



BENTLEY
UNIVERSITY

Bentley University
Department of Economics

Monetary Economics
Spring 2017
EC 391
Tue. & Fri. 11:00am – 12:20pm
TBA

Instructor: Sacha Gelfer

Contact Information:

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Office hours: 2– 3:30 pm Tuesdays and 12:30-1:30pm Fridays

Course Description: This course takes an in-depth, integrated examination of the interrelated nature of the banking system, financial markets and central banks. We will examine the structure and operations of the central bank, how both conventional and unconventional monetary policy is implemented, and how these policy actions affect financial markets, the aggregate economy, and international markets. In this course, we will discuss the behavior of financial and credit markets during the financial crisis as well as the unprecedented implementation of monetary stimulus in both the United States and many advanced economies during this time.

Course Prerequisites: Senior-level standing, (FI 305 or FI 310), FI 320, and EC 225. Open to economics-finance or finance majors, others by permission of the instructor.

Learning Objective

A. Knowledge Objectives

- Understand how and why the Fed implements policy, limitations of those policies, and effects of those policies.
- Understand how money markets, financial markets, and the real economy are linked together.
- Understand the important role of interest rates in the economy, and how they are determined.
- Understand some of the international dimensions of monetary policy, such as how foreign exchange markets operate, how central banks around the world conduct monetary policy, and global economic conditions.

B. Skills Acquired

- To be able to read Fed statements and financial press articles with an understanding of economic concepts and provide critical analysis.
- To effectively communicate your knowledge of economic and financial concepts and their implications.
- Use financial and economic databases to obtain relevant data to demonstrate proficiency in monetary data analysis.

C. Perspectives Gained

- View policy decisions in a global perspective by having an informed awareness of both national and international economic conditions.
- Embrace economic literacy as a social responsibility: Achieve a better understanding of policy decisions to become a more well-informed voter and citizen.

Course Readings: The *required* text for the course is Mishkin – The Economics of Money, Banking and Financial Markets 11th edition (in any format). The 10th edition of the book will also suffice, although the page references in the syllabus will not quite match. Further, elements of the 10th edition will be dated.

Course Website: Relevant course information will be posted on Blackboard. If you cannot access the site, please let me know right away. I will send e-mails through Blackboard with important course announcements.

Course Grading: Your grade in this course will be based on four components: Economic Update Papers and Presentations, homeworks, and exams (two midterms and a final). More detailed descriptions can be found below. All deadlines and due dates can be found on the course schedule below. The respective weights will be:

Homeworks (3)	12%
Econ Update Paper & Presentations (3)	24%
Peer Evaluation & Participation	4%
Midterms (2)	35%
Final (1)	25%

I use Blackboard to keep track of your grades, and I will have a running total that will give you an idea of your current performance in the course.

Homework: I will assign 3 homeworks throughout the term. Each will be weighted equally. Homework questions will be assigned throughout the class. Before each midterm and final I will ask you to hand in all homework questions that have been assigned throughout the weeks. No late homework assignments will be accepted.

Economic Update Paper & Presentations: Three times during our course (specific dates provided below) you assigned group will provide an Economic Update. Your goal is to summarize activity in financial markets, macroeconomic fluctuations (both U.S. and international), and policy activity. The purpose of this exercise is to inform and shape your perspective on the health of the economy, the future path of financial markets, and expectations regarding future policy action. We will discuss each Econ Update in class on the assigned due date. This will allow your group to summarize your expectation of any policy changes to come in the next FOMC statement.

Your group will be responsible for 3 Econ Updates throughout the semester. The entire report should be around 6 pages in length (including tables/figures). Your group must submit a printed, stapled report to me at the beginning of class on the day in which it is due. Also, someone in your group must upload the report to Turnitin via the course Blackboard site.

Each month, we will discuss the overall trends in student responses in class the day the reports are due. For this day, please prepare an approximately 6-8 minute presentation to share your report. Updates submitted late (but within 24 hours) will be worth a maximum of 75% credit, 50% if submitted within 48 hours, and zero credit after 48 hours. It is important to be in class on the days during which we will present and discuss the Econ Updates. Participation in these discussions will contribute to your project grade.

Economic Updates must contain:

- **Month in review:** An overview of the markets, economy, and policy environment over the past month. *Discuss* how the events that have occurred in the previous month influence your assessment of overall economic activity and inflationary pressures, and how these effects might influence businesses and investors. The analysis should also include a discussion of how current economic conditions relate to economic theories discussed in class. You are to use the AD/AS model and models of the money market, the yield curve, the labor market, etc. (whatever we have discussed up to that point) to connect your discussion to the course material. Do not simply list the data released in the past month. You must discuss the relevance of any data and/or figures you include in your analysis.

- **Outlook:** Describe how your outlook has or hasn't changed, based on any news and/or development since the previous month.

- **Policy Recommendation:** Summarize and explain your expectations of future monetary policy action.

Possible Data Sources:

- FRB Beige Book/Summary of Commentary on Current Economic Conditions (Published 8x per year, in advance of the FOMC meetings):
<http://www.federalreserve.gov/monetarypolicy/beigebook/>

- Bloomberg Economic Calendar:
<http://www.bloomberg.com/markets/economic-calendar>
- Wall Street Journal Economic Calendar:
http://online.wsj.com/mdc/public/page/2_3063-economicCalendar.html
- The Economist – Economic and Financial Indicators:
<http://www.economist.com/indicators>
- FOMC Monetary Policy Press Releases:
<http://www.federalreserve.gov/newsevents/press/monetary/2015monetary.htm>
- This is **NOT** an exhaustive list and you are encouraged to seek out other, legitimate data sources.

Peer Evaluation: Each student will submit a peer evaluation of their group members at the end of the semester. Specific information on how this occurs and when will be forthcoming at a later date. Note that everyone must turn in a peer evaluation of their group members. Failure to do so will result in a zero for this portion of the course grade.

Exams: All exams will include both short-answer and multiple choice questions. The midterm exams will not be cumulative (although some concepts may carry over for the second exam). The final exam will be cumulative. You can use calculators on exams. In case of a missed exam (due to unforeseeable circumstances, and reasonable documentable evidence), the weight can be added to the final.

Academic Integrity Policy: *All students are expected to adhere to Bentley's Academic Integrity policy* which includes Bentley's Honor Code (details on the policy can be found in the Undergraduate Student Handbook, the Graduate Catalog, and Bentley's academic integrity course page on Blackboard into which all students and faculty are enrolled). The essence of the policy is that you should not represent someone else's work as your own (no plagiarism, no cheating on exams, no illicit collaboration on projects, etc.). Failure to adhere to the policy can have serious consequences, including course failure, suspension, or even expulsion from the university. The best way to avoid a problem is to consult with your instructor before taking an action that might constitute a violation.

Disability Services:

Bentley University abides by Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990 which stipulate no student shall be denied the benefits of an education solely by reason of a disability. If you have a hidden or visible disability which may require classroom accommodations, please call the Office of Disability Services within the first 4 weeks of the semester to schedule an appointment. The Office of Disability Services is located in the **Callahan/University Police Building (POL, 2nd Floor, 781.891.2004)**. The Office of Disability Services is responsible for managing accommodations and services for all students with disabilities.

Wk	Dates	Topic	Reading
1	1/17 1/20	<ul style="list-style-type: none"> • Why Study Money and Monetary Policy • Overview of the Financial System • What is Money 	-Ch. 1 -Ch. 2 -Ch. 3
2	1/24 1/27	<ul style="list-style-type: none"> • The Meaning of Interest Rates • The Behavior of Interest Rates • The Risk and Term Structure of Int. Rates 	-Ch. 4 -Ch. 5 -Ch. 6
3	1/31 2/3	<ul style="list-style-type: none"> • Economic Update Presentations • Balance Banking Sheets <p>Economic Update Paper #1 Due Tuesday 1/31</p> <ul style="list-style-type: none"> • Central Banks 	-Ch. 9 186-192 -Ch. 13 292-307
4	2/7 2/10	<ul style="list-style-type: none"> • Keynesian Theories of Money Demand • The Money Supply Process 	-Ch. 19 465-469 -Ch. 14
5	2/14 2/17	<ul style="list-style-type: none"> • Midterm Review <p>Homework #1 Due Tuesday in class 2/14</p> <p>Midterm #1-Friday, February 17</p>	
6	2/21 2/24	<ul style="list-style-type: none"> • Tools of Monetary Policy <p><i>No Class</i></p>	-Ch. 15
7	2/28 3/3	<ul style="list-style-type: none"> • Tools of Monetary Policy <p>TBA</p>	-Ch. 15
-	3/7 3/10	<ul style="list-style-type: none"> • <i>No Class-Spring Break</i> 	
8	3/14 3/17	<ul style="list-style-type: none"> • The IS Curve • Monetary Policy & Aggregate Demand Curves • Aggregate Demand & Supply Analysis 	-Ch. 20 -Ch. 21 -Ch. 22
9	3/21 3/25	<ul style="list-style-type: none"> • Monetary Policy Theory • Transmission Mechanism 	-Ch. 23 -Ch. 25 602-610
10	3/28 3/31	<ul style="list-style-type: none"> • Midterm Review <p>Homework #2 Due Tuesday in class 3/28</p> <p>Midterm #2-Friday March 31</p>	

11	4/4	<ul style="list-style-type: none"> • Economic Update Presentations • Rational Expectations & Efficient Markets Economic Update Paper #2 Due Tuesday 4/4	-Ch. 7 145-157
	4/7	<ul style="list-style-type: none"> • Financial Crises 	-Ch. 12
12	4/11	<ul style="list-style-type: none"> • Foreign Exchange Markets 	-Ch. 17
	4/14	<ul style="list-style-type: none"> • International Financial System 	-Ch. 18
13	4/18	<ul style="list-style-type: none"> • <i>No Class Patriots Day</i> 	
	4/21	<ul style="list-style-type: none"> • International Financial System 	-Ch. 18
14	4/25	<ul style="list-style-type: none"> • TBA 	
	4/28	Homework #3 Due Friday in class 4/28	
15	5/2	<ul style="list-style-type: none"> • Economic Update Presentations Economic Update Paper #3 Due Tuesday 5/2	
Finals	5/5	Finals Exam – Tuesday, May 5-1:30-3:30pm	

Very Occasionally, we may decide to postpone a due date, but I will not move assignment deadlines forward from the schedule above. Additional readings may be assigned when relevant or timely.