This course provides a systematic treatment of the determinants of the money supply and the volume of credit. It provides an economic analysis of credit markets and financial institutions in the United States, and it discusses the structure of central banks, the conduct of monetary policy, and the monetary transmission mechanism.

Prerequisites

Econ 3130 Intermediate Microeconomic Theory and 3140 Intermediate Macroeconomic Theory, or permission of the instructor.

Texts

The textbook for this class is The Economics of Money, Banking, and Financial Markets tenth edition, by Frederic Mishkin with MyEconLab. Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System by Barry Eichengreen is also required. There will be additional readings on topics that arise during the course.

Office Hours

My office hours will be held in Uris 484 on Mondays and Wednesdays from 1:20 to 2:20 and by appointment if you cannot make those times. If you would like to set up an appointment, please send me an email at gb293@cornell.edu listing three or four times you are available over the following several days so that I can choose one. If you would like for me to write a letter of recommendation for you for jobs, graduate school, or the like, please do stop by office hours so that my recommendation can be both more substantive and personal.

Tae-Hoon Lim, the TA for the course, will hold office hours at times and places to be announced. His email is tl335@cornell.edu.
Grading

Grading is based on problem sets, two preliminary examinations and a final examination.

There will be 22 graded assignments, each covering a chapter of the textbook, that will be administered through the MyEconLab system. You may work together on assignments. I understand that other commitments, illness, or personal issues may interfere with completion of an assignment, thus your lowest 4 grades will be dropped. [Note that there are also four problem sets on review material that will not be graded.] The problem set grade will be 15% of the course grade.

The first preliminary examination will be given in class on February 25. The second preliminary examination will be given in class on April 8, with an emphasis on material since the first preliminary examination. Each preliminary examination will be worth 20% of the class grade. There will be no make-up examinations. If you have an excused absence, you must let me know in advance that you will not be taking the examination and you also must provide documentation. Additional weight will be put on the other preliminary examination and on the final in cases of excused absence.

The final examination will be on Tuesday, May 14, from 9:00 to 11:30, location to be determined. It will be worth 45% of the class grade. If you know you will be unable to take the final examination as scheduled, you should not enroll in the class. The final examination will cover the entire course, with greater weight on material since the second preliminary examination.

While the exams are written with the expectation that at least a few students will answer all of the questions correctly, typically many students receive raw scores that are low. This should not necessarily be an issue of concern. The raw scores are converted to standard numeric grades that are used to calculate course grades, and it is only the converted scores which matter. The converted scores will be posted on the course website throughout the semester, so you will be able to calculate how you are doing. Final grades follow the 100 point scale of A 94-100, A- 90-94, B+ 87-90, B 83-87, B- 80-83, etc.

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<thead>
<tr>
<th>Category</th>
<th>Percentage of Grade</th>
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<tbody>
<tr>
<td>Problem Sets</td>
<td>15%</td>
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<tr>
<td>First Preliminary</td>
<td>20%</td>
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<tr>
<td>Examination</td>
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<td>Second Preliminary Exam</td>
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<td>Final Examination</td>
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Academic Integrity

This course follows Cornell’s Code of Academic Integrity: http://cuinfo.cornell.edu/Academic/AIC.html. Violations will be taken seriously. In my experience, students are tempted to violate the code when they are concerned about their course grade. If you are concerned to that degree, please talk to me, the TA, or an academic advisor. This course is designed to reward effort, and I can help you obtain useful resources.

Course Outline

I. Introduction: Money and the Financial System
Mishkin 1-3
Chapters 0-2 due 1/31.

II. Financial Markets

A. Interest Rates
Mishkin 4-6, 19
Chapters 3-4, 19 due 2/7.

B. Equity Valuation, Market Efficiency, and Rational Expectations
Mishkin 7
Chapters 5-7 due 2/14.

III. Financial Institutions

A. Financial Structure and Financial Crises
Mishkin 8-9
Chapters 8-9 due 2/21.

Preliminary Examination I on 2/25 covering material through 2/22.

B. Banks
Mishkin 10

C. Financial Regulation and the Banking Industry
Mishkin 11-12
Chapters 10-11 due 3/7.

IV. Central Banking and Monetary Policy

A. AS-AD Review
Mishkin 20-23
Chapter 12 due 3/14.
Note: Chapters 20-23 are for review and do not count toward the homework grade.
B. **Central Banks and Money Supply**  
Mishkin 13-14  
Chapters 13-14 due 3/28.

C. **Monetary Policy**  
Mishkin 15-16  

Preliminary Examination II on 4/8 covering material through 4/5.

V. **International**

A. **Foreign Exchange**  
Lectures 34-35  
Mishkin 17

B. **International Financial System**  
Mishkin 18  
Chapters 17-18 due 4/18.

IV. **More Monetary Theory**

Week 13: Expectations and Monetary Transmission  
Mishkin 24-25  
Chapters 24-25 due 4/25.

Final Examination on Tuesday, May 14 from 9:00-11:30 am, location to be determined.