

University of San Francisco

Money, Banking and Financial Institutions

Economics 350 - 01 (4 units)

Fall 2020

Class Hours MW 6:30-8:15pm PST

Online via Canvas

Instructor: Eric Fischer

Email: emfischer@usfca.edu

Zoom office hours: F 6-8pm PST

<https://calendly.com/emfischer>

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Syllabus

This course is an upper division economics course in money, banking and financial institutions. This is one of the most exciting areas in the study of economics, not least because the financial markets are rapidly changing and policymakers mitigate the impact of COVID-19 on the financial system and broader economy. Concerns about the correct stance of monetary policy, aiming at stimulating the economy during a period of slow-growth, low inflation, and low interest rates, while at the same time ensuring financial stability, is at the center of the current policy discussion in central banking.

The course has six main topics: (1) financial system structure; (2) interest rates and financial instruments; (3) financial markets and institutions, including the 2008-09 financial crisis; (4) regulatory and supervisory policy regarding banks and other financial institutions and markets; (5) central banking and monetary policy; (6) stabilization policy, money and inflation.

The required text is Frederic Mishkin's Money, Banking and Financial Markets (12th Edition, 2019). This is available from the USF bookstore, online and in electronic form. A number of additional articles are required reading (posted to the class *Canvas* course website). The weekly topics and assigned reading numbers are listed below. Articles cover recent developments in the U.S. and world financial systems, including the causes of the recent financial crisis, bank restructuring, new regulatory actions (and past failures), the Federal Reserve's radical moves to provide liquidity to the financial system and the emerging financial institutional and regulatory structure.

Study questions will be passed out periodically for your review of the material. These will *not* be turned in for corrections but selected questions and answers will be reviewed in class. Partial answer keys will be provided.

Requirements: All readings are required. Please read before the assigned class. Students will be tested by two midterms (40% of grade; 20% each) and final examination (45% of grade). Four quizzes (only top 3 scores counted in grade; total 10% of grade) will also be given; participation, attendance and discussion board (5% of grade).

Important Dates:

Midterms (two)

Holidays (No Class)

Final Exam:

Monday 5th Oct and Monday 9th Nov

Sept 7th (Mon), Nov 23rd (Mon), Nov 25th (Wed)

Monday Dec 7, 8:00pm – 10:00pm

<u>Week</u>	<u>Day</u>	<u>Week Topics</u>	<u>Date</u>	<u>Weekly Reading*</u>	<u>Notes</u>
Week 1	W		19-Aug	C1	First Day of Class
Week 2	M	Money and Interest Rates	24-Aug	C2,C3,C4	
	W		26-Aug		
Week 3	M		31-Aug		
	W	Interest rate determinants, risk and term structure	2-Sep	C5,C6	
Week 4	<u>M</u>		<u>7-Sep</u>		No Class: Labor Day
	W		9-Sep		
Week 5	M		14-Sep		
	W	Stocks, Financial Structure and Bank Management	16-Sep	C7,C8,C9, R1	
Week 6	M		21-Sep		
	W		23-Sep		
Week 7	M		28-Sep		
	W	Financial Regulation, Banking Industry and Crisis	30-Sep	C10,C11,C12,R2,R3	
Week 8	<u>M</u>		<u>5-Oct</u>		Midterm
	W		7-Oct		
Week 9	<u>M</u>		12-Oct		
	W		14-Oct		
Week 10	M		19-Oct		
	W		21-Oct		
Week 11	M	Central Banking	26-Oct	C13,R4	
	W		28-Oct		
Week 12	M	Money Supply Process	2-Nov	C14,R5	
	W	Monetary Tools and Conduct of Monetary Policy	4-Nov	C15,C16,R6	
Week 13	<u>M</u>		<u>9-Nov</u>		Midterm
	W		11-Nov		
Week 14	M	Quantity Theory and Monetary Policy Theory	16-Nov	C19,C23,R7,R8	
	W	Theory of Policy, Expectations and Transmission	18-Nov		
Week 15	M		23-Nov		No Class: Holiday
	W		25-Nov		No Class: Holiday
Week 16	M		30-Nov	C24,C25,R9,R10	
	W		2-Dec		
Final Exam	<u>M</u>		7-Dec		

* C denotes chapter in Mishkin textbook
R denotes supplementary reading

Readings: Chapters (“C”) and Other Assigned Readings (“R”; all in Canvas):

R1 Subprime and Credit Rating Agencies

R2 How Shadow Banking Works

R3 Rollback of Banking Regulation

R4 Bank Holiday of 1933

R5 What did we learn from the financial crisis?

R6 Excess Reserves and Inflation Danger

R7 World Hyperinflations

R8 Fed Lending During the Crisis

R9 Inside the Fed 2006

R10 The Villain- Fed Chair Bernanke

Grade Determination:

Percentage grade will be mapped to letter grades in the following manner (percentages will be rounded up to the unit digit):

94-100%: A
90-93%: A-
87-89%: B+
83-86%: B
80-82%: B-
77-79%: C+
73-76%: C
70-73%: C-
67-69%: D+
63-66%: D
60-62%: D-
0-59%: F

Additional Remote Modality Course Information:

Technology: This is a remote modality course so technology is going to play a big role in the learning process. To succeed in this course, you will need regular access to a computer and high-speed internet. Please refrain from using other devices, computer programs, or websites not related to the course content during our in-class meetings. For the sake of maintaining a human presence, I prefer students use video during live meetings. However, I understand bandwidth limitations might make that difficult. If you are unable to use video during a session, you will need to find ways to demonstrate active and attentive participation.

Exams: All exams are closed book. There will be no make-up or deferred midterm exam. We will be using Respondus LockDown Browser for exam proctoring.

External Tools: We will be using three learning tools in addition to Canvas. The first is Zoom, which is the platform we will be using for class meetings. The second is Respondus LockDown Browser, which allows for proctoring of online exams. Both of these tools are integrated into Canvas for easy access and use. The third is Poll Everywhere using the address <https://pollev.com/emfischer> which allows us to have more interactive class sessions to ask questions and work through problems during class.

Office hours: My office hours will be on Fridays from 6-8pm. Please use the following link <https://calendly.com/emfischer> and let me know the 2 or 3 topics or questions you have on your mind. Also, please come prepared to the meeting with any material you would like to discuss.

Syllabus Disclaimer: This course schedule and assignments may be modified throughout the semester if the needs and interests of the class so require. I do not anticipate any major modifications and will keep the course schedule and expectations as transparent as possible. If changes need to be made, you will be notified with plenty of time to recalibrate.

Course Objectives

1. Students will become familiar with financial system structure and dynamics.
2. Students will deepen their understanding of interest rates and financial instruments.
3. Students will consider financial markets and institutions, including the 2008-09 financial crisis.
4. Students will become familiar with regulatory and supervisory policy regarding banks and other financial institutions and markets.
5. Students will gain an understanding of central banking and monetary policy.
6. Students will understand the role of stabilization policy, money and inflation.

Undergraduate Economics Program Goals and Learning Outcomes

1. Understand economic terminology and the fundamental theoretical approaches of the discipline
 - a. Define the role of benefits and costs in the allocation of scarce economic resources
 - b. Describe the interaction of demand and supply in a market for an economic good or service
 - c. Define the nature of aggregate economic relationships between major economic variables and decisionmakers.
 - d. Describe a regression model of an economic theory and estimate the model using actual economic data
2. Employ economic reasoning and theory to analyze the structure of economic events and problems.
 - a. Analyze the impact of an external event on the market for an economic good or service in both the short run and the long run.
 - b. Discuss the impact of the competitive structure of an industry on important market variables in both the short run and long run.
 - c. Analyze the impact of an external event on the aggregate economy in the short run and long run.
 - d. Use a simple algebraic economic model to formulate and investigate an economic problem.
 - e. Use a graphical economic model to formulate and investigate an economic problem.
 - f. Use an estimated economic model to test an economic theory.
3. Employ economic reasoning and theory to analyze important government policy responses and their impacts on the economy.
 - a. Analyze the impact of a government tax on the outcomes of a market for an economic good or service.
 - b. Discuss the problems that can arise as a result of an industry's competitive structure and how a government may respond.

- c. Analyze the impacts of government fiscal and monetary policy on the aggregate economy in both the short run and long run.
- d. Apply economic analysis to problems that arise in other areas of economics and possible government policy options to these problems.

University Policies:

Students with Disabilities

The University of San Francisco is committed to providing equal access to students with disabilities. If you are a student with a disability, or if you think you may have a disability, please contact Student Disability Services (SDS) at sds@usfca.edu or 415 422-2613, to speak with a disability specialist. (All communication with SDS is private and confidential.) If you are eligible for accommodations, please request that your accommodation letter be sent to me as soon as possible; students are encouraged to contact SDS at the beginning of the semester, as accommodations are not retroactive. Once I have been notified by SDS of your accommodations we can discuss your accommodations and ensure your access to this class or clinical setting. For more information please visit the SDS website: <https://www.usfca.edu/student-disability-services>.

Behavioral Expectations

All students are expected to behave in accordance with the Student Conduct Code and other University policies (see <http://www.usfca.edu/fogcutter/>). Students whose behavior is disruptive or who fail to comply with the instructor may be dismissed from the class for the remainder of the class period and may need to meet with the instructor or Dean prior to returning to the next class period. If necessary, referrals may also be made to the Student Conduct process for violations of the Student Conduct Code.

Academic Integrity

As a Jesuit institution committed to *cura personalis* -- the care and education of the whole person -- USF has an obligation to embody and foster the values of honesty and integrity. USF upholds the standards of honesty and integrity from all members of the academic community. All students are expected to know and adhere to the University's Honor Code. You can find the full text of the code online at <http://myusf.usfca.edu/academic-integrity/>. The policy covers:

- Plagiarism — intentionally or unintentionally representing the words or ideas of another person as your own; failure to properly cite references; manufacturing references.
- Working with another person when independent work is required.
- Submission of the same paper in more than one course without the specific permission of each instructor.
- Submitting a paper written by another person or obtained from the Internet.

Counseling and Psychological Services (CAPS)

CAPS' diverse staff offers brief individual, couple, and group counseling to student members of our community. CAPS services are confidential and free of charge. Call (415) 422-6352 for an initial consultation appointment. Telephone consultation through CAPS After Hours is available Monday - Friday from 5:00 p.m. to 8:30 a.m., 24 hours during weekends and holidays; call the above number and press 2. Further information can be found at <https://myusf.usfca.edu/student-health-safety/caps>.

Confidentiality, Mandatory Reporting, and Sexual Assault

As instructors, one of our responsibilities is to help create a safe learning environment on our campus. We also have a mandatory reporting responsibility related to our role as faculty. We are required to share information regarding sexual misconduct or information about a crime that may have occurred on USF's campus with the University. Here are some useful resources related to sexual misconduct:

- To report any sexual misconduct, students may visit the Title IX coordinator (UC 5th floor) or see many other options by visiting usfca.edu/student_life/safer.
- Students may speak to someone confidentially or report a sexual assault confidentially by contacting Counseling and Psychological Services at (415) 422-6352.
- To find out more about reporting a sexual assault at USF, visit USFs Callisto website at: usfca.callistocampus.org.
- For an off-campus resource, contact San Francisco Women Against Rape (SFWAR) (415) 647-7273 (sfwar.org).

Learning, Writing, and Speaking Centers

The LWSC offers academic assistance to all students at no cost. Services include subject-specific tutoring, writing assistance, and communication related support. The learning center also provide opportunities for academic skill development in the forms of 1:1 coaching and group workshops. During Remote Teaching: LWSC staff can be reached Monday through Friday between 8:00am-5:00pm at LWSC@usfca.edu or through the chatbox on their webpages. Web: <https://myusf.usfca.edu/lwsc>

Center for Academic and Student Achievement

CASA provides academic and personal support to promote holistic development for all USF students. If you think you might benefit from personal coaching or are looking for resources that might help you succeed inside and outside of your academic life, visit <https://myusf.usfca.edu/casa>. You can reach CASA staff by phone: (415) 422-5050 or email: casa@usfca.edu