

GEORGETOWN UNIVERSITY
SCHOOL OF FOREIGN SERVICE – QATAR

MONEY AND BANKING

ECON 387

Sundays & Tuesdays, 11:05am - 12:20pm, room A149

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GENERAL DESCRIPTION

This course will teach you how financial markets and institutions work. It will provide you with the tools needed to understand how the global economy operates, and describe how monetary policy is conducted. We will focus primarily on the Federal Reserve System (FED) when describing monetary policy, but we will also examine the European Central Bank (ECB). The course will address current events. This course will help you understand the current crisis in the world economy and enable you to discuss public policy.

REQUIRED TEXTBOOK

Mishkin, F.S., *The Economic of Money, Banking, and Financial Markets*, Eighth Edition

OPTIONAL READINGS

A good source for current readings on money and financial markets is the *Financial Times*, the *Wall Street Journal*, and *The Economist*. I highly encourage you to choose one such paper/magazine and become subscribers (I will try to get you subscriptions to the FT for free). The benefits will expand way beyond the scope of this course. If you would like to get a subscription to *The Economist*, let me know and I will see what I can do.

Other readings will be posted on Blackboard.

EXAMS, PROBLEM SETS AND CLASS PARTICIPATION

The course will have a midterm (30%) and a final (50%). There will be 7 problem sets (20%) to be completed individually. Class participation is essential. Grade weights are shown in parenthesis.

OFFICE HOURS

Office hours are on Sundays and Tuesdays immediately after class (12:20pm – 1:20pm) or by appointment.

USEFUL LINKS

A) Newspapers

- a. Wall Street Journal www.wsj.com
- b. Financial Times www.ft.com
- c. Bloomberg www.bloomberg.com

B) Magazines

- a. The Economist www.economist.com
- b. Business Week www.businessweek.com

C) Central Banks

- a. Qatar Central Bank www.qcb.gov.qa
- b. Federal Reserve System www.federalreserve.gov
- c. FRB – New York www.newyorkfed.org
- d. European Central Bank www.ecb.int

TOPICS

I. INTRODUCTION AND REVIEW

- 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

II. FINANCIAL MARKETS

- Ch 5 The Behavior of Interest Rates
- Ch 6 The Risk and Term Structure of Interest Rates
- Ch 7 The Stock Market, the Theory of Rational Expectations, and the Efficient Markets Hypothesis

III. FINANCIAL INSTITUTIONS

- Ch 8 An Economic Analysis of Financial Structure
- Ch 9 Banking and the Management of Financial Institutions
- Ch 11 Economic Analysis of Banking Regulation

***** MIDTERM *****

IV. CENTRAL BANKING AND THE MONEY SUPPLY PROCESS

- Ch 12 Structure of Central Banks and the Federal Reserve System
- Ch 13 Multiple Deposit Creation and the Money Supply Process
- Ch 14 Determinants of the Money Supply

V. MONETARY POLICY

- Ch 15 Tools of Monetary Policy
- Ch 16 What Should Central Banks Do? Monetary Policy Goals, Strategy, and Tactics

VI. INTERNATIONAL FINANCE AND MONETARY POLICY

Ch 17 The Foreign Exchange Market

Ch 18 The International Financial System

VII. INFLATION TARGETING

IMF reports (will be provided)

Mishkin, F.S. "International Experiences with Different Monetary Policy Regimes," *Journal of Monetary Economics*, Vol. 43, #3 (June 1999): 579-606.

Mishkin, F.S. and A. Posen, "Inflation Targeting: Lessons from Four Countries," Federal Reserve Bank of New York, *Economic Policy Review*, vol 3, #3 (August 1997): 9-110

***** FINAL *****