Money and Banking (ECON 301)
Course Syllabus
Spring 2016

Professor: Christine (Chris) Loucks, Ph.D.
Office: MBEB 3256
Phone: 426-1468
E-mail: cloucks@boisestate.edu
Office Hours: Tuesday, Thursday: 12:00-1:00 p.m. unless otherwise posted. If you are unavailable during this time period, please e-mail me and schedule an appointment time.

Part I: General Information and Requirements

Instructor Information:
Professor: Chris Loucks
Office: MBEB 3256
Phone: 426-1468
E-mail: cloucks@boisestate.edu
Office Hours: Tuesday and Thursday, noon-1 p.m., unless otherwise posted. If this time does not work for you please contact me to set up a mutually acceptable time. I am available by e-mail almost every day.

Course Description:
In Money and Banking, we analyze the role of money, credit, and the financial system primarily in the domestic economy. We study monetary theory to develop the channels through which monetary policy may affect the macro economy in the short- and the long-run. We study monetary policy to understand the role of the Federal Reserve, the central bank of the United States, in the macro economy.

Prerequisites:
Admission to the College of Business and Economics or B.A. Economics major or B.A. Economics, Social Studies, Secondary Education Emphasis major, ECON 201 and ECON 202

Course Objectives:
- The student will understand basic macroeconomics concepts.
- The student will understand the role of financial markets and depository institutions in the U.S. economy
- The student will understand the balance sheet activities of commercial banks.
- The student will understand the structure and role of the Federal Reserve System.
- The student will understand what interest rates are and how interest rates are determined.
- The student will understand the basic differences between the Monetarists and the Keynesians and how those differences lead to different conclusions concerning the effectiveness of monetary policy and the role of government in the economy.
- The student will understand how monetary policy affects the macro economy
**Students with Disabilities:**
Students with disabilities needing accommodations to fully participate in this class should contact the Disability Resource Center (DRC). All accommodations MUST be approved through the DRC. Please stop by Administration 114 or call 208-426-1583 to make an appointment with a disability specialist. To learn more about the accommodation process, visit our website at http://drc.boisestate.edu

**COBE Core Curriculum Concepts, Methods, and Skills:**
Students in this class will also learn or practice the following COBE Core Curriculum concepts, methods and skills related to economics and finance:

2.1 Communicate effectively: Write messages and documents that are clear, concise, and compelling.
2.2 Communicate effectively: Give oral presentations that use effective content, organization, and delivery
3.0 Solve problems, including unstructured problems, related to business and economics
4.0 Use effective teamwork and collaboration skills.

**Required Resources:**

Access to Blackboard: Site of weekly assignments, access to exams and grades as well as announcements

**Highly Recommended Resource:**
The Wall Street Journal

**Part II: Grading, Classroom Policies and Course Description**

**Grades:**
The student’s comprehension of the learning objectives and the COBE Core Curriculum concepts, methods, and skills will be evaluated through exams, assignments, and participation and contributions to the paper written and class presentation for the Fed Challenge.

**Exams and Fed Challenge:** There will be two exams given during the semester and a comprehensive final exam. The two exams given during the semester will each be worth 100 points. The comprehensive final exam is worth 150 points and the Fed Challenge is worth 150 points; 100 points for the presentation and 50 points for the paper upon which the presentation is based.

If you are absent on an exam day due to a university sanctioned event, you may take the exam early as long as you have scheduled the exam at least one week ahead of time. **No late exams will be given.**

Fed Challenge: The Fed Challenge is a mock meeting of the Federal Open Market Committee, the monetary policy making committee of the Federal Reserve System. A detailed description of the
Fed Challenge appears below. The Fed Challenge is scheduled Thursday, April 21, 2016 in the Imagination Lab, from 5:30-9 p.m. During the week of the Fed Challenge, you will not meet your regularly scheduled classes in Money and Banking. You are required to attend the 3 hour presentation for the Fed Challenge. (The Imagination Lab is available for set-up at 5:30 p.m.; the Fed Challenge begins at 6 p.m.)

Therefore, as described above and again in the table below, there are 500 points to earn this semester. Grades will be determined by the scale described in the table below. I use the +/- system for anyone who has a borderline grade (grade close to either the bottom or top of the range described below). Whether you receive the higher or lower grade depends upon your class behavior and participation. I reserve the right to change anyone’s grade downward up to 10% for bad classroom behavior.

<table>
<thead>
<tr>
<th>Source of Points</th>
<th>Maximum Points</th>
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<tbody>
<tr>
<td>2 exam scores</td>
<td>200</td>
</tr>
<tr>
<td>Fed Challenge</td>
<td>150</td>
</tr>
<tr>
<td>Final Exam</td>
<td>150</td>
</tr>
<tr>
<td>Total Points</td>
<td>500</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Points Earned</th>
<th>Grade</th>
<th>Percentage Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>430-500</td>
<td>A</td>
<td>86-100</td>
</tr>
<tr>
<td>370-429</td>
<td>B</td>
<td>74-85</td>
</tr>
<tr>
<td>310-369</td>
<td>C</td>
<td>62-73</td>
</tr>
<tr>
<td>250-309</td>
<td>D</td>
<td>50-61</td>
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<tr>
<td>Below 250</td>
<td>F</td>
<td>Below 50</td>
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Exam Dates and Required Attendance Dates:

Exam 1: Thursday, February 18 (in-class portion of the exam)
        February 18-19 (Blackboard portion of exam)

Exam 2: Thursday, April 14 (in-class portion of the exam)
        April 14-15 (Blackboard portion of the exam)

Fed Challenge: Thursday, April 21
        Imagination Lab, Micron College of Business and Economics, 5:30-9 p.m.

Final Exam: Monday-Tuesday, May 2-3 (Blackboard portion of the exam)
        Tuesday, May 3, 10 a.m.-noon (in-class portion of the exam)

Fed Challenge

The Fed Challenge is a competition designed to expand your understanding of the Federal Reserve System’s unique role in the economy and the importance of Federal Open Market Committee decisions. I will divide the class into seven or more teams. Each team will represent either one of the voting members of the FOMC or the President of the San Francisco Federal Reserve Bank. Each team will choose one member to speak for the group at the Fed Challenge, in
effect to play the role of either a regional reserve Bank president or a member of the Board of Governors of the Federal Reserve.

Fed Challenge Presentation

Each team will undertake research and analyze data concerning current and near-term economic conditions and use that data to discuss the potential growth/decline of the U.S. economy and in the case of regional reserve bank presidents, their specific region. Teams representing either Janet Yellen or one of the other members of the Board of Governors are responsible for describing the economic conditions facing the nation, including challenges to economic growth, both domestic and international. Teams representing one of the regional Federal Reserve Districts are responsible for describing the current state of the economy in their specific Federal Reserve District, any challenges to economic growth within their District, and their view of the national economy, potential growth of the national economy, and threats to national economic growth.

Each team will select a spokesperson. The spokesperson represents the FOMC member assigned to the team. For example, the team representing Janet Yellen will choose one of its members to be Janet Yellen at the Fed Challenge. The spokesperson will deliver a 10-minute presentation prepared by the entire team to a panel of judges at the Fed Challenge (a mock meeting of the Federal Open Market Committee). The day of the Fed Challenge, the teams will come to consensus on a policy statement that will be released to the press (me) following the Fed Challenge just like the actual FOMC releases a press statement once a real FOMC meeting is completed.

The team representing Janet Yellen has a few additional assignments. That team is responsible for organizing the Fed Challenge—choosing the order in which the other teams will make their presentation, making sure power-point presentations are uploaded the day of the Fed Challenge, making sure presentations do not exceed their time limit, preparing and writing the rough draft of a policy statement before the night of the Fed Challenge, running the Fed Challenge, and writing the final draft of the policy statement and submitting the policy statement to me. Janet Yellen will chair the Fed Challenge just like Janet Yellen chairs the FOMC meetings. After the Fed Challenge presentations, the student representing Janet Yellen’s team will lead a discussion that will end with approval of a consensus policy statement.

At least two judges will grade the student presentations. Part of that grade depends upon the answers students give to questions asked by the judges and other students and faculty invited to attend the Fed Challenge. Questions asked by the judges in the past have dealt with monetary theory, current events, and issues related to specific presentations. While the presentation is restricted to one team member, all team members can participate in the question and answer period.

I want you to concentrate on data analysis this year. It is not enough to present tables of numbers. I want you to interpret those numbers. What’s the growth rate in the variables you’re using? Is that growth rate above or below average given historical data? What model are you using to predict macroeconomic activity? How do the variables you’re considering fit into that model? Start with an economic model that describes the macro economy, then use the data to tell a story that describes how the economy is currently behaving and how you expect it to behave in the future. What risks does your team believe face the macro economy? What could cause your story to derail?
The date of the Fed Challenge is listed above. Attendance at the FED Challenge is required; this is your only classroom meeting during this week. (Non-attendance at this event will be rewarded with 0 of the 100 possible participation points.) Non-attendees may still earn points from the Fed Challenge paper as long as they participate in writing the paper.

**Fed Challenge Paper**

Each team will write a paper detailing their research results. This paper will be the basis for the presentation the team makes during the Fed Challenge. The paper will contain the research results and summarize the individual team’s analysis of the current and future state of the U.S. economy and region (if a regional reserve district bank president).

I will grade the paper based upon content, writing style, etc. I want you to concentrate on data analysis this year. It is not enough to present tables of numbers. I want you to interpret those numbers. What’s the growth rate in the variables you’re using? Is that growth rate above or below average given historical data? What model are you using to predict macroeconomic activity? How do the variables you’re considering fit into that model? Start with an economic model that describes the macro economy, then use the data to tell a story that describes how the economy is currently behaving and how you expect it to behave in the future. What risks does your team believe face the macro economy? What could cause your story to derail?

Note: If you want to practice presentations before the Fed Challenge, you’ll need to reserve a room. LaDawn Barrera, the Administrative Assistant in the Department of Economics, can help you with that if you need help. In the past, Patrick Delana who teaches Business Communication has been willing to evaluate presentations. If you want individual team help or want Dr. Delana to evaluate all team presentations, it is your responsibility to contact him and set up times for evaluation or to invite him to your group practice session. I recommend you contact Dr. Delana early in the semester.

**Academic Integrity**

I will follow the rules set forth in the Code of Conduct, The Student Handbook, Boise State University. These rules define behavior that constitutes academic cheating and describe the penalties for academic cheating.
Chapters Covered this Semester

Check Blackboard for weekly assignments and announcements. I’ll post weekly assignments by Sunday afternoon. Your grades will also be posted on Blackboard. I may change the order listed below because we need to cover the monetary theory chapters before the Fed Challenge.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
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<tbody>
<tr>
<td>1</td>
<td>Why Study Money, Banking and Financial Markets?</td>
</tr>
<tr>
<td>2</td>
<td>An Overview of the Financial System</td>
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<tr>
<td>3</td>
<td>What is Money?</td>
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<tr>
<td>4</td>
<td>Understanding Interest Rates</td>
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<tr>
<td>5</td>
<td>The Behavior of Interest Rates</td>
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<tr>
<td>10</td>
<td>Banking and the Management of Financial Institutions</td>
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<tr>
<td>9</td>
<td>Financial Crisis and the Subprime Meltdown</td>
</tr>
<tr>
<td>13</td>
<td>Central Banks and the Federal Reserve System</td>
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<tr>
<td>14</td>
<td>The Money Supply Process</td>
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<tr>
<td>15</td>
<td>Tools of Monetary Policy</td>
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<tr>
<td>16</td>
<td>The Conduct of Monetary Policy: Strategy and Tactics</td>
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<tr>
<td>19</td>
<td>Quantity Theory, Inflation, and the Demand for Money</td>
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<tr>
<td>20</td>
<td>The IS Curve</td>
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<tr>
<td>21</td>
<td>The Monetary Policy and Aggregate Demand Curves</td>
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<tr>
<td>22</td>
<td>Aggregate Demand and Supply Analysis</td>
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<tr>
<td>23</td>
<td>Monetary Policy Theory</td>
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<tr>
<td>24</td>
<td>The Role of Expectations in Monetary Policy</td>
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<tr>
<td>25</td>
<td>Transmission Mechanisms of Monetary Policy</td>
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