Syllabus
ECON-301-001
Money and Banking

9:00 - 10:15 TuTh, MBEB 1210
Spring 2018
Professor Dalton

Office: MBEB 3222 (Adjunct Offices)
Office Hours: W 9:00 am – 12 noon or by appointment
E-mail: allendalton@boisestate.edu

PREREQUISITES
Principles of Macroeconomics and Principles of Microeconomics (ECON 201 and ECON 202).
Admission to COBE or B.A. Economics Major or Economics Minor.

UNIVERSITY REQUIRED SYLLABUS STATEMENT:
Disability Accommodation
Students with disabilities needing accommodations to fully participate in this class should contact the Educational Access Center (EAC). All accommodations MUST be approved through the EAC. EAC is located on the first floor of the Lincoln Parking Garage. Call (208) 426-1583 to make an appointment. To learn more about the accommodation process, visit our website at http://eac.boisestate.edu

COBE REQUIRED SYLLABUS STATEMENTS:
Statement of Shared Values
Boise State University upholds the following values as the foundation for a civil and nurturing environment. Campus community members and all who are part of COBE are expected to adhere to the following values:

Academic Excellence – engage in our own learning and participate fully in the academic community’s pursuit of knowledge.
Caring – show concern for the welfare of others.
Citizenship – uphold civic virtues and duties that prescribe how we ought to behave in a self-governing community by obeying laws and policies, volunteering in the community, and staying informed on issues.
Fairness – expect equality, impartiality, openness and due process by demonstrating a balanced standard of justice without reference to individual bias.
Respect – treat people with dignity regardless of who they are and what they believe. A respectful person is attentive, listens well, treats others with consideration and doesn’t resort to intimidation, coercion or violence to persuade.
Responsibility – take charge of our choices and actions by showing accountability and not shifting blame or taking improper credit. We will pursue excellence with diligence, perseverance, and continued improvement.
Trustworthiness – demonstrate honesty in our communication and conduct while managing ourselves with integrity and reliability.
COBE Core Objectives- ECON 301

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<tr>
<th>Students in this class will learn or practice the following COBE Core Curriculum concepts, methods, and skills:</th>
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<tbody>
<tr>
<td>1. Understand and apply analytical and disciplinary concepts and methods related to business and economics:</td>
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<tr>
<td>✔️ 1.3. Economics</td>
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<td>✔️ 1.4. Finance</td>
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<td>✔️ 2.1. Communicate effectively: Write messages and documents that are clear, concise, and compelling</td>
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<tr>
<td>✔️ 2.2. Communicate effectively: Give oral presentations that use effective content, organization, and delivery</td>
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<td>✔️ 3. Solve problems, including unstructured problems, related to business and economics</td>
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<td>✔️ 4. Use effective teamwork and collaboration skills</td>
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<td>✗ 5. Demonstrate appropriate principles of responsible business practices</td>
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TEXT AND STUDY MATERIALS
All readings for this course are posted on Blackboard or linked in the syllabus. The primary readings are from George Selgin, ed., Readings in Money and Banking, Third edition and his collection of essays collected under “A Monetary Policy Primer.” There is not a “traditional” textbook.

Powerpoint slides for some lectures may also be accessible on Blackboard, after being presented in class; along with other links to aid learning.

COURSE OBJECTIVE AND OVERVIEW
The primary objective of this course is to analyze the role of money, credit, and the financial system in the U.S. economy. Part I of the course examines the nature and historical development of monetary and banking institutions. Part II looks at the determinants of the supply of and demand for money, introduces the concept of "monetary equilibrium," and then considers the effects of monetary disturbances on commodity prices, interest rates, and real output. Part III, finally, deals with questions of monetary policy, including various schemes for reforming existing banking and currency arrangements.

THE POSITIVE BIAS OF ECONOMICS
Paul Heyne, in his introductory text Microeconomics, notes “the economic way of thinking is a biased perspective. It does not offer an unprejudiced view of society, in which all the facts are presented and all interests are given the same weight." Everyone engaged in the search for knowledge of any kind necessarily begins with preconceptions of what is important and what is not, what is true and what is not, and what is useful and what is not. To the extent a student comes to understand economics,
he will become biased in the same way as other economists and will look at the world in a way much different from non-economists. We should note that non-economists are also biased in their understanding of economics, and in this course the student will learn how such biases lead to errors in analyzing economic activity. This does not mean that any two economists will completely agree on “how the economy works.”

NORMATIVE BIAS AND ECONOMIC POLICY
Much of modern economics is a consideration of what government “ought to do,” if anything, in achieving widely accepted economic goals. The question of one’s support for a particular government action will, of course, depend upon one’s preferences and interests, as well as one’s understanding of how the economy works. But beyond that, one’s basic ethical and political views will come into play. It should be of no surprise, then, that two economists with identical views of the workings of the economy might disagree on the propriety of a particular government action.

INSTRUCTOR EXPECTATIONS OF STUDENTS AND STUDENT CONDUCT
Students are expected to arrive at class on time and be ready for learning when the class starts at the top of the hour. Sometimes unforeseen problems arise that lead to late arrival. In those circumstances, enter as quietly and unobtrusively as possible and take the available seat closest to the door you enter. Persistent late arrival or disruptive behavior upon arrival will reduce class participation points.

Students are expected to stay in class for the entire class period. It is rude and disruptive to enter and exit the classroom while the instructor is lecturing or fellow students are engaged in discussion. Students who leave and reenter will be asked to leave the class. Persistent violation will result in severe reductions in class participation points. If you must leave class early to make an appointment elsewhere, you may do so at the mid-class break (see below), without a reduction in class participation points, if you advise the instructor before class.

Students are expected to come to class having read the appropriate readings prior to lecture and discussion. Most classes (except those where the experiments will take the entire class period) will begin with the interrogatory: “Are there any questions?” This is the student’s opportunity to ask questions over material previously covered or to raise questions about the material under current discussion, the nature of economics, or other matters related to economic learning.

While there are many informal situations when people have neither the desire, nor the right, to prescribe how others ought to behave, a college classroom requires a higher level of courtesy to be exercised than in ordinary public space. Everyone in a classroom is there for the purpose of learning, and no one should be able to deprive another person of the chance to learn. Expressions of rudeness and even of carelessness degrade the high purpose of learning that should be paramount in a college classroom. Your professor expects that you as a student:

- Will be courteous and attentive during class.
- Will complete the assigned work according to the class schedule, and
• Will do all your own work and will not present anyone else’s work as your own (this is also covered by the BSU Code of Conduct).

Students who do not follow these expectations may be invited to leave the class. Continued misconduct may lead to removal from the course and initiation of procedures described in the BSU Code of Conduct.

Be courteous and use appropriate language at all times. The classroom should be a learning centered environment in which the instructor and students are unhindered by disruptive behavior. Students thus are expected to maintain proper decorum in the classroom. Free exchange of ideas is certainly encouraged. However, students must adhere to the rules set forth by the instructor. Student Code of Conduct Section 2.C states:

“The classroom is not an unstructured political forum; it is the center for study and understanding of subject matter for which the faculty member has professional responsibility and institutional accountability. Control of the order and direction of class, as well as control of the scope and treatment of the subject matter, must therefore immediately rest with the individual faculty member. Faculty members and students must be free from disruption by students or others who may be in disagreement with the manner in which the faculty member discharges his/her responsibilities.”

Specific examples of disruptive behavior include:
• Monopolizing discussion or taking over the lecture
• Making hostile remarks to instructor or fellow student
• Side conversations
• Distracting behavior such as sleeping, cell phone use, laptop use for other purposes than note taking
• Otherwise interrupting the educational process

Students are encouraged to form study groups among themselves, assist one another in mastering material, and provide one another with missed notes. If, due to time constraints, we don’t cover some assigned readings in class, that doesn’t mean that you are necessarily excused from knowing the material. *The general rule: if a reading is assigned, you are responsible for knowing it.*

**COMPUTERS AND CELL PHONES**
Use of computers and cell (smart) phones for private use during class is disruptive for both your instructor and your classmates. *Further, computer note taking has been shown to be less helpful in retaining information than note taking by hand. I encourage you to take notes by hand.* However, I understand that they constitute an umbilical cord to the rest of the world that students are not used to doing without. Therefore, I offer this “bargain.”

Each class will divided into two 35-minute segments with a 5-minute mid-class break.
Use of computers or cell (smart) phones for private use during the 35-minute class segments is restricted. No phone usage. (Even pulling your phone out will result in you being asked to leave the class.) Computer use that attracts the attention of other students will result in you being asked to leave the class.

During the 5-minute mid-class break you may use your computers and cell (smart) phones, leave the class and return. When the second 35-minute class segment starts everyone must be “ready to go.” If you aren’t, you’ll be asked to leave.

**GRADING**
The final course grade is based upon class participation, in-class quizzes, written abstracts on assigned readings, a book review, attendance at the Adam Smith Lecture, a mid-term exam and a Comprehensive Final Exam:

(1) Class participation is worth 100 points;
(2) Twelve (out of 14) blog reviews are worth 300 points;
(3) Book review is worth 150 points;
(4) Twenty (out of 25) daily quizzes are worth 500 points;
(5) Attendance at Adam Smith Lecture is worth 100 points;
(6) Mid-term exam is worth 150 points; and,
(7) Comprehensive final exam is worth 300 points.

Total graded points are 1600. The following grading scale is used:

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<tr>
<th>Grade</th>
<th>Points</th>
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<tr>
<td>A+</td>
<td>1544 – 1600</td>
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<tr>
<td>A</td>
<td>1432 – 1543</td>
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<tr>
<td>B+</td>
<td>1384 – 1431</td>
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<tr>
<td>B</td>
<td>1272 – 1383</td>
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<tr>
<td>C</td>
<td>1112 – 1223</td>
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<tr>
<td>D</td>
<td>952 – 1111</td>
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<tr>
<td>F</td>
<td>0 – 951</td>
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**SAMPLE QUESTIONS**
Prior to each section, a set of sample questions is handed out, representing the knowledge and information students are expected to master from that section. All quiz, mid-term and final exam questions are based on material from sample questions. Actual quiz/exam questions may be altered versions, combinations, or variants.

**CLASS PARTICIPATION**
The class participation grade (100 points) is based upon participation in classroom discussions and responsiveness to questions. Everyone starts with a “C” - 75 % - 75 points. Those that participate increase their points. Those that miss classes, assignments, and violate standards of student conduct reduce their points. The guideline I use is “How to Get an A on Class Participation,” written by two former BSU Economics professors – Pete Lichtenstein and Larry Reynolds.

**WEEKLY BLOG REVIEW**
Every Tuesday, beginning January 16 and concluding April 24 (excluding March 27), a review summary of blog posts from the following sites for the previous week (e.g., for the
January 16th review, posts made on the blogs from January 7 through January 13, inclusive, or the last post on each site is to be covered) is due. Each summary will be worth 25 points. Fourteen summaries are assigned. The twelve highest scores are used to help determine the student’s grade in the class.

The summary is to be submitted as a word or pdf file by the start of class, mailed to the instructor’s email address.

A summary submitted as a word or pdf file must meet the following naming convention: “student last name.student first name.spring2018.summary#”. (If your name were John Doe, the first abstract submitted would be named: Doe.John.spring2018.summary1.)

Each summary is to be single-spaced, typed, and in font size no larger than 12. Margins should be 1” on top, bottom, and both sides. The top of the first page should include your name. The submission should the title of each blog post and author, and for each blog post, a paragraph summarizing the post.

The blogs you are to follow are:

Uneasy Money (David Glasner) https://uneasymoney.com/
The Money Illusion (Scott Sumner) http://www.themoneyillusion.com/
Alt-M (Cato Institute Center for Monetary and Financial Alternatives) https://www.alt-m.org/

BOOK REVIEW
The book review is worth 150 points toward your final grade. The review may be over any economics or related book that meets the approval of the instructor. Students should submit the title, author, publisher, and publication date of the book to be reviewed via email to the instructor no later than midnight February 13. The instructor may require the student to physically present the book proposed for review if there exists a question as to the appropriateness of the book.

Books are not to be textbooks, but are to be related to the course content – money and banking. Economic classics, economic history, collections of readings and modern popular economic books are all examples of books that are appropriate for this assignment. Some specific examples of books that fit into these categories are listed at the end of this section. No more than 3 reviews of the same book will be accepted. If you have a particular book in mind, submit it as early as possible.

The review should give evidence that the entire book has been read. The review should address the major idea(s) of the book and the review should include the student’s own evaluation and recommendation concerning the book, with supporting reasoning. Also see the guidelines for grading I use on term papers and the Horwitz Guide to writing academic papers, both posted on Blackboard.
The paper is to be double-spaced, typed, and in font size no larger than 12. Margins should be 1” on top, bottom, and both sides. This paper should have a cover page indicating your name and the title, and a bibliography page; depending on your citation standard, you may or may not need footnotes or endnotes. Make sure to cite both direct quotes and summaries. Single-space and indent long quotes (5 or more lines).

This is a technical paper, do not use familiar names when identifying people (e.g., don’t call Adam Smith “Adam”). The paper should be 10-12 pages in length (excluding title, endnote and bibliography pages). It is to be submitted as a hard copy and as a word or pdf file, mailed to the instructor’s email address. For the digital submission, the word or pdf file must meet the following naming convention: “student last name.student first name.spring2018.bookreview”. (If your name were John Doe, the submitted file would be named: Doe.John.spring2018.bookreview.) The paper is due no later than 5 p.m. on April 5. Late papers will have 15 points deducted per day they are late in being turned in.

Examples of Appropriate Books

Classics
Myrdal, Monetary Equilibrium
Hayek, Monetary Theory and the Trade Cycle
De Roover, Business, Banking and Economic Thought in Late Medieval and Early Modern Europe

Financial Crises and Banking
Beckworth, ed., Boom and Bust Banking: The Causes and Cures of the Great Recession
Admati and Hellwig, The Bankers’ New Clothes: What’s Wrong with Banking and What to Do About It
Reinhart and Rogoff, This Time is Different: Eight Centuries of Financial Folly
Calomiris and Haber, Fragile by Design: The Political Origins of Banking Crises and Scarce Credit
Gorton, Misunderstanding Financial Crises: Why We Don’t See Them Coming

Economic History
Goetzmann, Money Changes Everything: How Finance Made Civilization Possible
Figueira, The Power of Money: Coinage and Politics in the Athenian Empire
Steil, The Battle of Brettonwoods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order
Timberlake, Monetary Policy in the United States: An Intellectual and Institutional History
Selgin, Godo Money: Birmingham Button Makers, the RoyalMint, and the Beginnings of Modern Coinage, 1775-1821

Money
Hulsmann, The Ethics of Money Production
Steil and Hinds, Money, Markets, and Sovereignty
Yeager, The Fluttering Veil: Essays on Monetary Disequilibrium
Free Banking
Glasner, *Free Banking and Monetary Reform*
Smith, *The Rationale of Central Banking and the Free Banking Alternative*
White, *Free Banking in Britain: Theory, experience and debate, 1800-1845*

DAILY QUIZZES
I have found in teaching this course that frequent testing of knowledge is necessary to master the material. Each class day, beginning January 11 and concluding April 24, a one or two short-answer question quiz worth 25 points will be conducted during the first 10 minutes of class. Each quiz will cover the previous class period’s lecture and the current class period’s reading assignment (e.g., for January 11, the quiz will cover the lecture of January 9 and the reading for January 11). Twenty-five (25) daily quizzes will be given, and the twenty (20) highest scores will be used to help determine the student’s grade in the class.

ADAM SMITH LECTURE
Professor Sam Fleischacker of University of Illinois-Chicago will be giving the annual Adam Smith Lecture on Monday, February 19, at 6 pm in the Simplot Ballroom of the SUB. His speech is entitled “Being Me, Being You: Adam Smith on Empathy, Perspective and Humanity” Attendance is required, and earns 100 points.

EXTRA CREDIT OPPORTUNITIES
The university experience is meant to broaden your horizons and challenge your preconceived notions. A maximum of two extra credit opportunities, each worth 25 points, may be applied to your points.

The Honors College Distinguished Lecturer this spring is the filmmaker Werner Herzog who will be speaking April 9. As other opportunities become available they will be announced in class. If you happen to discover an opportunity, please share with me!

MID-TERM EXAM
The mid-term exam will be given in class on *Thursday, February 22*. The mid-term will cover all of the material from the first half of the course and consist of short-answer questions. The mid-term is worth 150 points.

COMPREHENSIVE FINAL EXAM
The final exam will be given during the final exam period, *Tuesday, May 1, 10:00 am - Noon*. The final is comprehensive and will cover the entirety of the course and consist of short-answer questions. The final exam is worth 300 points (approximately 19% of the final grade).

MAKE-UP POLICY
Since most of the assignments may be turned in electronically, only in cases of extended illness will make-ups be possible for those assignments. Appropriate documentation will be required.
GENERAL POLICIES
(1) There are no additional extra credit projects.
(2) An incomplete will be allowed for the class only if a 70% or better average is achieved through the daily quiz on April 12. To receive an incomplete requires the completion of a contract with a date certain for completion of class requirements.
(3) Withdrawal from class is the responsibility of the student.

SUMMARY OF IMPORTANT DATES
Each Class day – Quiz
Each Tuesday – Abstract due
February 13 – Book selection due
February 19 – Adam Smith Lecture, Samuel Fleischacker, 6 pm
February 22 – Mid-term exam
April 5 – Book review due
April 9 – Werner Herzog, Distinguished Lecture Series
Tuesday, May 1 – Final Exam; 10:00 am – Noon

TENTATIVE COURSE OUTLINE AND READINGS
Readings designated S-1, S-2, etc. represent chapters in Readings in Money and Banking (S-1 is chapter 1, S-2 is chapter 2, etc.), located on Blackboard
Readings designated BB are separately uploaded to Blackboard.

LECTURE OUTLINE AND READING ASSIGNMENTS

PART I: INSTITUTIONS
1. Why Study Money and Banking?
   Selgin, “A Monetary Policy Primer, Part 1: Money”

2. The Nature and Functions of Money
   Jevons, chapters 1-3 of Money and the Mechanism of Exchange
   McCulloch, “Why Bother?” (S-1)

3. The Evolution of Money
   Menger, “The Theory of Money” (S-2)
   Selgin, “Gresham's Law”
   Selgin: "Salvaging Gresham's Law: the Good, the Bad, and the Illegal" (BB; Optional)

4. The Origins of Banking and the Clearinghouses
   Jevons, chapter 21 of Money and the Mechanism of Exchange
   Selgin and White, “The Evolution of a Free Banking System” (S-3; Optional)

5. Central Banks and Fiat Money
   Dowd, "The Establishment of Central Banking" (S-4)
   Selgin and White, "A Fiscal Theory of Governments’ Control of Money" (BB).
   McCulloch, "Inflationary Finance" (BB, optional)
6. The Development of Banking in the United States
McCarthy, “The Evolution of the Bank Regulatory Structure” Sections I – III (S-6)
Christainsen, "Fiat Money and the Constitution: A Historical Overview" (BB)
D.R. Whitney, The Suffolk Bank (especially chapters 1 and 2)
Dwyer, "Wildcat Banking, Banking Panics, and Free Banking in the United States" (S-5)

7. The Civil War and its Monetary Legacy
McCarthy, “The Evolution of the Bank Regulatory Structure” Sections IV and V (S-6)
Selgin, “The Suppression of State Banknotes: A Reconsideration” (BB)
Selgin and White, “Monetary Reform and the Redemption of National Bank Notes, 1863-1913 “ (BB)
Schuler, "Free Banking in Canada" (BB; optional)

8. The Federal Reserve and After
McCarthy, “The Evolution of the Bank Regulatory Structure” Sections V and VI (S-6)
Horwitz and Selgin: “Interstate Banking: The Reform that Won’t Go Away”
White, Eugene Nelson, "Federal Banking Reform and the Evolution of the Federal Reserve System" (BB; optional)

II. THEORY
9. The Theory of Money Supply
Selgin, “A Monetary Policy Primer, Part 5: The Supply of Money”
Siegel, "The Banking Business: Fundamentals" (S-7)

10. The Demand for Money
Selgin, “A Monetary Policy Primer, Part 2: The Demand for Money”
Cannan, “The Application of the Theoretical Apparatus of Supply and Demand to Units of Currency”
Thornton, “Why Does Velocity Matter?” (S-8).

11. Money, Inflation, and Deflation
Hazlitt, “What You Should Know about Inflation”
Hazlitt, “Lessons of the German Inflation” (S-9)
McCulloch, “Velocity and the Quantity Equation” (BB)
Capie, "The long-run relationship between money and prices" (BB)
Selgin, “The Price is Right” (BB)
Keynes, “The Consequences to Society of Changes in the Value of Money” (S-10; optional)

12. Money and Interest Rates
Wicksell, "The Influence of the Rate of Interest on Prices"
Poole, "Money and Interest Rates" (S-11)
Wood, "Money and Interest Rates" (BB)
13. Money and Output
Weiner, “The Natural Rate of Unemployment” (S-12)
Rasche, "Money and Real Output" (BB)
Hahn, “Compensating Reactions to Compensatory Spending” (BB)
Hayek, “Inflation, the Misdirection of Labor, and Unemployment” (S-13)

14. The Business Cycle
Monetary Disequilibrium View
Yeager, “A Cash-Balance Interpretation of Depression” (S-14)

Austrian View
Robbins, “The Genesis of the Depression” (S-15)

Monetarist View
Garrison, “Friedman’s ‘Plucking Model’”

III. POLICY
15. Banking Crises and Bank Regulatory Policy
Selgin, “Are Banking Crises a Free-Market Phenomenon?” (S-16)
Selgin, "Legal Restrictions, Financial Weakening, and the Lender of Last Resort" (BB)
Selgin, “A Monetary Policy Primer, Part 11: Last-Resort Lending”
Kaufman, "The Truth about Bank Runs" (BB, optional)
Schwartz, "Why Financial Stability Depends on Price Stability" (BB; optional).

16. Domestic Monetary Policy
Selgin, “A Monetary Policy Primer, Part 4: Stable Prices or Stable Spending?”
Dwyer, “Rules and Discretion in Monetary Policy”
McCallum, "Choice of Target for Monetary Policy" (BB)
Selgin, “A Monetary Policy Primer, Part 10: Discretion, or a Rule?”

17. Monetary Policy: Then and Now
Selgin, “A Monetary Policy Primer, Part 7: Monetary Control, Then”
Selgin, “A Monetary Policy Primer, Part 8: Money in the Latest Great Muddle”
Selgin, “A Monetary Policy Primer, Part 9: Monetary Control, Now”

18. The Fed’s performance: Recent and Historically
Selgin, “The Federal Reserve Should Resist Tinkering”
White, “How Did We Get Into this Financial Mess?”
Horwitz and Luther, “The Great Recession and Its Aftermath from a Monetary Equilibrium Theory Perspective”
Selgin, Lastrapes, White, “Has the Fed Been a Failure?” (BB)

19. International Monetary Regimes
Friedman, “The Case for Flexible Rates” (BB)
John Williamson, “A Consideration of the Pros and Cons” (from What Role for Currency Boards?)
Hanke, “Dollarization for Argentina” (BB)
20. Radical Alternatives I: The Gold Standard
Selgin, “A Monetary Policy Primer, Part 12: Monetary Alternatives”
Bordo, “The Gold Standard: Myths and Realities” (S-19)
Bordo: “Monetary Regimes and Economic Performance: Lessons from History” (BB)
White, “Is the Gold Standard Still the Gold Standard among Monetary Systems?”

21. Radical Alternatives II: Choice in Currency and Free Banking
Hayek, “Choice in Currency: A Way to Stop Inflation” (S-20)
Selgin, “Free Banking and Monetary Reform” (S-21)
Bordo, “The Lender of Last Resort” (S-22)

22. Radical Alternatives III: Cryptocurrencies
White, “Dollar-Denominated Cryptocurrencies: Flops and Tethered Success”
White, “Blockchain + Gold”