



# Money and Banking



<b>Class:</b>	Econ 310-004, Fall 2010	<b>Professor:</b>	Chuck Moulton
<b>Room:</b>	Krug Hall, Room 19	<b>Office:</b>	Enterprise Hall, Work. 342
<b>Schedule:</b>	Tue. & Thu., 12:00-1:15 pm	<b>Office Hours:</b>	Tue. & Thu., 10:00-11:00 am

**Course Website:** <http://www.chuckmoulton.org/gmu/econ310/>

*"All the perplexities, confusion and distresses in America arise not from defects in the constitution or confederation, nor from want of honor or virtue, as much from downright ignorance of the nature of coin, credit, and circulation."* – John Adams

## Course Objectives

The objective of the course is to gain an understanding of the theory and history of our monetary and financial system – i.e., to sound like pretentious know-it-all when discussing this subject with friends.

## Textbooks

### *Required:*

1. *The Economics of Money, Banking and Financial Markets* (9<sup>th</sup> edition) by Frederic S. Mishkin  
ISBN-10: 0321599799, ISBN-13: 978-0321599797 [hereinafter: "Mishkin"]
2. *What Has Government Done to Our Money?* by Murray N. Rothbard  
ISBN-10: 0945466447, ISBN-13: 978-0945466444 [hereinafter: "Rothbard"]

### *Recommended (strongly):*

3. *The Theory of Monetary Institutions* by Lawrence H. White  
ISBN-10: 0631212140, ISBN-13: 978-0631212140 [hereinafter: "White"]

### *Note:*

- Avoid the Business School Edition of Mishkin – the chapter numbers are not the same.
- There is a study guide available for Mishkin, but it is neither required nor recommended.
- The entire Rothbard book is available for free online at <http://mises.org/money.asp>.
- Chapter 1 of the White book is available for free on Google Books at <http://books.google.com/books?id=INntOzOEH8EC&printsec=frontcover>.

## Office Hours

Office hours will be held in Enterprise Hall, workstation 342, Tue. & Thu., 10:00-11:00 am & by appointment. Appointments should be made by emailing [chuck@moulton.org](mailto:chuck@moulton.org) (include "Econ 310" in the subject). In emergencies you may call 877-MOULTON (877-668-5866), but email is strongly preferred.



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## **Grading**

*Final grade calculation:*

- **20%** quizzes
- **40%** midterms
  - midterm #1 (9/23/2010 tentatively)
  - midterm #2 (10/26/2010 tentatively)
  - midterm #3 (11/18/2010 tentatively)
- **40%** final exam (12/16/2010, 10:30 am - 1:15 pm)

*Quizzes:*

Equally weighted 5 question quizzes consisting of multiple choice, true/false, and short answer questions will be given at the beginning of every class. All of the material for the quizzes will come from that day's reading assignment. No make-up quizzes will be given for those who arrive late or are absent. The lowest 5 quizzes will be dropped.

*Midterms / final exam:*

Midterms and the final will be predominantly multiple choice – though there may be some true/false, short answer, and essay questions. All of the material for the midterms and final will come from class lectures. There will be no make-up tests. Midterms will be equally weighted. Tests will not be curved; however, the lowest midterm grade will be dropped. The final exam will be comprehensive; midterms will not.

*Extra credit:*

It is possible tour(s) of the Federal Reserve Bank of Richmond and/or the Bureau of Engraving and Printing will be arranged outside of normal class time for extra credit. If there is an on campus speaker related to money and banking, extra credit may be awarded for attendance. Neither of these is yet organized or is guaranteed to happen. Listen in class for opportunities.

*Attendance:*

Class attendance is not mandatory, but lack of attendance will mean missing graded quizzes. If you miss a class, you are nonetheless responsible for obtaining information about the class – both content discussed and announcements made.

## **Honor Code**

Students are expected to understand and to adhere to the honor code of George Mason University. Students may neither give nor receive help from other students or from other sources during exams or quizzes. Also students are obligated to report any violations observed.

## **Disability Resource Center**

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through that office.



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## Reading Assignments

Readings will come from Mishkin and Rothbard. Additional material may be assigned on an ad hoc basis.

### *Unit I: Money*

- 8/31/2010 **Introduction:** Syllabus; Mishkin Ch. 1, Ch. 2 (*No Quiz*)
- 9/2/2010 **What is Money?:** Mishkin Ch. 3; Rothbard Part I, Part II
- 9/7/2010 **Evolution of Money:** White Ch. 1 (*available online*)
- 9/9/2010 **Quantity Theory of Money:** Mishkin Ch. 19
- 9/14/2010 **History of Money & Inflation:** Mishkin Ch. 24; Rothbard Part III, Part IV
- 9/16/2010 **Interest Rates:** Mishkin Ch. 4, Ch. 5
- 9/21/2010 **Bonds & Stock Market:** Mishkin Ch. 6, Ch. 7
- 9/23/2010 **Midterm #1** (*tentative*)

### *Unit II: Banking*

- 9/28/2010 **Bank Balance Sheet:** Mishkin Ch. 10
- 9/30/2010 **History of Banking in the U.S.:** Mishkin Ch. 12
- 10/5/2010 **History and Theory of Free Banking:** White Ch. 3 (*No Quiz*)
- 10/7/2010 **Evolution of Central Banks:** White Ch. 4 (*No Quiz*)
- 10/12/2010 *No Class (Monday classes meet instead)*
- 10/14/2010 **The Federal Reserve:** Mishkin Ch. 13
- 10/19/2010 **Bank Regulation:** Mishkin Ch. 11
- 10/21/2010 **Money Supply & the Money Multiplier:** Mishkin Ch. 14
- 10/26/2010 **Midterm #2** (*tentative*)

### *Unit III: Monetary Policy*

- 10/28/2010 **Monetary Policy Tools:** Mishkin Ch. 15
- 11/2/2010 **Monetary Policy Targets:** Mishkin Ch. 16
- 11/4/2010 **Foreign Exchange:** Mishkin Ch. 17
- 11/9/2010 **International Financial System:** Mishkin Ch. 18
- 11/11/2010 **Keynesian Models (ISLM):** Mishkin Ch. 20, Ch. 21
- 11/16/2010 **Other Macro Models:** Mishkin Ch. 22, Ch. 23, Ch. 25
- 11/18/2010 **Midterm #3** (*tentative*)

### *Unit IV: Macro Failures*

- 11/23/2010 **Asymmetric Information, Adverse Selection, & Moral Hazard:** Mishkin Ch. 8
- 11/25/2010 *No Class (Thanksgiving Break)*
- 11/30/2010 **Pre-FDIC Bank Runs & Panics** (*No Quiz*)
- 12/2/2010 **The Great Depression** (*No Quiz*)
- 12/7/2010 **International Banking Crises** (*No Quiz*)
- 12/9/2010 **The Sub-Prime Crisis** (*No Quiz*)
- 12/16/2010 **Final Exam**