

Economics 520
Fall 2009
MQ 264, TR 11:30-12:48
econ.ohio-state.edu/jhm/econ520

Prof. J. H. McCulloch
Office hrs: MW 2-3
Arps 452, 2-0382
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MONEY and BANKING

TEXTS (Both required, both available in photocopy at Grade A Notes, 22 E 17th Ave.)

McCulloch, *Money and Inflation: A Monetarist Approach*, 2nd ed. (“**M&I**”).

McCulloch, *Money and Banking: A New Monetarist Approach* (“**M&B**”), Fall 2009 ed., with Fall 2008 exams. Otherwise same as Fall 2008 version.

GRADING AND EXAMS

Course grade will be based on two midterms (100 points each), a final (200 points), and homework (100 points), for a total of 500 points. The final will be based approximately 2/3 on the last third of the course, and 1/6 each on the first two thirds of the course. Exam questions will be primarily multiple choice. Bring a **non-graphing** calculator with basic scientific functions (including $^$ or x^y), a soft (#2) lead pencil with a good eraser, and your University photo ID to each exam. **Exams are closed book and notes. Graphing calculators, PDAs, cellphones, camera phones, and Twittering devices are not allowed in exams.**

Exams will be only on the date and the time scheduled below. There will be no makeup exams barring documented medical or family emergency. Travel plans are *not* an emergency.

HOMEWORK

Homework will generally be assigned weekly. Homework assigned on Tuesday for Tuesday's and Thursday's material may be handed in at the end of class Thursday, at your Friday recitation, or in **your TA's mailbox** outside Arps 410 **by 5:00 PM Friday**. Partial credit will be given for late homework. The total possible homework points will be scaled to 100 course points. Cooperation on homework is permitted and even encouraged. However, you must complete, understand, and sign your own homework.

TAs AND RECITATIONS

Recitations will provide assistance with homework, review prior exam questions, and answer other questions concerning the course that are not covered during lectures. TAs will be responsible for grading homework.

W 11:30, 1:30 Recitations: **Ms. Fang Zhang**, zhang.607@osu.edu, 371 Arps, 247-7180. Office Hours TR 4:00-5:00, plus M 10/19 and 11/9, hour TBA.

F 11:30, 1:30 Recitations: **Mr. Zheng (“ZJ”) Jiang**, jiang.143, 321Arps, 292-2087, Office Hours T 1:30-2:30, F 2:30-3:30, plus M 10/19 and 11/9, 2:20-3:20.

DATE

TOPIC(S)

READING(S)

9/24	Overview	M&B 1
9/29	Why use Money? The US Monetary Standard	M&I 1 M&B 3
10/1	Prices and Inflation Price Indices The Quantity Theory of Money Ripple Effect, Walras' Law	M&B 7, M&I 2
10/6	Interest rates Present Discounted Value Real vs. nominal rates Loanable Funds Model Debtor-Creditor redistribution	M&B 6, 8, 19 pp. 1-3, M&I 4.1, 7.1
10/8	Velocity and the Quantity Equation Suppressed Inflation, Suppressed Deflation Expected Inflation, Velocity boost, Velocity drag Self-Generating Inflation	M&I 3, 4.2-4.7
10/13	Inflationary Finance The tax on real cash balances Indirect Fiscal Effects of inflation	M&I 5, 7.2-7.5
10/15	Inflation and Unemployment, The Acceleration Hypothesis Adaptive vs. Equilibrium ("Rational") Expectations	M&I 6
10/20(Tu)	First Midterm	
10/22	Commercial Banks, the Monetary Aggregates	M&B 4
10/27	Bank Expansion Money Multiplier	M&B 9 M&B 10
10/29	The Federal Reserve System Tools of Monetary Control	M&B 16 M&B 17
11/3	Money and Credit	M&B 19
11/5	Interest Rate Rules Stabilization Policy	M&B 21 M&B 22
11/10 (Tu)	Second Midterm	

11/12	War and Peace	M&B 25, 26
11/17	Debt, Equity, and Financial Structure Amortized Loans, Ponzi Funds Financial Intermediaries	M&B 5, 27
11/19	Bank and Thrift Regulation The Deposit Insurance Crises The 2007-08 Mortgage Meltdown	M&B 28
11/24	Foreign Exchange Rates and Regimes	M&B 32, 33
11/26	No class – Thanksgiving Day	
12/1	The International Monetary System	M&B 34.
12/3	What made the Great Depression so Great? And are we in for another one?	In progress
12/8 (Tu)	Comprehensive final 11:30-1:18	

Academic Misconduct: It is the responsibility of the Committee on Academic Misconduct to investigate or establish procedures for the investigation of all reported cases of student academic misconduct. The term “academic misconduct” includes all forms of student academic misconduct wherever committed; illustrated by, but not limited to, cases of plagiarism and dishonest practices in connection with examinations. Instructors shall report all instances of alleged academic misconduct to the committee (Faculty Rule 3335-5-487). For additional information, see the Code of Student Conduct: (http://studentaffairs.osu.edu/resource_csc.asp)

Disability Services: Students with disabilities that have been certified by the Office for Disability Services will be appropriately accommodated, and should inform the instructor as soon as possible of their needs. The Office for Disability Services is located in 150 Pomerene Hall, 1760 Neil Avenue; telephone 292-3307, TDD 292-0901; <http://www.ods.ohio-state.edu/>.