

Money and Banking
Economics 130
UCSC
Winter 2009

Professor Michael Hutchison
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Class Hours: T/Th 10-12noon
Location: Soc Sci 1, Rm 110
Office Hours: 1-2pm Th
and by appointment

Syllabus

This course is an upper division economics course in money, banking and financial markets. This is one of the most exciting areas in the study of economics, not least because the financial system is rapidly changing and is currently under severe stress associated with the sub-prime mortgage loan crisis. Concerns about the correct stance of monetary policy, aiming at keeping inflation low and maintaining financial stability, is at the heart of many economic policy debates.

The course is divided into six parts: (1) overview of financial system; (2) fundamentals of interest rates and financial instruments; (3) financial markets and institutions; (4) central banking and monetary policy; (5) foreign exchange markets; (6) stabilization policy, money and inflation. The required text is Frederic Mishkin's The Economics of Money, Banking and Financial Markets (8th Edition). In addition, a number of shorter articles will be assigned and posted to the class website (<http://people.ucsc.edu/~hutch>). These assignments will be announced in class. The reading assignments below only cover the textbook. The additional reading assignments on the website will cover recent developments in the current U.S. and world financial crisis, including the causes of the financial problems, U.S. Treasury attempts to recapitalize banks, new regulatory actions (and past failures), the Federal Reserve's radical moves to provide liquidity to the financial system and act as a lender of last resort, and an outline of the new financial structure that is emerging.

Requirements: Students will write one midterm (30% of grade), one final examination (50% of grade), and four short "surprise" quizzes (20% of grade; 5% for each quiz).

Mr. Mahir Binici is the T.A. for the course. He will hold two weekly sections: Monday, 12:30-1:40pm (Oakes 106) and Wednesday, 2:00-3:10pm (Oakes 106). He is also available for special office hours by appointment. He may be reached at mbinici@ucsc.edu and x95202.

Important Dates

Last Day of Class:	Thursday, March 12
Date of Midterm:	Tuesday, February 10
Date of Final Examination:	Wednesday, March 18 (12-3pm)

Class Schedule

I. Introduction and Overview of the Financial System

Week 1 Chapters 1-3
 Tu Jan 6
 Th Jan 8

II. Financial Markets

Weeks 2-3 Chapters 4-7
 Tu Jan 13
 Th Jan 15
 Tu Jan 20
 Th Jan 22

III. Financial Institutions

Weeks 4-5 Chapters 8-11
 Tu Jan 27
 Th Jan 29
 Tu Feb 3
 Th Feb 5

Midterm Examination: Tu Feb 10

IV. Central Banking and Monetary Policy

Weeks 6-8 Chapters 12-16
 Th Feb 12
 Tu Feb 17
 Th Feb 19
 Tu Feb 24

V. Foreign Exchange Markets

Weeks 8-9 Chapters 17-18
 Th Feb 26
 Tu Mar 3

VI. Monetary Theory and Evidence

Weeks 9-10 Chapters 19, 22-24
 Th Mar 5
 Tu Mar 10
 Th Mar 12

Final Examination: Wednesday, March 18, 12-3pm