ECO 3355: Money and Banking
Department of Economics
Southern Methodist University
Summer 2014 Session 1

SYLLABUS

- **Lectures:** Monday, Tuesday, Wednesday, Thursday and Friday at 2:00-3:50 pm, Classroom Lee 303
- **Professor:** Saltuk Ozerturk
- **Office:** 301X Umphrey Lee
- **Phone:** (214) 768 3344
- **E-Mail:** ozerturk@mail.smu.edu
- **Webpage:** [http://faculty.smu.edu/ozerturk/](http://faculty.smu.edu/ozerturk/)
- **Office Hours:** Monday and Wednesday 12:00-2:00 pm or by appointment
- **Textbook** (Required) Modeling Monetary Economics, 2nd Edition by Bruce Champ and Scott Freeman, Cambridge University Press

Overview and Objectives

Why do people hold money? What determines the amount of money people hold relative to other assets? What roles do banks and other financial institutions play in the economy? Why isn’t there just one world currency?

We will try to answer these questions (and some more) in this introduction to monetary economics. Throughout the course, a special emphasis will be put using simple mathematical models to answer the questions we are interested in rather than focusing on institutional details.

- **Grading:** Grading will be based on attendance, 2 quizzes, 2 midterm exams and a Final Exam with the following weights:
  - **Attendance:** 5 %
  - **2 Quizzes:** 5% total (open notes—in class)
  - **2 Midterm Exams:** 30% each (Closed Notes).
  - **1 Final** 30% (Closed Notes)
**Make-up Exam Policy:** There is no make-up for quizzes. For the midterms no make up exams will be offered except in cases of documented medical or family emergency.

**Learning Outcomes**

- Students will gain familiarity with the relationship between money supply and inflation.
- Students will be able to understand the role that central banks play on the workings of an economy by controlling money supply.
- Students will be able to have an informed view of current events in the financial markets through discussions of current financial newspaper articles.
- Students will learn what causes a bank run and how a monetary authority can prevent bank runs.

**Disability Accommodations:** In accordance with the Americans with Disabilities Act, if you need academic accommodations for a disability, you must first contact Ms. Rebecca Marin, Coordinator, Services for Students with disabilities (214-768 54 63) to verify the disability and establish eligibility for accommodations. Then, you should schedule an appointment with me for the necessary arrangements.

**Religious Observance:** Religiously observant students wishing to be absent on holidays that require missing class should notify me in writing at the beginning of each semester, and should discuss with, in advance, acceptable ways of making up any work missed.

**Excused Absences For University Extracurricular Activities** Students participating in an officially sanctioned, scheduled University extracurricular activity will be given the opportunity to make up class assignments or other graded assignments. It is the responsibility of the students to notify me in advance and make arrangements.
TENTATIVE COURSE OUTLINE

(See http://faculty.smu.edu/ozerturk/ for slides of lectures)

- The Basic Model of Money (Chapter 1)
- Golden Rule Allocation and Competitive Equilibrium (Chapter 1)
- Monetary Competitive Equilibrium (Chapter 1)
- Supply of Money and Inflation (Chapter 3)
- Inflation as a Tax and Seignorage (Chapter 3)

Quiz 1 (June 11th Wednesday), Review
Midterm 1 June 13 Friday (tentative)

- International Monetary Systems (Chapter 4)
- Fixed Exchange Rates (Chapter 4)
- Capital (Chapter 6)
- Interest Rates, Capital and Risk (Chapter 6)
- Liquidity and Financial Intermediation (Chapter 7)
- Central Banking (Chapter 8)
- Central Bank Definitions of Money (Chapter 8)

Quiz 2 (June 20 Friday), Review
Midterm 2--- June 24 Tuesday (tentative)

- Money Stock Fluctuations (Chapter 9)
- Bank Risk and Bank Failures (Chapter 12)
- Preventing Bank Runs (Chapter 12)

FINAL (Last Day of Class- July 1st Tuesday)