

San José State University
Department of Economics
Econ 135—Money and Banking
Course No. 23560, Spring 2018

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Office Hours:	Tuesday, 4:30-6:00 P.M.; Thursday, 1:00-2:30 P.M.; and by appointment
Class Days/Time:	Tuesday, 6:30-9:15 P.M.
Classroom:	DMH 358?
Prerequisites:	Econ 1A

Course Description

Monetary institutions and theory, central banking, Federal Reserve System, interest rates, foreign exchange, price level theory, flow of funds, policy relative to private, government and international finance.

Announcement

This is now a four-unit course. You are expected to complete an average of 12 hours of work per week inclusive of lectures, assignments, and activities. This syllabus contains learning objectives, class meeting times, and assignments commensurate with the expectation of 12 hours of work per week across 15 weeks in a semester. For reference, under a traditional three-unit course, you were expected to complete 9 hours of work per week inclusive.

Description of changes

The new, 4-unit Econ 135 has been modified to include more material. This extra material is incorporated into an expanded Econ 135 Course Reader (described and listed below under “Required Texts/Readings”). The reading will require an estimated 40 hours of *additional* outside activity over the entire semester. This expected time is based on average reading and writing skills. This requirement means that the new 4-unit Econ 135 course now supports achievement of the Department’s Program Learning Objective number 5: Communication.

Course Learning Outcomes and Program Learning Objectives

This is course about money, banking, and the financial system. It applies the insights of *both* economic theory and history to modern financial institutions. By the end of the course, the student should demonstrate critical and independent thinking about such controversial issues as inflation, the causes of the Great Depression, monetary policy, banking deregulation, the S & L crisis, international exchange rates, and the recent financial crisis. Although this course touches on the full range of Economics PLOs, it emphasizes PLO2 and PLO4.

PLO2: *Macroeconomics*.

PLO4: *Specialist Areas: Finance*.

PLO 5: *Communication: Demonstrate efficient communication skills*.

Upon successful completion of this course, students should be able to demonstrate the follow:

CLO 1. Explain money's vital function and how it interacts with banking and the financial system.

CLO 2. Explain how the interaction of the demand and stock of money determine the price level.

CLO 3. Explain seigniorage and the role it has played in the history and evolution of government involvement in the monetary and financial system.

CLO 4. Explain the complicated relationships between money, interest rates, and fiscal policy.

CLO 5. Discuss the various factors that play a role in financial crises.

Required Texts/Readings

Textbooks

1. R. Glenn Hubbard and Anthony Patrick O'Brien, *Money, Banking, and the Financial System*, 1st edn. (Boston: Prentice Hall, 2012): **ISBN-13: 978-0132553452**).

2. Murray N. Rothbard, *What Has Government Done to Our Money?* rev. edn. (Auburn, AL: Ludwig von Mises Institute, 1990); **ISBN-13: 978-1933550343** (available online at <http://mises.org/library/what-has-government-done-our-money>).

Other Readings

Econ 135 Course Reader, available at Maple Press, 330 South 10th Street.

Assignments and Grading Policy

The final examination, which will be comprehensive, is worth 40 points out of the total of 100 for the course. Each of two other examinations is worth 20 points toward the total. In addition, there will be twelve short, objective quizzes based exclusively on assigned weekly readings worth another 20 points. Each quiz individually is worth 2.5 points, allowing students to drop or miss four out of the twelve quizzes. There will be no make-ups for any quizzes. Although I shouldn't have to mention this, cheating on any quiz or exam will result in an automatic F for the entire course.

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Converting Number Grades to Letter Grades

97-100	A+	83-86	B	70-72	C-
93-96	A	80-82	B-	67-69	D+
90-92	A-	77-79	C+	63-66	D
87-89	B+	73-76	C	60-62	D-
		below 60	F		

Also affecting final grades are the total number of quizzes students take. Although allowed to drop four out of the twelve quizzes without penalty, students who do not get a positive score (of at least one-half point) on a minimum of five quizzes automatically fail the course, no matter how well they have done on their exams. Below is listed the highest final grade that students can achieve depending on how many positive quiz scores they have received.

only 5 quizzes with positive scores	highest possible grade: F
only 6 quizzes with positive score	highest possible grade: D+
only 7 quizzes with positive score	highest possible grade: C+
8 or more quizzes with positive score	highest possible grade: A+

Classroom Protocol

This is a traditional, lecture-based course. I therefore encourage students to record the lectures if they believe doing so will help their studying. But any use of laptops, tablets, cell phones, or other electronic device for typing notes is prohibited in class. Studies have proven that students who take notes on these devices *significantly* impair their comprehension of the material. So students need to come prepared to take hand-written notes. Those who violate this prohibition will have a half point deducted from their final grade for the course (out of 100 points) for *each and every* infraction.

Because class participation helps enliven the course, it is greatly appreciated and can earn students up to one extra point toward their final grade. Finally, if you experience any difficulty in this course, please do not hesitate to come to me for help. I am available not only during office hours but also by phone, and I am always happy to clarify hard concepts, resolve any lingering confusion, or otherwise assist you in making this course enjoyable and rewarding.

University Policies

Per University Policy S16-9, university-wide policy information relevant to all courses, such as academic integrity, accommodations, etc. will be available on Office of Graduate and Undergraduate Programs' [Syllabus Information web page](http://www.sjsu.edu/gup/syllabusinfo/) at <http://www.sjsu.edu/gup/syllabusinfo/>

Econ 135—Money and Banking Spring 2017: Course Schedule

Week	Date	Topics, Readings, Assignments, Deadlines
1	Jan 30	
2	Feb 6	Rothbard, chs. I, II.
3	Feb 13	Hubbard & O'Brien, ch. 2; Rothbard, ch. III.
4	Feb 20	Hubbard & O'Brien. chs. 1, 4.
5	Feb 27	Hubbard & O'Brien, chs. 3, 7.
6	Mar 6	Hubbard & O'Brien, chs. 5, 6.
7	Mar 13	first examination.
8	Mar 20	Hubbard & O'Brien, chs. 9, 10.
	Mar 27	Spring break.
9	Apr 3	Hubbard & O'Brien, ch. 11.
10	Apr 10	Hubbard & O'Brien, ch. 12.
11	Apr 17	Hubbard & O'Brien ch. 14.
12	Apr 24	second examination.
13	May 1	Hubbard & O'Brien, chs. 13, 15.
14	May 8	Rothbard, ch. IV; Selection in the Course Reader from Mishkin, 2nd edn., ch. 19.
15	May 15	Hubbard & O'Brien, chs. 8, 16.
Final Exam	May 22	DMH 358: 6:30 to 8:45 P.M.

NOTE: In addition to the above, the Course Reader contains copies of or links to supplementary readings assigned for various weeks.

Course Units:

- I. The Nature and Origin of Money.
- II. The Nature and Origin of Credit.
- III. An Overview of Today's Financial System.
- IV. Commercial Banking: History and Practice.
- V. Nonbank Intermediaries, Deregulation, and Financial Crisis.
- VI. Modern Central Banking.
- VII. Money and the World Economy.

For each unit, I will hand out an outline of my lecture and a list of important terms.

Optional Recommended Readings:

Introductory

Todd G. Buchholz, *New Ideas from Dead Economists: An Introduction to Modern Economic Thought*, rev. edn. (New York: Plume, 2007).

David Friedman, *Hidden Order: The Economics of Everyday Life* (New York: HarperBusiness, 1996).

Milton and Rose Friedman, *Free to Choose: A Personal Statement* (New York: Harcourt Brace Jovanovich, 1980).

Henry Hazlitt, *Economics in One Lesson: Fiftieth Anniversary Edition* (San Francisco: Laissez Faire, 1996).

David Henderson, ed., *The Fortune Encyclopedia of Economics* (New York: Warner Books, 1993).

Paul Heyne, Peter J. Boettke, and David L. Prychitko, *The Economic Way of Thinking*, 10th edn. (Upper Saddle River, NJ: Prentice Hall, 2003). [Note: If you can find it, the 5th edn. written exclusively by Heyne was the best, although more recent editions are still useful.]

Israel M. Kirzner, *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1973).

Steven E. Landsburg, *The Armchair Economist: Economics and Everyday Life* (New York: Free Press, 1995).

Money and Banking Texts

George G. Kaufman, *The U.S. Financial System: Money, Markets and Institutions*, 6th edn. (Englewood Cliffs, NJ: Prentice Hall, 1995).

Frederic S. Mishkin, *The Economics of Money, Banking, & Financial Markets, Business School Edition*, 4th edn. (Boston: Pearson, 2015).

Peter S. Rose and Milton H. Marquis, *Money and Capital Markets: Financial Institutions and Instruments in a Global Market Place*, 10th edn. (Boston: McGraw-Hill Irwin, 2008).

Lawrence H. White, *The Theory of Monetary Institutions* (Oxford: Blackwell, 1999).

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Optional Recommended Readings (continued):

Monetary Theory

H. Geoffrey Brennan and James M. Buchanan, *Monopoly in Money and Inflation: The Case for a Constitution to Discipline Government* (London: Institute of Economic Affairs, 1981).

Friedrich A. von Hayek, *The Denationalization of Money--The Argument Refined: An Analysis of the Theory and Practice of Concurrent Currencies*, 2nd edn. (London : Institute of Economic Affairs, 1978).

J. Huston McCulloch, *Money and Inflation: A Monetarist Approach*, 2nd edn. (New York: Academic Press, 1982).

Ludwig von Mises, *The Theory of Money and Credit*, rev. edn. (London: Jonathan Cape, 1934).

Murray N. Rothbard, *The Mystery of Banking* (New York: Richardson & Snyder, 1983).

George A. Selgin, *A Theory of Free Banking: Money Supply Under Competitive Note Issue* (Totowa, NJ: Rowman & Littlefield, 1988).

Monetary History

Kevin Dowd, ed., *The Experience of Free Banking* (London: Routledge, 1992).

Milton Friedman, *Money Mischief: Episodes in Monetary History* (New York: Harcourt Brace Jovanovich, 1992).

Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867-1960* (Princeton, NJ: Princeton University Press, 1965).

Charles A. E. Goodhart, *The Evolution of Central Banks* (Cambridge, MA: MIT Press, 1988).

Alan Greenspan, *The Age of Turbulence: Adventures in a New World* (New York: Penguin Press, 2007).

Edward J. Kane, *The S & L Insurance Mess: How Did It Happen?* (Washington: Urban Institute Press, 1989).

Angela Redish, *Bimetallism: An Economic and Historical Analysis* (Cambridge: Cambridge University Press, 2000)

Murray Rothbard, *America's Great Depression* (Princeton, NJ: Van Nostrand, 1963).

Richard H. Timberlake, Jr., *Monetary Policy in the United States: An Intellectual and Institutional History* (Chicago: University of Chicago Press, 1978).

Andrew Dickson White, *Fiat Money Inflation in France: How It Came, What It Brought, and How It Ended* (New York: D. Appleton-Century, 1933).

Lawrence H. White, *Free Banking in Britain: Theory, Experience, and Debate, 1800-45* (Cambridge: Cambridge University Press, 1984).

Monetary and Financial Reform

Tyler Cowen and Randall Kroszner, *Explorations in the New Monetary Economics* (Oxford: Blackwell, 1994).

Milton Friedman, *A Program for Monetary Stability* (New York: Fordham University, 1960).

David Glasner, *Free Banking and Monetary Reform* (Cambridge: Cambridge University Press, 1989).

Martin Wolf, *Fixing Global Finance* (Baltimore: Johns Hopkins University Press, 2008).