

San José State University
Department of Economics
Econ 135 - Money and Banking, Section 01, Spring 2024

Course and Contact Information

Instructor:	Justin D. Rietz
Office Location:	DMH 143
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Office Hours:	Tuesday and Thursday, 1:30 to 2:30 pm and by appointment.
Class Days/Time:	Tuesday and Thursday, 12:00pm to 1:15 pm.
Class Location	DMH 165
Prerequisites:	Econ 1A, Econ 102 recommended (you need to know AD-AS model)

Course Format

Faculty Web Page and MYSJSU Messaging

Course materials such as syllabus, handouts, notes, assignment instructions, etc. can be found on [Canvas Learning Management System course login website](#) at <http://sjsu.instructure.com>. You are responsible for regularly checking with the messaging system through [MySJSU](#) at <http://my.sjsu.edu> to learn of any updates.

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.

Course Learning Outcomes (CLO)

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.

PLO 2: *Macroeconomics*.

PLO 4: *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

Textbook

1. R. Glenn Hubbard and Anthony Patrick O'Brien, *Money, Banking, and the Financial System*, 4th edn.

Note: you may use an earlier edition of the Hubbard and O'Brien text as all editions are quite similar. However, you are responsible for verifying any differences.

Other Readings

Additional readings, list in the course schedule below will be provided on Canvas under "Files."

Course Requirements and Assignments

The final examination, which will be comprehensive, is worth 30 points out of the total of 100 for the course. Each of two other examinations is worth 15 points toward the total. There will be four online homework assignments worth 5 points each towards your final grade. 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. You must attempt at least 10 quizzes. There will be no make-ups for any quizzes.

Cheating on any homework, quiz or exam will result in an automatic F.

Success in this course is based on the expectation that students will spend, for each unit of credit, a minimum of 45 hours over the length of the course (normally three hours per unit per week) for instruction, preparation/studying, or course related activities, including but not limited to internships, labs, and clinical practica. Other course structures will have equivalent workload expectations as described in the syllabus.

Final Examination or Evaluation

There will be a cumulative final exam.

Grading Information

Converting Number Grades to Letter Grades

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

Final grades will be curved. However, the curve will never hurt your grade. I do not round up grades, e.g. an 86.9 is a B, not a B+.

Note that I do not provide study guides or slide. Instead, I will hand out brief, unit outlines with key concepts and terms in class. Your lecture notes are your study guide.

Classroom Protocol

This is a traditional, lecture-based course. The use of laptops, tablets, cell phones, or other electronic devices is prohibited in class unless you provide documentation from the AEC. Studies have proven that students who take notes on these devices *significantly* impair their comprehension of the material. Therefore, 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 two extra points 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 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/>” Make sure to review these university policies and resources.

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.

Course Schedule

Note: the schedule is subject to change with fair notice. Changes will be announced in class and an updated syllabus will be available on Canvas.

Week	Date	Topics, Readings, Assignments, Deadlines
1	Jan 25	First day of class and review.
2	Jan 30	Topic: The Nature and Origin of Money. Readings: 1. Rothbard, chs. I, II 2. Thurow, "In Romania, Smoking a Kent Cigarette is Like Burning Money," <i>Wall Street Journal</i> , (3 January 1986). 3. Angell, <i>The Story of Money</i> (New York: Garden City, 1929).
2	Feb 1	Topic: The Nature and Origin of Money.
3	Feb 6	Topic: The Nature and Origin of Money. Readings: 1. Rothbard, ch. III. 2. Hubbard & O'Brien, ch. 2; 3. Peter Brimelow, "Do You Want To Be Paid In Rockefeller's? In Wristons? Or How About a Hayek?" <i>Forbes</i> , (30 May 1988), 243-50.
3	Feb 8	Topic: The Nature and Origin of Money.
4	Feb 13	Topic: The Nature and Origin of Credit. Readings: 1. Hubbard & O'Brien. chs. 1, 3. 2. Mishkin - Appendix ch. 5, "Loanable Funds Framework" Homework 1 Due
4	Feb 15	Topic: The Nature and Origin of Credit.
5	Feb 20	Topic: An Overview of Today's Financial System. Readings: 1. Hubbard & O'Brien, chs. 5, 6. 2. Mankiw - Ch. 14, "The Basic Tools of Finance," from <i>Principles of Macroeconomics</i> , 3rd edn. (Mason, OH: Thomson, 2004), pp. 287-302.
5	Feb 22	Topic: An Overview of Today's Financial System.
6	Feb 27	Topic: An Overview of Today's Financial System Readings: 1. Hubbard & O'Brien, chs. 7 2. Charles L. Hooper, "Who Is Harmed by Insider Trading?" <i>Library of Economics and Liberty</i> (March 2, 2015): http://www.econlib.org/library/Columns/y2015/Hooperharmed.html .
6	Feb 29	Topic: An Overview of Today's Financial System
7	Mar 5	Review Homework 2 Due
7	Mar 7	Exam #1
8	Mar 12	Topic: Commercial Banking: History and Practice. Readings:

Week	Date	Topics, Readings, Assignments, Deadlines
		<ol style="list-style-type: none"> Hubbard & O'Brien, chs. 9, 10. David Kelley and Jeff Scott, "Gekko Echo: A Closer Look at the 'Decade of Greed'," <i>Reason</i>, (February 1993), 30-37. https://reason.com/1993/02/01/gekko-echo/ Leonard Read, "I, Pencil," <i>The Freeman</i>, (December 1958); abridged version: http://fee.org/freeman/detail/i-pencil/.
8	Mar 14	Topic: Commercial Banking: History and Practice.
9	Mar 19	Topic: Commercial Banking: History and Practice. <ol style="list-style-type: none"> Hubbard & O'Brien, ch. 11. Schuler - History of Free Banking
9	Mar 21	Topic: Commercial Banking: History and Practice.
10	Mar 26	<p>Topic: Nonbank Intermediaries, Deregulation, and Financial Crisis.</p> <p>Readings:</p> <ol style="list-style-type: none"> Hubbard & O'Brien, ch. 12. Mishkin - Appendix 11 The Savings and Loan Crisis and Its Aftermath Hummel, "Privatize Deposit Insurance," <i>The Freeman</i>, (July 1989), 270-271; http://www.fee.org/the_freeman/detail/privatize-deposit-insurance#axzz2qLC3suMD. Hummel and Henderson – Blame the Federal Gov't, Not the Fed, For Subprime Mortgage Problems Extra Credit: Charles W. Calomiris on the Financial Crisis, Podcast Interview with Russ Roberts, <i>EconTalk</i>, available at http://www.econtalk.org/archives/2009/10/calomiris_on_th.html (one and a half hours in length). Worth half a point extra credit if you listen to it and write a 400-word summary. <p>Homework 3 Due</p>
10	Mar 28	Topic: Nonbank Intermediaries, Deregulation, and Financial Crisis.
11	Apr 2	No Class -- Spring Break
11	Apr 4	No Class – Spring Break
12	Apr 9	<p>Topic: Modern Central Banking</p> <p>Readings:</p> <ol style="list-style-type: none"> Hubbard & O'Brien ch. 14. Mishkin – Appendix 11 The Fed's Balance Sheet and the Monetary Base Hummel - The Myth of Federal Reserve Control Over Interest Rates. http://www.econlib.org/library/Columns/y2013/Hummelinterestrates.html. Hummel - Paradoxes of Paying Interest on Reserves. http://historynewsnetwork.org/blog/58090. Henderson - Does Growth Cause Inflation/ http://www.cato.org/sites/cato.org/files/serials/files/policy-report/1999/11/cpr-21n6.html.
12	Apr 11	Topic: Modern Central Banking
13	Apr 16	Exam #2 Review
13	Apr 18	Exam #2

Week	Date	Topics, Readings, Assignments, Deadlines
14	Apr 23	Topic: Modern Central Banking Readings: <ol style="list-style-type: none"> 1. Hubbard & O'Brien, chs. 13, 15. 2. Bartlett - Thank You Federal Reserve. 3. Friedman - The Fed's Thermostat. 4. Hummel – Interpreting Modern Monetary Theory. https://www.econlib.org/library/Columns/y2019/Hummelmonetarytheory.html
14	Apr 25	Topic: Modern Central Banking
15	Apr 30	Topic: Modern Central Banking Readings: <ol style="list-style-type: none"> 1. Wessel - Could One Little Rule Explain All of Economics. 2. Mishkin - The Conduct of Monetary Policy. pp. 461-471, 478-481, 484-493. 3. Williamson - Interest Rate Control is More Difficult Than You Think. 4. Hummel - What's Wrong With the Taylor Rule. http://www.econlib.org/library/Columns/y2014/HummelTaylor.html. 5. Hummel - How the Fed Became Huge. http://reason.com/archives/2014/11/20/how-the-fed-got-huge.
15	May 2	Topic: Modern Central Banking
16	May 7	Topic: Money and the World Economy Readings: <ol style="list-style-type: none"> 1. Hubbard & O'Brien, chs. 8, 16 Homework 4 Due
16	May 9	Topic: Money and the World Economy
Final Exam	May 20	Monday, May 20th at 9:45am to 12:00pm Spring 2024 Class Schedules (sjsu.edu)