

Ricardo Santos
Spring 2008

Eco 211 : Money, Credit, and Banking

Objective

Examine how financial markets and financial institutions work, and explore the role of money in the economy.

Class Hours

Lectures will be held on Mondays and Wednesdays from 2:00pm to 3:15pm in Lattimore 201. There will be three recitations each week. They'll take place on Thursdays (3:25pm-4:40pm in Morey 401) and Fridays (2:00pm-3:15pm in Harkness 115; 3:25pm-4:40pm in Meliora 219).

Office Hours

I'll hold office hours in my office (Harkness 222) on Mondays and Wednesdays (this day by appointment only) from 10h30am to 11h30am. You can also contact me at rsantos@troi.cc.rochester.edu **although** at busy times you will get a prompter response if you stop by during the office hour. The TA's are Mehmet Ekinci, Michal Kuklik, and Johnny Chen. Their information is as follows:

Mehmet

- recitation: Thursdays 3:25pm-4:40pm Morey 401
- office hour: Thursdays 11:00am-11:50am Bausch & Lomb 269
- email contact: mekinci@troi.cc.rochester.edu

Michal

- recitation: Fridays 3:25pm-4:40pm Meliora 219
- office hour: Fridays 4:40pm-5:40pm Bausch & Lomb 269
- email contact: Michal.kuklik@rochester.edu

Johnny

- recitation: Fridays 2:00pm-3:15pm Harkness 115
- office hour: Tuesdays 02:00pm-03:00pm Harkness 220
- email contact: qchen2@mail.rochester.edu

E-mail list

If at the moment of the first class you are registered for this course you are automatically included in the class email list. If not, make sure to register and to personally provide me your email address. This will be the main way I will make announcements and communicate with the class. Also make sure your email with the registrar's office is operational.

Course Website

I will also make significant use of the course website to communicate with the class. In particular, homework assignments and some figures to follow in class will be posted here (and will *not* be distributed as hard copies). Most announcements will also be posted on the site, so make sure to check it regularly at <http://troi.cc.rochester.edu/~rsantos/>.

Textbook

“The Economics of Money, Banking, and Financial Markets”, 8th edition, by Frederic S. Mishkin, by Addison Wesley Publishing. It is available for purchase at the campus bookstore and there is also one copy on reserve at Rush Rhees library.

Grading

In-class Quizzes (around 10): 15% (the lowest score will be dropped)
Two Midterms: 25% each (20th February, 31st March)
Final: 35% (U of R schedule: 06th May at 4h00pm)

Make-up Exams

The only acceptable excuses for missing an exam are medical illnesses or family emergencies. Any exam that is missed without a *verifiable* legitimate reason will receive a grade of zero. Moreover, if you have a legitimate excuse and you will not be able to take an exam on time, you need to let me know *before* the exam. Furthermore, there is no make-up for a missed quiz for any reason; however, the quiz with lowest score will be dropped.

Syllabus

I – Introduction

- Why study money, banking, and financial markets (*Chapter 1*)
- The financial system (*Chapter 2*)
- Money (*Chapter 3*)

II – Financial Markets

- Determination of interest rates (*Chapters 4 and 5*)
- Duration and interest rate risk
- Models of asset pricing
- Risk and Term structure of interest rates (*Chapter 6*)
- The stock market, the theory of rational expectations, and the efficient market hypothesis (*Chapter 7*)

III – Financial Institutions

- Financial structure and economic efficiency (*Chapter 8*)
- Information problems (Adverse selection and Moral Hazard)
- Banking (*Chapters 9, 12, and 16*)

IV – Monetary Policy

- The determination of money supply (*Chapters 13 and 14*)

V – Monetary Theory

- AD-AS framework (*Chapter 22*)
- Money and Inflation (*Chapter 24*)
- Rational Expectations and policy effectiveness (*Chapter 25*)