

# Econ 308: Money and Banking

## Winter 2024

### 1. Contact Information

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### 2. Prerequisites

Prerequisites are Econ 310-1, Econ 311, and Math 220 (or comparable background).

### 3. Course Overview

The course examines money, banking, and financial markets in the modern economy. It starts with a close look at the details of money and monetary policy today: what money is, what central banks do, and why it matters for economic outcomes. We'll contrast the current environment, some of which evolved recently in response to the 2008 financial crisis and recession, with earlier monetary frameworks—each of which eventually collapsed, sometimes with catastrophic consequences. We'll also discuss the recent surge in inflation and how monetary policy has responded.

In the second part of the course, we'll broaden our purview, looking at the structure of financial flows and intermediation in the economy as a whole. We will start by studying fixed income and equity markets, and then move to banking, covering banks' evolving structure and role, as well as the matching response of financial regulation.

### 4. Organization and Class Times

Regular lectures: Tuesday and Thursday, 12:30 to 1:50 PM, Frances Searle Building  
Room 1421

TA session: Friday, 12:00 to 12:50 PM, Harris Hall L07

## 5. Exams

The **midterm exam** is in person, scheduled in-class for **Tuesday, February 6**.

The **final exam** is in person, scheduled **Monday, March 11, 3 to 5 PM**. The final exam will be cumulative (it will include questions on material covered throughout the entire course).

All exam dates are fixed and not negotiable. If you miss the midterm, have notified me in advance, and have a legitimate excuse (e.g. a documented medical issue), the weight of the midterm will be shifted to the final exam for computation of the course grade. If you miss the final, you will not receive credit for the class.

## 6. Evaluation

The course grade will be based on problem sets (25%), one midterm exam (25%), and a final exam (50%).

## 7. Problem Sets

As noted above, problem sets will account for 25% of the course grade.

There will be 3 or 4 problem sets. The due date and time will be specified on the first page of each problem set, and problem sets must be handed in on time (on Canvas) to receive credit.

All problem sets can be prepared in teams of up to 3 members. *Each team can turn in just one copy of the assignment; please make sure you write the names of all team members when you turn them in.* Students are encouraged to work together in teams.

## 8. Textbook

There is no textbook for the course, since money and banking have changed rapidly in response to recent events, in a way that isn't really covered by *any* textbook.

Some of the course material is related to *The Economics of Money, Banking, and Financial Markets*, by Frederic S. Mishkin (any from the 10<sup>th</sup> edition onward), but this is only a voluntary supplement if you'd like one, and is not an official textbook for the class.

Various other readings and materials will also be posted.

## 9. Course Outline

The following is a very rough outline of course and lecture content.

- Week 1 (1/4):** Introduction, discussion of recent events
- Week 2 (1/9, 1/11):** Intro to money and monetary policy. How money and monetary policy work, especially after major changes post-2008.
- Week 3 (1/16, 1/18):** The monetary transmission mechanism to real economic outcomes, along with monetary institutions worldwide.
- Week 4 (1/23, 1/25):** Inflation: what it is, what causes it, its costs and consequences, and control using monetary policy.
- Week 5 (1/30, 2/1):** Modern monetary history and review.
- Week 6 (2/6, 2/8):** **Midterm exam in class on Tuesday, 2/6.** More detailed introduction to interest rates.
- Week 7 (2/13, 2/15):** Interest rates (in more detail). What do fixed income instruments look like, and how are yield, duration, etc. measured? What drives term structure?
- Week 8 (2/20, 2/22):** Equity markets: valuation, equity premium puzzle, efficient market hypothesis, CAPM, anomalies, and various recent developments.
- Week 9 (2/27, 2/29):** Finishing equity markets. Banking. Purpose of banks, structure of bank balance sheets, and regulation, especially post-crisis changes in regulation.
- Week 10 (3/5):** Finishing banking and review.