

# ECON 3115-001: Money & Banking

UNC Charlotte, Department of Economics, Spring 2019<sup>1</sup>

## 1 Contact Information

**Instructor:** Dr. Musab Kurnaz  
**Office:** Friday 214B  
**Office Hours:** Wed 2:30 – 3:45 pm or email appointment  
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**Course Website:** Canvas

## 2 Important Dates & Times

Meetings	Day	Time	Room
<b>Class Meetings:</b>	MW	4:00 - 5:15 pm	Colvard 3120
Exams			
<b>Midterm 1:</b>	Monday, February 11, 2019	in class	
<b>Midterm 2:</b>	Monday, March 25, 2019	in class	
<b>Midterm 3:</b>	Wednesday, April 24, 2019	in class	
<b>Final Exam:</b>	Wednesday, May 8, 2019	5:00 pm – 7:30 pm	

## 3 General Information

**Course Description:** This course is an introduction to the economics of financial markets, money, credit, and banking. It is impossible to cover all important aspects of this broad topic in one semester so, naturally, the course is selective. However, while the set of topics explicitly covered is selective, we will utilize the economic conceptual framework, which is the core of virtually all modern economic analyses of financial markets, irrespective of the particular topic at hand.

**Course Objectives:** This course has three main objectives goals.

1. Understanding the abstract concept of money in theory, in history, and in recent financial data. For instance, we will address why fiat currency (an intrinsically worthless piece of paper) is valued and serves a key purpose in the functioning of markets.

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<sup>1</sup>The instructor keeps the right to change the syllabus slightly, *not dramatically*.

2. Understanding Role of banks in the economy and the analysis of the historical purpose of banking and the shadow banking industry and its role in the 2007 financial crisis and recession.
3. Analyzing the role of the Federal Reserve in monetary policy studying both the traditional monetary policy tools and the highly publicized and unconventional policy tools employed during the financial crisis.

**Course Format:** We will mostly cover the main parts (the intuition of the materials) of chapters via powerpoint presentation. However, I expect you to go over the remaining by yourself. The quiz or exam questions may not directly from the things we covered during the class.

**Textbook:** Economics of Money, Banking and Financial Markets, 12th Edition by Frederic S. Mishkin, Columbia University.<sup>2</sup> The course **does not require the hard copy** of the textbook. Though, the course **does require the code for MyLab** of the textbook. All relevant resources will be presented in class, discussion sections, and/or made available on the class website (Canvas).

#### Non-Mandatory Prerequisites:

1. I expect students to have a sound understanding of **basic calculus, basic statistics**, as well as **basic algebra**. In particular, students will need to be able to independently master at least the following operations: Take first and second derivatives of (simple) functions in one unknown, maximize/minimize functions in one unknown, “solve” equations for a particular variable, solve systems of up to 2 equations in 2 unknowns.<sup>3</sup>
2. I expect students to have a sound understanding of **basic economic concepts**, such as budget constraints, utility function, preferences, indifference curves, as well as standard economic arguments such as “marginal benefit = marginal cost”, “supply = demand”, “market equilibrium”, “equilibrium/market price”, “equilibrium/market quantity”, etc.

**Students who do not have the above prerequisites are still welcome to the class, but are expected to put in the necessary extra effort to self study these prerequisites.**

## 4 Course Evaluation & Grading

Your overall grade for this course has the following components:

**Best Ten of Eleven Quiz Assignments (2.5% each) 25%**

**Best Three of Four Exams (25% each) 75%**

Midterm 1, Monday, February 11, 2019

Midterm 2, Monday, March 25, 2019

Midterm 3, Wednesday, April 24, 2019

Final, Wednesday, May 8, 2019<sup>4</sup> (cumulative)

<sup>2</sup><https://www.pearson.com/us/higher-education/program/Mishkin-Economics-of-Money-Banking-and-Financial-Markets-12th-Edition/program/Mishkin-Economics-of-Money-Banking-and-Financial-Markets-12th-Edition-PGM2291811.html?tab=order>

<sup>3</sup>E.g. Find the  $x$  and  $y$  where  $x + 2y = 100$  and  $x - y = -4000$ . Also, the derivative of  $x^\alpha y^\beta$  with respect to  $x$  and/or  $y$ .

1. The overall grade is NOT the overall grade of the CANVAS! The above instructions are clear and CANVAS cannot calculate the above grading system. Though, you will learn your midterm grades on CANVAS.
2. The quiz grades will be on MyLab and I expect you to be able to calculate your own grade following the below instructions.

#### 4.1 Quiz Assignments

There will be **eleven** online quiz assignments. The **best ten** count toward your grade. To be eligible to take a quiz, first you have to take a test and your grade should be at least 60%. This test will prepare you for the quiz and also make you to provide you an application what we learn in class. There is no time limit to do a test and no limit of attempts. However, you can do quiz only one time and there will be a limit of time. The limit will be based on the easiness of the quiz and you will be informed before taking it. Note that there is a due date for both tests and quizzes. The following instruction is very important: **Please make sure that your computer has a good WiFi signal and works well before you take the quiz. You may not take the quiz again if your laptop battery dies out and/or your internet breaks.**<sup>5</sup> I will notify you if there is any problem on the Pearson side. Yet, I expect you to do your quizzes and tests. I also encourage you to take tests and quizzes definitely before the due dates. Last minute emails about the potential problems will not help you to re-take any of them since you will have enough time (around a week).

**I can increase the number of quizzes for your sake. For example, I can increase the number of online quizzes to thirteen or I can do some quizzes in class (which can cover any of your missing online quizzes). However, you will definitely receive eleven online quizzes.**

#### 4.2 Exams

There will be four **50 minute exams** (three midterms and one final). The **best three of your four exams will count toward your class grade** with equal weight (25% each). There will be **NO MAKEUP EXAMS!** If you miss an exam (for any reason) you will receive zero credit on that exam. **DO NOT PLAN TO INTENTIONALLY SKIP ANY MIDTERM!** I only count 3 out of 4 exams in case you need to miss an exam due to an unforeseen emergency. **You have exactly one chance to miss an exam for any reason.** Any further exam that you miss (even if it is because of an emergency) will count with a score of zero toward your grade.<sup>6</sup>

**Important:** Students are responsible both from the class materials and class and online quizzes and tests. Therefore, a student, who regularly studies and takes tests and quizzes, will definitely have the advantage of getting a better grade. I encourage you to be a “regular” student.

**Study Cards:** You may bring one **handwritten** study card to each of the exams. The card’s dimensions must not exceed  $8.5 \times 5.5$  inches (1/2 of a US Letter page) and you may write on both sides of the card. The study card **must be handwritten** (no exceptions). Also, you should write your card on your own. We will take away study cards that are photo copied or printed. If we (I or

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<sup>5</sup>Simply, you can think that reset your router and/or computer to make sure everything is fresh. Also, make sure internet is fast enough to complete the test.

<sup>6</sup>Only in the very unlikely event that you have to miss two exams because you encounter two severe unexpected emergencies that happen to coincide with exam dates and are **verified in writing by the Dean of students’ office** am I willing to discuss putting all the weight on the two exams you actually take.

Overall Grade	Letter
100-90	A
89.9-80	B
79.9-70	C
69.9-60	D
below 60	F

the proctor or both) catch you with a printed or photo copied study card, you also lose the right to bring study cards to any further exams. Also, you need to write your name on the your card and submit it with your exam if you will use any.

**Exam Grading Policy:** The maximum score on each exam will be 100%. All questions will be free response questions. Exam questions will be similar to those on the test and quiz assignments. Your answers will be graded in detail. You will receive partial credit for partially correct answers if the question states you can partial grade.

Generally speaking, **the most important parts of your answer are your detailed derivations and written arguments.** Simply writing one number (or mathematical expression) as the final answer will give you almost no credit (even if the number or expression is correct). A logically correct argument and derivation, with an eventual wrong outcome, will in most cases result in more partial credit than the correct number without any argument.

### 4.3 Class Grade & Curve

In the first class, you will be given a quiz about the syllabus. If you fail that quiz, you will **automatically fail** the class. Consider that quiz as if it is a pre-request of this course. Do not worry, it is all about understanding the syllabus at the beginning of the class. Basically, I want each student to understand what my expectations are and what they have to do during the class. If you pass the pre-request quiz, your letter grade will be based on your overall grade which is explained above (see grading).

In each midterm exam, I will upgrade your grades multiplying by  $\frac{100}{\text{Highest Grade of the exam}}$  if at least half of the class take the exam. For example, suppose your midterm grade is 40. If the highest grade of the midterm is 50, your grade will be  $40 \times \frac{100}{50} = 80$ . However, if the highest grade is 100, your grade will be  $40 = 40 \times \frac{100}{100}$ .

### 4.4 Bonus Credit

Students may earn up to a total of **five percentage points** in bonus credit which will be added to the overall class score (up to 100%) **at the end of the semester** based on the following:

At the end of each chapter of the book, there are two Data Analysis Problems. A student will earn 0.5 percentage point if s/he completes both questions of each chapter and submits the “right” solutions as if s/he reports his/her boss. Basically, I expect a “professional” report and “correct” report. Moreover, if you solve only one of the questions, you cannot get the 0.5 percentage points. However, you can solve questions of different chapters, and get 0.5 percentage points for each chapter as long as they are correct.

Importantly, you will not get help from me on these questions. The questions are well written and ask you to follow the instructions. Think these questions as if they are tasks given by your

(future) boss and as you might guess your boss will not help you on these tasks.<sup>7</sup>

## 5 General Rules

**Attendance:** Classroom attendance is strongly recommended. We will be covering a substantial amount of material in this course, and you will probably find that the easiest way to keep up (and find out what I think is important) will be to attend class and discussion sections. I expect you to be in class on time and stay for the duration. If you do not plan to attend the entire lecture, please see me in advance or refrain from coming to class.

**Communication:** Communication with those outside of class while class is in progress is not acceptable. (In other words, turn off all communication devices prior to the start of class.) Students are expected to check their UNC Charlotte e-mail (username@uncc.edu) as well as the class website (Canvas) regularly for correspondence and updates regarding the course.

**Accommodation Policy:** UNC Charlotte is committed to access to education. If you have a disability and need academic accommodations, please provide a letter of accommodation from Disability Services early in the semester. For more information on accommodations, contact the Office of Disability Services at 704-687-0040 or visit their office in Fretwell 230.

**Recording in the Classroom:** Electronic video and/or audio recording is not permitted during class unless the student obtains permission from the instructor. If permission is granted, any distribution of the recording is prohibited. Students with specific electronic recording accommodations authorized by the Office of Disability Services do not require instructor permission, but the instructor must be notified of any such accommodation prior to recording. Any distribution of such recordings is prohibited.

**Exam Bathroom Policy:** All exams will be 50 minute exams. Please use the bathroom before the start of the exam as it is disruptive for other students if somebody leaves the room in the middle of the exam. Anybody who needs to leave the room during exams (e.g. to go to the bathroom) **must leave his/her exam with me** (or the person proctoring the exam) **and must also leave any electronic devices that he/she carries in his/her pockets (e.g. cell phone, iPod, iPad, Kindle, etc.) with me** (or the person proctoring the exam) **before leaving the room.**

**Regrading Policy:** If you would like your exam re-graded, you must submit a **written re-grade request within one week of receiving your graded exam.** Your request should point out the question(s) where you think you deserve additional credit, along with an explanation. Please note that your entire exam will be reviewed, and your overall exam score may go up or down.

**Email Policy:** Make sure to start the subject with the course id. For example, you will ask for a setup meeting. The subject should be "Econ 3115 - Meeting". This way you are guaranteed to be replied within 2 business days. This way, I will understand that a student of my class is writing me and s/he is prioritized in the email list.

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<sup>7</sup>Would any boss hire an employee if the boss will help him? Think carefully the answer.

**No Screen:** While in class, I expect you to follow my “no screen” policy. I do not want to see any cell phones. Leave them in your backpack/purse/pocket (with the sound turned off) during class. Laptops/Tablets are strongly discouraged. They will not be very helpful for note taking, as much of the class will require writing equations, graphs, etc. If you absolutely must use one, please talk to me about it in person.

**Last Minute Calls:** Unfortunately, I will not be able to help you if everything is finished and you still need some help. For example, it is possible that a good student gets a low grade which may be because of so many reasons. However, if you want to improve your grade, I expect you to email me to make an appointment so that we can create a pattern in which you will much better grades. When every exam and quizzes are graded, and you still need a better grade for some reason (lets say graduation), I will not be able to help you. In short, it is your responsibility to inform me about your situation and your aim of taking this course in advance, so that I can help you.

**Academic Integrity:** Please note that academic misconduct (cheating) will NOT be tolerated. In addition, students have the responsibility to know and observe the requirements of [University Policy 407: The Code of Student Academic Integrity](http://legal.uncc.edu/policies/up-407) (<http://legal.uncc.edu/policies/up-407>). This code forbids cheating, fabrication or falsification of information, multiple submissions of academic work, plagiarism, abuse of academic materials, and complicity in academic dishonesty. Academic evaluations in this course include a judgment that the student’s work is free from academic dishonesty of any type; and grades in this course therefore should be and will be adversely affected by academic dishonesty. Students who violate the code can be expelled from UNC Charlotte. The normal penalty for a first offense is zero credit on the work involving dishonesty and further substantial reduction of the course grade. In almost all cases, the course grade is reduced to U. Copies of the code can be obtained from the Dean of Students Office. Standards of academic integrity will be enforced in this course. Students are expected to report cases of academic dishonesty to the course instructor.

**Statement on Diversity:** The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

## 6 Tentative Course Schedule

Below is a tentative schedule of the topics I plan to cover. However, there is no guarantee that we follow this schedule precisely. We may deviate from this schedule as the course progresses depending on time and student interest. It is your responsibility to keep up with adjustments made throughout the course.

## **Introduction: Financial System & Money**

First Class: Chapter 1 & Quiz

## **Part I: Money and Demand for Money and Inflation**

Weeks 2 (Jan 14): Chapter 3 & 19

## **Part II: The Interest Rate**

Weeks 3-5: Chapter 4-5

**Feb 11: Midterm 1**

Weeks 6 (Feb 13): Chapter 6

Weeks 7: Chapter 6-7

Weeks 8: Chapter 2 & 8

Weeks 9: Spring Break

## **Part III: Financial Institutions**

Weeks 10-11: Chapter 8-10

**March 25: Midterm 2**

**March 26: Last Day of Withdrawal**

## **Part IV: Banking & Financial Crisis**

Weeks 12 (March 27): Chapter 11

Weeks 13: Chapter 11-12

## **Part V: Central Banking and the Conduct Monetary Policy**

Weeks 14-16: Chapter 12-16

**Apr 24: Midterm 3**

Weeks 17 (Apr 29): Final Review