



0201E330

Money and Banking

Instructor: TBA

Office Hours: by appointment

Contact Hours: 60 (50 minutes each)

Credits: 4

Email: TBA

Course Description

This course covers monetary policy, banking services and bank regulation, as well as the functionalities of financial markets and institutions. Major attention will be given to banking and financial crises, their origins and resolution, looking both at the US and other countries. We look at financial structure, financial development and financial crises, with special emphasis on the recent subprime crisis. In addition, we will cover the economics of bank management, along with the effects of the behavior of individual financial institutions on the financial system as a whole and on the economy as a whole.

The course will also cover the theory and practice of monetary policy using the Federal Reserve Bank of the US as our main example. We will cover issues of central bank independence, goals of monetary policy, control of the money supply and tools used by central banks, currency exchange and issues of tactics and strategy. Consideration will also be given to monetary policy in conditions of deep recession and deflation, quantitative easing and unconventional monetary policy instruments in

the most recent crisis. Discussion of money demand and the transmission mechanism is also presented while looking at debates on these crucial issues for central banks.

Course Goals

By the end of the course, students will be able to:

- Understand the role of money, banking, and financial markets in a modern economy.
- Analyze interest rates, risk, and asset pricing in financial markets.
- Explain the structure, regulation, and management of financial institutions.
- Evaluate the causes and consequences of financial crises and financial instability.
- Understand the functions of central banks and the conduct of monetary policy.
- Analyze how monetary policy affects inflation, output, and the international financial system.

Prerequisites

0201E102 and 0201E101, or permission of instructor

Course Outline

Please note that the outline is meant to give an overview of the major concepts in this course. Changes may occur as needed to aid in the student's development.

Module 1 — Foundations of the Financial System

- Why Study Money, Banking, and Financial Markets?
- An Overview of the Financial System
- What Is Money?
- Quiz 1 due

Module 2 — Interest Rates and Money Markets

- The Meaning of Interest Rates
- The Behavior of Interest Rates

- Quiz 2 due
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Module 3 — Risk, Term Structure, and Asset Pricing

- The Risk and Term Structure of Interest Rates
 - The Stock Market and the Efficient Market Hypothesis
 - Quiz 3 due
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Module 4 — Financial Structure and Banking Fundamentals

- An Economic Analysis of Financial Structure
 - Banking and the Management of Financial Institutions
 - Quiz 4 due
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Module 5 — Financial Regulation and Stability

- Economic Analysis of Financial Regulation
- Banking Industry: Structure and Competition
- Financial Crises
- Quiz 5 due

Midterm Exam (Modules 1–5)

Module 6 — Central Banking and the Money Supply

- Central Banks and the Federal Reserve System
 - The Money Supply Process
 - Quiz 6 due
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Module 7 — Monetary Policy

- Tools of Monetary Policy
 - The Conduct of Monetary Policy: Strategy and Tactics
 - Quiz 7 due
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Module 8 — International Finance

- The Foreign Exchange Market
 - The International Financial System
 - Quiz 8 due
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Module 9 — Money, Inflation, and Macroeconomic Transmission

- Quantity Theory, Inflation, and the Demand for Money
- The IS Curve
- Monetary Policy and Aggregate Demand
- Quiz 9 due

Final Exam (Comprehensive, with emphasis on Modules 6–9)

Course Materials

- Internet access (use of laptop computers/electronics devices is not permitted during class)
- Calculators: I will use Excel to teach the computations in the class. The students are expected to have Excel installed in their own computer for assignments and exams.

Grading Policy

Homework:	9 Quizzes	$5\% * (9-1) = 40\%$
Exams:	Two Exams	$30\% * 2 = 60\%$
TOTAL		100%

Grading Scale

The instructor will use the grading system as applied by JNU:

Definition	Letter Grade	Score
Excellent	A	90~100
Good	B	80~89
Satisfactory	C	70~79
Poor	D	60~69
Failed	E	Below 60

Academic Integrity

As members of the Jinan University academic community, students are expected to be honest in all of their academic coursework and activities. Academic dishonesty includes (but is not limited to) cheating on assignments or examinations; plagiarizing, i.e., misrepresenting as one's own work any work done by another; submitting the same paper, or a substantially similar paper, to meet the requirements of more than one course without the approval and consent of the instructors concerned; or sabotaging other students' work within these general definitions. Instructors, however, determine what constitutes academic misconduct in the courses they teach. Students found guilty of academic misconduct in any portion of the academic work face penalties that range from the lowering of their course grade to awarding a grade of E for the entire course.