

# Rutgers University Money, Banking and the Financial System (220:301:02)

Spring 2023

Dr Raymond Stone

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Please use the above e-mail address, I don't always see canvas emails

When emailing always include the **220:301:02** class code in the subject line

Office: Rm 106B NJ Hall CAC

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Class meets Tuesday/Friday 12:10pm – 1:30pm

Room 2125 Academic Building (AB)

Office Hours: Wednesday mornings 9:00am to 10:00am, or by appointment—Via Zoom:

<https://rutgers.zoom.us/j/91750631776?pwd=dWFVVkpsNzZTMdRhRMWs3NWZyLzZHUT09>

Teaching Assistant: Kaiwen Qiu [kq60@economics.rutgers.edu](mailto:kq60@economics.rutgers.edu)

## Prerequisites: Eco 102 & 103 (This is a lower level elective)

A lot has happened in the banking world in recent months, especially at the Federal Reserve. I have been reworking the course to keep it up to-date. We have a lot to study in the months ahead, it should be fun. I hope you enjoy the course.

## Final Exam

To avoid confusion, it is policy to display the date and time of the final exam on the front page of the syllabus.

**Section 220:301:02: May 4 at noon**

## Grading Policy

First Exam	33.0%
Mid-Term Exam	33.0%
Final Exam	34.0%

Make-Up Exams will only be given under extraordinary circumstances. Students should check with me before missing an exam to see whether their particular circumstances meet my very limited definition of extraordinary. *I will not chase after students who miss an exam. It is the student's responsibility to reach out to me within a reasonable period after missing an exam (i.e. within 3 days beyond the exam).* All exams will be multiple choice in-class, unless circumstances require the university to return to remote instruction.

## Learning Outcomes

Students who satisfactorily complete Money & Banking will understand the role of money and banks in the broader economy. Specifically, students should garner an understanding of the unique role of banks in the financial system. Students will learn how banks and other financial institutions make money, and allocate credit. Students will also have an appreciation for the money markets and bond market.

Students will also learn the relevance of the Federal Reserve and related central banking topics, including the causes, policy responses, and lessons associated with the 2007-2009 financial market crisis, as well as the Fed's responses to the Covid-19 economic dislocations

## **Attendance Policy**

Attendance is required. *If you expect to miss a class please use the University absence reporting website: <http://sims.rutgers.edu/ssra/> to indicate the date and reason for your absence. An e-mail is automatically sent to me.*

## **Cheating**

The University has established rather severe penalties for cheating. This link details the academic integrity disciplinary process: <http://academicintegrity.rutgers.edu/academic-integritydisciplinary-process>

## **Textbook/Class Notes**

PowerPoints presentations for each lesson will be housed on Canvas (Modules). *Most lessons will include a link to a short reading. These readings will appear on the title page of each PowerPoint presentation.*

I am hoping that students will print each PowerPoint-- 3 small slides to a page with an area wherein you can take notes. Some students have found it useful to compile these presentations in a binder.

Also on Canvas will be a companion text authored by Eugene Kim and myself. This is a work in progress. Each chapter will be housed in the same modular as the PowerPoint presentation and designate by the initials KS for (Kim/Stone)

## **Wall Street Journal**

Rutgers students can access the digital version of the Wall Street Journal (WSJ). Over the course of the semester this resource will help integrate our lessons with current issues related to the course material. This can be accessed here: <https://www.libraries.rutgers.edu/new-brunswick> In the search box type **Wall Street Journal**

## **Important Dates**

Jan 26-- Last day to drop course without W Grade

Mar 20 -- Last day to drop course with W Grade

## **Course Outline-- See Canvas Modules**

### **Lesson 1--Introduction to Money & Banking**

### **Lesson 2--What Is Money?**

**Lesson 3—Monetarism and Quantity Theory of Money/Milton Friedman**

**Lesson 4—Keynesian Liquidity Preference/Modern Monetary Theory**

**Lesson 5—The Transmission of Monetary Policy**

**Lesson 6—Introduction to the Federal Reserve System/Fed Transparency/Fed independence**

**Lesson 7---Financial Instruments, Markets, and Institutions**

**Lesson 8—The Pre-Crisis Federal Reserve and the Federal Funds Market**

**Lesson 9—The Taylor Rule and R-Star**

**Lesson 10—The Credit Crisis: What Went Wrong**

**Lesson 11—Discount Window Policies During the Financial Crisis Related Fed Liquidity Provisions**

**Lesson 12—The Fed’s Large-Scale Asset Purchases/Quantitative Easing**

**Lesson 13— Controlling Short-Term Interest Rates in an Ample Reserve Regime**

**Lesson 14—The Great Unwind—Normalization**

**Lesson 15--Understanding Interest Rates/Bond Math**

**Lesson 16—Interest Rate Determination**

**Lesson 17—Default Risk and Liquidity Risk**

**Lesson 18—Term Structure of Interest Rates/Yield Curve**

**Lesson 19—Fed’s Response to the Dislocations Associate with Covid-19**

## **Lesson 20—Fed History—Early Days to Depression**

## **Lesson 21—Fed History –WWII to Modern Fed**

### **Other Resources**

#### **Just In Case Web App** <http://codu.co/cee05e>

Access helpful mental health information and resources for yourself or a friend in a mental health crisis on your smartphone or tablet and easily contact CAPS or RUPD.

#### **Counseling, ADAP & Psychiatric Services (CAPS)**

(848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901 / <http://www.rhscaps.rutgers.edu/> CAPS is a University mental health support service that includes counseling, alcohol and other drug assistance, and psychiatric services staffed by a team of professional within Rutgers Health services to support students' efforts to succeed at Rutgers University. CAPS offers a variety of services that include: individual therapy, group therapy and workshops, crisis intervention, referral to specialists in the community and consultation and collaboration with campus partners.

#### **Violence Prevention & Victim Assistance (VPVA)**

(848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 / <http://www.vpva.rutgers.edu/> The Office for Violence Prevention and Victim Assistance provides confidential crisis intervention, counseling and advocacy for victims of sexual and relationship violence and stalking to students, staff and faculty. To reach staff during office hours when the university is open or to reach an advocate after hours, call 848-932-1181.

#### **Disability Services**

(848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue, Piscataway, NJ 08854 / <https://ods.rutgers.edu/>

Rutgers University welcomes students with disabilities into all of the University's educational programs. In order to receive consideration for reasonable accommodations, a student with a disability must contact the appropriate disability services office at the campus where you are officially enrolled, participate in an intake interview, and provide documentation:

<https://ods.rutgers.edu/students/documentation-guidelines>. If the documentation supports your request for reasonable accommodations, your campus's disability services office will provide you with a Letter of Accommodations. Please share this letter with your instructors and discuss the accommodations with them as early in your courses as possible. To begin this process, please complete the Registration form on the ODS web site at:

<https://ods.rutgers.edu/students/registration-form>

#### **Scarlet Listeners**

(732) 247-5555 / <http://www.scarletlisteners.com/>

Free and confidential peer counseling and referral hotline, providing a comforting and supportive safe space.