

Economics 7329: The Banking System and Money Market

Fall 2019

(Read and retain this syllabus. It's a living document, does not represent a written contract and any changes made will be announced on Blackboard)

Course Instructor

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Course Overview

The purpose of this course is to study the role of money in an economy. We begin with a very basic question: What is money? To help us understand and thereby address this very basic question, we develop a very simple, but very instructive model of monetary economy. We then build upon this model to address host of other questions in monetary economics, such as: What causes inflation? What is the role of banking in a monetary economy? What can a central bank do?

Our mode of analysis will be that of microeconomics. That is, the formal models we use will be defined in terms of rational individuals making self-interested choices in the face of recourse or budget constraints, and in terms of equilibrium outcomes determined by the actions and interaction of these individuals as market participants. In terms of formal structure and associated economic content, the basic model and thereby the later models that build upon it, will be new most of you. However, once you get used to the framework, you will find that the models are not difficult to handle.

Mathematical requirements of this class are minimal. Calculus is not required. Special care is needed to understand notation and graphs.

Since there is no opportunity to ask questions in class, it's important for you to spend significant amount of time (especially first few chapters!) and work independently on practice problems. It is also important to contact me, either by e-mail or by Skype and clear up any confusion you may have about material.

Course Goals

After completing the entire course, you should be able to:

1. Understand building blocks of the overlapping generations model.
2. Understand how using money facilitates trade and exchange. This useful feature defines the demand for money.
3. Understand how does the demand for money change when we introduce alternative assets, such as capital.
4. Understand the role of liquidity and financial intermediation (banks) play in the economy.
5. Understand functioning of central banks and their central role in providing liquidity.

Textbook

Bruce Champ, Scott Freeman and Joseph Haslag, Modeling Monetary Economics, 4th edition, (Cambridge, 2016). Having this textbook is required and absolutely essential.

Expectations

- What to expect from a technology-enhanced Course – This course is designed to virtually. It is essential that you access the course site Monday through Friday for course announcements, work on assignments, exams, etc.
- What the instructors and your peers expect from you – By enrolling in this course, you have agreed to login to Canvas at least twice a week, keep up with required readings and work on homework assignments on regular basis. We expect you to be respectful and considerate in discussion board postings. We also expect that you will have a foundational understanding of Internet terms and functions. All general class correspondence should be submitted to the relevant Discussion Board forum; only personal or confidential matters should be directed to the instructor in e-mail.
- What to expect from the instructor – Monitor and facilitate discussion board postings, respond to private questions within 24 to 48 hours, provide timely feedback on submitted assignments, and help to build a learning community.

Panopto Information

Panopto allows us to record and distribute lectures and other audio and video recordings to you in a secure environment through Canvas. No material will be shared with individuals outside of your class, or faculty and staff who require access for support or specific academic purposes without express permission.

You may watch recordings online, or download them for off-line viewing on your computer, smartphone, or media player. These recordings are jointly copyrighted by the Curators of the University of Missouri and your instructor. Posting them to other website, including YouTube, Facebook, or any other site without express, written permission may result in disciplinary action and possible prosecution.

Weekly Routine

Every week you should expect to login to the course site no fewer than 2-3 times. Each week the course will have corresponding instructional units that includes your assigned reading from the textbook, instructor recorded videos, practice assignments (not graded), and homework assignments (graded). You should complete your readings and review the course notes before working on homework. Basic unit content, Panopto videos and practice assignments for the entire semester will become available on the first day of the semester. However, homework assignments will not be available beforehand and will only become available during the week it's assigned.

Bi-weekly Homework

This course uses bi-weekly homework to assess your comprehension of the assigned readings. Homework will be available every other Monday on Canvas at 10 am and will always be due on Fridays 5:00 pm the following week. Homework submissions must be done on Canvas and e-mailed submissions will not be accepted. Please complete all the assigned readings (textbook, videos, etc.) prior to working on homework.

Exams

You will need to take 3 exams in this course, two midterms and one final exam. All exams are online on Canvas and you can use Examity service. All exams contain multiple choice questions and are timed to 90 minutes. You have almost two-day window as indicated below to take the exams, and taking exams after the specified window is not allowed. I require exams to be proctored at an approved proctoring location. For instructions on how to take proctored exam please visit [Mizzou Online](#). It's your responsibility to contact [Mizzou Online](#) in advance (at least 10 business days prior to the first exam date) and make arrangements. You are allowed one page (8.5x11) of notes (one sided only) cheat-sheet and you are allowed to use calculators but no other electronic devices, including smart phones, can be used.

Midterm 1 – Thu, 09/26 8:00 AM to Fri, 09/27 5:00 PM – Units 1-3

Midterm 2 – Thu, 11/07 8:00 AM to Fri, 11/08 5:00 PM – Units 4-6

Final Exam – Tue, 12/10 8:00 AM to Wed, 12/11 5:00 PM – Units 7-8

Grades

Your grade will be determined on the basis of two midterm examinations, a final examination, and eight homework submissions. A maximum of 200 points can be earned in the course. The two midterm examinations will be worth 40 points each, the final will be worth 40 points, each homework will be worth 10 points. There are no make-up examinations..

First midterm	20 questions, 2 points each	40
Second midterm	20 questions, 2 points each	40
Homework	8 assignments, 10 points each	80
Final Exam	20 questions, 2 points each	40
Total course points		200

The letter grade is assigned based on the total points you can earn:

A	90% (180 points) or more
B	80% (160 points) or more to strictly less than 90% (180 points)
C	70% (140 points) or more to strictly less than 80% (160 points)
D	60% (120 points) or more to strictly less than 70% (140 points)
F	strictly below 60% (120 points)

Help Available

If you are having any technical difficulties (e.g. logging in, accessing the discussion board) please e-mail techsupport@missouri.edu, or contact *Tech Support* at 573-882-5000 (toll-free at 866-241-5619), or visit web-site: <https://doit.missouri.edu/tech-support/>

ACADEMIC INTEGRITY POLICY

Academic integrity is fundamental to the activities and principles of a university. All members of the academic community must be confident that each person's work has been responsibly and honorably acquired, developed, and presented. Any effort to gain an advantage not given to all students is dishonest whether or not the effort is successful. The academic community regards breaches of the academic integrity rules as extremely serious matters. Sanctions for such a breach may include academic sanctions from the instructor, including failing the course for any violation, to disciplinary sanctions ranging from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, collaboration, or any other form of cheating, consult the course instructor.

Academic Dishonesty includes but is not necessarily limited to the following:

- A. Cheating or knowingly assisting another student in committing an act of cheating or other academic dishonesty.
- B. Plagiarism which includes but is not necessarily limited to submitting examinations, themes, reports, drawings, laboratory notes, or other material as one's own work when such work has been prepared by another person or copied from another person.
- C. Unauthorized possession of examinations or reserve library materials, or laboratory materials or experiments, or any other similar actions.
- D. Unauthorized changing of grades or markings on an examination or in an instructor's grade book or such change of any grade report.

ACADEMIC INTEGRITY PLEDGE: *"I strive to uphold the University values of respect, responsibility, discovery, and excellence. On my honor, I pledge that I have neither given nor received unauthorized assistance on this work."* Students are expected to adhere to this pledge on all graded work whether or not they are explicitly asked in advance to do so.

The University has specific academic dishonesty administrative [procedures](#). Although policy states that cases of academic dishonesty must be reported to the Office of the Provost for possible action, the instructor may assign a failing grade for the assignment or a failing grade for the course, or may adjust the grade as deemed appropriate. The instructor also may require the student to repeat the assignment or to perform additional assignments. In instances where academic integrity is in question, faculty, staff and students should refer to [Article VI of the Faculty Handbook](#). Article VI is also available in the [M-Book](#). Article VI provides further information regarding the process by which violations are handled and sets forth a standard of excellence in our community.

STUDENTS WITH DISABILITIES:

If you anticipate barriers related to the format or requirements of this course, if you have emergency medical information to share with me, or if you need to make arrangements in case the building must be evacuated, please let me know as soon as possible.

If disability related accommodations are necessary (for example, a note taker, extended time on exams, captioning), please register with the Office of Disability Services (<http://disabilityservices.missouri.edu>), S5 Memorial Union, 573- 882-4696, and then notify me of your eligibility for reasonable accommodations. For other MU resources for persons with disabilities, click on "Disability Resources" on the MU homepage.

INTELLECTUAL PLURALISM STATEMENT (FROM OFFICE OF THE PROVOST)

The University community welcomes intellectual diversity and respects student rights. Students who have questions or concerns regarding the atmosphere in this class (including respect for diverse opinions) may contact the Departmental Chair or Divisional Director; the Director of the Office of Students Rights and Responsibilities (<http://osrr.missouri.edu/>); or the MU Equity Office (<http://equity.missouri.edu/>), or by email at equity@missouri.edu. All students will have the opportunity to submit an anonymous evaluation of the instructor(s) at the end of the course.

Other Important Dates

Last day to drop course without grade	Sep 23
Last day to withdraw from a course	Dec 2

Weekly Schedule

Week	Units	Unit Title	Reading
1-2	1	Trade Without Money: The Role of Record Keeping	Chapter 1 (pg. 3-26)
3-4	2	A simple Model of Money	Chapter 2 (pg. 27-47)
5-6	3	Inflation (<i><u>Midterm 1</u></i>)	Chapter 4 (pg. 67-92)
7-8	4	Capital, Appendix A and B	Chapter 7 (pg. 141-158)
9-10	5	Liquidity and Financial Intermediation	Chapter 8 (pg. 162-174)
11-12	6	Central Banking and the Money Supply (<i><u>Midterm 2</u></i>)	Chapter 9 (pg. 175-194)
13-14	7	Bank Risk	Chapter 13 (pg. 252-270)
15	8	International Monetary Systems (<i><u>Final Exam during the finals week</u></i>)	Chapter 5 (pg. 94-120)