly discuss the quiz during the first week and then in detail following our midterm.

Excuses for absences from the exams will be accepted only in real cases of illness (with verification from the student health center by signing the consent form or a doctor's excuse) or emergency. If an absence from a midterm is unexcused, the student is subject to receiving a grade of zero for that exam

The class re-grade policy will be posted on Canvas later in the quarter. Happily, it's rare that a Northwestern student chooses to cheat but I am required to report any evidence of cheating to the Dean's office immediately with no discussion with the student. No cheating is allowed in any way in this class.

Northwestern University owns a copyright on all class material, including the lectures. <u>No recording of classes is allowed. Posting of class material (e.g., homework sets) online is not allowed.</u>

Due to comments from students regarding the negative externalities involved, the following policies hold: No reading of newspapers or chatting during class. Cell phones are to be put away (in your pocket, purse, or bookbag) and have their ringers turned off for the entire class. If you are unable to resist the impulse to check messages and text, you are welcome to very quietly leave the room to do so. No laptop/notebook computers/electronics allowed. <u>Violation of this policy is subject to a penalty (which may include extra reading for the entire class) with no warning.</u>

Course Outline: What follows is a really rough outline of the material we may cover. I'll post a separate reading list each week that will indicate where we are in the text at that time. Changes may well be made depending on time constraints.

Week	Topics	Chapters
1-6	Intro; Money; Financial System	1, 2, 3
1-13	Present Value; Risk; Bond Prices	4, 5, 6
1-20	Term Structure; Stock Market	7, 8
1-27	Stock Market; Financial Intermediation	8, 11
2-3	Banks; Financial System Stuff	12, 13, 14
2-10	Central Banking; Money Supply Process	15, 16, 17
2-17	Monetary Policy; Money Growth	18, 20
2-24	Y, Π, & Monetary Policy; Business Cycles	21, 22
3-3	Modern Monetary Policy	23

We'll also read chapters of Malkiel to be determined later.