Rutgers University  
Economics Department  
Money and Banking  
Spring 2019

Professor: Dr. Davood Taree  
Email: dghasem@connect.rutgers.edu  
Office hours: Mon: 5:00-6:00 PM / HH 817  
Thur: 2:00-3:00 PM / HH 817

Course Information:  
Course Num.: Econ 365  
Time: TTH: 10:00 - 11:20 AM  
Location: Bradley 313

Course Description

An analytical, institutional, and historical examination of the monetary system of the United States with particular attention paid to the operation of commercial banks, and to the powers, purposes, and performance of the Federal Reserve System. The influence of the quantity of money on the level of economic activity will be considered.

Course Learning Goals:

This course introduces you to financial markets and monetary theory. By the end of the course, you should have a broad understanding of the structure of financial markets in the U.S. today and of the importance role of money in economic activity. We will begin by exploring the rapidly-evolving financial markets that provide credit to people and businesses. Next, we will examine the functions of central banks, specifically the Federal Reserve System, established by governments to control financial markets and the quantity of money circulating in those markets. Throughout, we will consider how this information helps to explain current events -current financial market crisis- in the world's financial system and how it influences actions taken by policymakers.

Textbook:

ISBN: 9780134855387

(You might go for an older edition, but you will be responsible for all the possible changes)

Students are asked to keep abreast of current economic news. Reading of the Wall Street Journal, the Financial Times, Economist, is highly recommended which may be a part of every class discussion. The EconLab from the Pearson Higher Education is required Not all the material in the lectures appears in the texts, nor is all the material in the texts covered in the lectures. You are
responsible for the material in the texts and in the lectures. I make every effort to have class attendance a necessary (though not sufficient) factor in performing well on examinations.

**Course requirements:**

Final grades will be determined by your performance in the two exams and a final on the dates announced in the class and based on the following distribution. Since you will drop the lowest exam grade among the first two exams, the total of three exams will be used to calculate your final course grade. **You can not drop the final exam.** Homework are assigned and should be worked out in the EconLab system with Pearson Higher Education. The homework should be done on time since they are time sensitive, please be aware that the homework deadline will not be extended. You will lose the grade of past due homework. We will work out on selected homework in class as time permits.

<table>
<thead>
<tr>
<th>First Exam</th>
<th>(Feb 28, 2019)</th>
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<tbody>
<tr>
<td>Second Exam</td>
<td>(Apr 2, 2019)</td>
</tr>
<tr>
<td>Final Exam</td>
<td>May 14, 2019 / 8:30 AM</td>
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All exams should be taken on the day and time scheduled. There will be **NO Make-up exam** for this course. If you miss any exam for any reason, that will be counted as your lowest exam grade. It is expected that students attend all lectures. Anything covered in class including the materials beyond the text book is eligible for test material. **No extra work** will be given for additional credit. The cell phones cannot be used instead of calculator during the exams.

**Small Informal Oral Presentations**

Each student will present one, two-page ORAL report from the list of the current events. Submission of typed report is required. Your informal oral presentation should focus on:

a. summary of the Index/analysis

b. personal analysis and opinion

* please provide photocopy or clippings of your source

* provide data of issue and title of the source (a complete bibliographical entry)

**Sources**: Wall Street Journal, Financial Times, Economist,, Harvard Review (HBR),
Number Two Pencils are required for ALL exams.

Attendance Policy: All assignments are made on the assumption that you will be present in class each day. I reserve the right to change the schedule if needed with proper notice to the class. Attendance will be taken each day. You are expected to attend class regularly and to arrive in class on time.

Protect Yourself: Please keep photocopies of all the work you submit, including the exam scantrons.

Save Electronic Copies: Please save electronic copies in your electronic mailboxes

Penalty: Cheating of any kind will result in an "F" for the course. Duplicating/repeating/copying another student/classmate's past or present work cutting and pasting resulting in plagiarism will be considered as cheating for both parties involved. The University administration will be notified.

Class Participation, Cellular Phones, and Text messaging & Laptops:

Constructive participation is highly encouraged, destructive participation or disturbing the class is discouraged. Having your cellular phone ring during class is very destructive. Using your Laptop use in class is an excellent idea but misusing it by surfing the web or checking email is unacceptable. The same rules apply for the misuse of cellular phones, as outlined below.

Constructive participation means coming to class on time, being in the class regularly and submitting and presenting assignments on time. Let me know your problems ahead of time.

Destructive participation will result in minus grading or in other words fewer points or zero points from the allocated score for the class participation as shown in the key to the grading system. Destructive participation means "disturbing in a way which obstructs professor teaching, delay in handling the class routine, causing classmates not to be able to focus or take notes gainfully."

Cellular Phones. Cellular phones must be off at all times while class is in session. It must be put away, out of sight, in a backpack & not in your lap. The first time you are sighted Text Messaging; you will be given a warning. The second time, 10 points will be taken away from your total points. The same rules apply to me: if my cell phone rings, then I will give everybody a 10-point addition to their final grade.
## GRADING SYSTEM

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<th>Exams</th>
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<td>450 or more</td>
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<td>Exam 1</td>
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<td>Exam 2</td>
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<tr>
<td>Class Participation</td>
<td>40</td>
<td>F</td>
<td>29 9 or less</td>
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<td>Total</td>
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### Recommended readings:

- The Wall Street Journal, /daily
- *The Financial Times* (daily newspaper, available online through the ABI INFORM/PROQUEST database on the college library website);
- *The Economist* (weekly magazine, available online through the ABI INFORM/PROQUEST database on the college library website);
- *Business Week* (weekly magazine, available online through the ABI INFORM/PROQUEST database on the college library website);

### PROJECT

The project topic will be chosen in consultation with the instructor. Each group consists of 2 students is required to research and prepare a paper on one of the topics listed in this syllabus or any
other topics of their choice. You cannot do the project alone. Each member is expected to cooperate equally in a responsible manner. The topic of the paper should be finalized by **Feb 15th**. Once approved you cannot change your topic. The group will present their papers after the spring break and in April. You are encouraged to choose the date of your presentation or you will be assigned an available slot. The date of your presentation should be finalized by **Feb 28th**. Should group fail to present their presentation on the date it is scheduled; they will not get the assigned share of the project’s grade.

In addition, an 8-10 page (double pace) essay (excluding the appendix) on the topic must be submitted by **April 30th** (a preliminary version should be given the lecture prior to the actual presentation). The final version of your paper should be delivered in a hard copy as well as electronically. It is expected that the paper be in conformity with the **standard writing format**. A preliminary list of topics is provided in this course outline. Half of the points of the project will be allocated to the presentation and the other half to the essay. Failure to observe the above requirements will reduce your project portion of the course grade.

**Tentative Course Outlines:**

**Introduction:**

- **Why Study Money, Banking and Financial Markets?** ……………….Ch. 1 week 1
- **An Overview of the Financial System**……………………………….Ch. 2 week 2
- **What is Money?** ……………………………………………………….Ch. 3 week 3

**Financial Markets:**

- **The meaning of Interest rates**………………………………………Ch. 4 week 4
- **The Behavior of Interest Rates**……………………………………….Ch. 5 week 5
- **The Risk and Term Structure of Interest Rates**………………….Ch. 6 week 6

**First Exam: covers Chapters 1-6**

- **Banking and the Management of financial Institutions** Ch.9 Week 7
- **Financial Crises** Ch 12 Week 7
- **Central Banks and the Federal Reserve System**………………….Ch. 13 week 8
- **Money supply Process**………………………………………………Ch. 14 week 9
- **The Tools of Monetary Policy**……………………………………….Ch. 15 week 10
The Conduct of Monetary Policy: Strategy and tactics…………. Ch. 16 week 11

**Second Exam: covers Chapters 9, 12-16**

Monetary Theory:

- Quantity Theory, Inflation, and the Demand for Money……… … Ch. 19 , week 12
- The IS Curve ………………………………………………………..Ch. 20 week 12
- The Monetary Policy and Aggregate Demand Curves……….Ch.21 week 13
- Aggregate Demand and Supply Analysis…………………………... Ch. 22 week 14
- Monetary Policy Theory……………………………………….. Ch. 23 week 15
- The Role of Expectations in monetary Policy……………………… Ch. 24 week 15

**Final Exam: covers Chapters 19 – 23**

*Note:* Should I be forced to miss a class, I will make every effort to provide prior notice. In the absence of such notice, please wait 20 minutes past the hour.

P.S. Note that I reserve the right to alter the contents of this syllabus during the semester.

**Topics for Projects**

- U.S. budget deficit and the national debt
- U.S. trade deficit
- U.S. China economic relationship
- Review of the Great Depression and various recession in the past 50 years (causes, impacts..)
- Currency appreciation/depreciation
- Supply – side economics
- Overview of the Keynesian/Classical and Monetarists
- Reagunomics vs. Obamanomics
- Fiscal policy vs. monetary policy, is there any preference to use them? The experience of the major developed countries.
- Role of the Euro in the current and future of the World economy
- Social Security system
- Housing and Financial sectors contributions to the 2007-2009 recession
- U.S. Airline industry
- U.S. auto industry vs Japan auto industry, strength, weaknesses
- Role of Dollar and Euro in the world economy
- The gap between poor and rich in the United States
- Role of Oil in the U.S. Economy
- BRICKS and its future role in the world