

**Money and Banking**  
(revised)

**1. INTRODUCTION**

Economics 330 is a course in money and banking. The course will focus upon the theoretical and empirical aspects of the role of monetary policy in macroeconomic stabilization and economic growth. The determination of short and long term interest rates and exchange rates will be examined at length. The institutional structure of central banking and of bank financial intermediation in the U.S. will also be discussed. Prerequisites: Economics 101 and 102 or 111. Economics 302 is *strongly* recommended.

**2. OFFICE HOURS**

Instructor: Office Hours: MW 2:30-3:30  
Social Sciences 7418  
Phone: 262-7397  
e-mail: [mchinn@lafollette.wisc.edu](mailto:mchinn@lafollette.wisc.edu)

Updated information can be found on the course website,  
[http://www.ssc.wisc.edu/~mchinn/web330\\_f06.html](http://www.ssc.wisc.edu/~mchinn/web330_f06.html)

**3. SCHEDULE AND READINGS**

The textbook is Frederic Mishkin, *The Economics of Money, Banking and Financial Markets* 7<sup>th</sup> Edition/Update (Addison-Wesley, 2006) [or 8<sup>th</sup> edition, 2007] available at the University Bookstore. Additional readings from the WWW will be assigned during the quarter. A subscription to the *Wall Street Journal*, the *New York Times* or *Financial Times* is highly recommended. There are additional readings listed under “Readings” below; in addition topical readings from the Web will be assigned during the semester. [Note that under “text”, the number refers to chapters in the 7/e, and [X] refers to chapters in 8/e]

LECTURES	DATES	TEXT READING	TOPICS
1	9/6	1-3	Introduction
2	9/11	4	Interest rates
3-4	9/13-18	5	Behavior of interest rates
5-6	9/20-25	6 “EHTS”	Term structure of interest rates
7-8	9/27-10/2	7 “News & PV”	Stock mkt., rat. expectations, EMH
9	10/4	8	Financial structure
10	10/9	19 [17] “Exchange Rates”	Foreign exchange market
<b>11</b>	<b>10/11 (Wednesday)</b>		<b>MIDTERM I</b>
12	10/16	19 [17]	Foreign exchange market
13	10/18	9	Banking
14	10/23	10	Banking industry
15	10/25	11,12 [11]	Banking regulation, nonbank finance
16	10/30	13 [Derivatives]	Financial derivatives
17	11/1	14 [12]	Central banks/Federal Reserve
18	11/6	15 [13] “Money Multiplier”	Money supply process
<b>19</b>	<b>11/8 (Wednesday)</b>		<b>MIDTERM II</b>

LECTURES	DATES	TEXT READINGS	TOPICS
20	11/13	16 [14]	Determinants of money supply
21	11/15	17 [15]	Tools of monetary policy
22-23	11/20-22	18 [16]	Conduct of monetary policy
24	11/27	22 [19]	Demand for money
25	11/29	23 [20]	IS-LM
26	12/4	24 [21]	Policy in IS-LM
27	12/6	25 [22]	AD-AS
28	12/11	26 [23]	Transmission mechanism
29	12/13	27 [24]	Money and inflation

**12/22 07:45 A.M. (Friday) FINAL EXAM**

---

#### 4. GRADING

Letter grading is determined as follows:

- 20% Five problem sets
- 40% Two midterm exams (20% each)
- 40% Final exam

**There will be no make-up midterm exams.** Missed midterm exams will increase accordingly the weight assigned to the other midterm and the comprehensive final exam, as long as the exam is missed due to illness (supported by documentation such as a physician's note), or other unavoidable events. The final exam must be taken. The problem sets are an integral part of the course. Assignments will be handed into me in lecture on the appropriate date. **Late assignments will not be accepted for credit.** Although the problem sets do not constitute a large portion of the grade, I strongly encourage you to do the assignments in a timely and serious fashion. The problem sets provide valuable information regarding your grasp of the concepts.

#### 5. ECONOMICS DEPARTMENT GRIEVANCE PROCEDURE.

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, instructor, or a teaching assistant. The Department also uses course evaluations. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to resolve the dispute with him or her. The grievance procedure is for situations where neither the course evaluation nor direct contact is appropriate.

To file a grievance, you should go to Social Science 7238 and request a Course Comment Sheet. On it you must provide a detailed statement about what you find unsatisfactory. You must also sign the sheet, provide your student ID number, an address and phone number. The Department investigates grievances fully and will respond in writing. Your name, address, phone number and student ID will not be provided to the instructor or teaching assistant and will be treated confidentially. The Department uses this information in case the Department Chair or a nominee wishes to meet with the student to gather additional information. The written response is mailed to the address provided by the student.