GENERAL DESCRIPTION

This is a lecture course that provides analytic frameworks to help you understand more generally how financial markets and institutions work, thus helping you to see the forest rather than the trees. In addition, it will focus on many public policy issues and examine how the most important player in the financial markets, the Federal Reserve, operates and how monetary policy is conducted. We will also focus on current events reported in the financial press.

REQUIRED TEXTS


(C) Casebook
OPTIONAL READINGS

A good source of current readings on money and financial markets is:

(EM) Eaton, J.W. and F.S. Mishkin, *1999 Readings to Accompany the Economics of Money, Banking, and Financial Markets*. Available free on the internet: access via http://hepg.awl.com, then put "Mishkin" in keyword box, click go, click "Student Resources", click "Visit the Readings Page" and then click on the article you are interested in. Note that this website has other information and related links that you might find of interest.

Other readings are available from the Reserve Desk at the Library.

EXAMS, PROBLEM SETS AND CLASS PARTICIPATION

The course will have a final and it will count for the whole grade. There will be 7 problem sets, to be completed individually, which if not turned in will reduce your final grade by 1/2 of a grade. Class participation will not be graded and is strictly voluntary but essential.

OFFICE HOURS

Office hours are Monday and Wednesday, immediately after class or from 3-5. (An e-mail to let me know if you are coming at a particular time is highly recommended.)

TEACHING ASSISTANT

The teaching assistant for the course is Cornelia Kullmann. She will conduct problem set review sessions after every two problem sets. She is available for office hours in Cubicle 6U from 2:00 to 3:00 on Mondays and Wednesdays, on request or by appointment. Her e-mail address is ck139@columbia.edu.
TOPICS AND SPECIFIC READINGS

I. INTRODUCTION AND REVIEW

(M) Ch. 1 Why Study Money, Banking and Financial Markets
Ch. 2 An Overview of the Financial System
Ch. 3 What is Money?
Ch. 4 Understanding Interest Rates
Ch. 5 Portfolio Choice
Ch. 27 Theory of Rational Expectations and Efficient Capital Markets

Optional:

(EM) Readings 1-5, 31.

II. FINANCIAL MARKETS

(M) Ch. 6 The Behavior of Interest Rates
Ch. 8 The Foreign Exchange Market

Optional:

(M) Ch. 7 The Risk and Term Structure of Interest Rates
(EM) Readings 5-8.
III. FINANCIAL INSTITUTIONS

(陈) Ch. 9 Economic Analysis of Financial Structure


(陈) Ch. 10 The Banking Firm and the Management of Financial Institutions
Ch. 12 Economic Analysis of Banking Regulation
Ch. 13 Nonbank Financial Institutions

Optional:

(陈) Ch. 14 Financial Derivatives


IV. CENTRAL BANKING AND THE MONEY SUPPLY PROCESS

(M) Ch. 15 Structure of Central Banks and the Federal Reserve System
Ch. 16 Multiple Deposit Creation and the Money Supply Process
Ch. 17 Determinants of the Money Supply

Optional:

V. CONDUCT OF MONETARY POLICY

(M) Ch. 18 Tools of Monetary Policy
Ch. 19 Conduct of Monetary Policy: Goals and Targets

Optional:

(EM) Readings 22, 29.

VI. THE INTERNATIONAL FINANCIAL SYSTEM

(M) Ch. 20 International Financial System

Optional:

(EM) Readings 25-27.
VII. INFLATION TARGETING AND INTERNATIONAL EXPERIENCES WITH DIFFERENT MONETARY REGIMES


Optional: