

Econ 8456/4450: Monetary Theory and Policy

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The course is designed to introduce the student to topics in money and banking, financial institutions, markets, financial instruments and monetary theory. In the post-2008 financial crises period there has been a increased importance to understand financial markets, the Federal Reserve and how these entities interact with the economic environment. The course will cover an in depth understanding of financial markets, financial instruments, and the Federal Reserve. The most immediate goal is for the students to synthesize the course material in order to improve their future decision-making. A closely related goal is for the student to be able to read and analyze the economic news and editorials.¹ A third goal is for the student to reach a level of analysis with the lectures, discussions, and readings so that they will be able to formulate their own views about the current economic environment, appropriate government policies that should be implemented by the policy makers, and managerial responses to the uncertain economic environment. Major economic events of the twentieth century, and in particular the last ten years, are employed in these endeavors. The student must synthesize the course material in order to understand the workings of a market economy and the internationalization of the U.S. economy. The following topics will be covered.

1. Introducing Money and the Financial System
2. Money and Payments System
3. Interest Rates and Rate of Return
4. Determining Interest Rates?
5. The Risk Structure and Term Structure of Interest Rates
6. The Stock Market and Financial Market Efficiency
7. Derivatives
8. The Market For Foreign Exchange
9. Asymmetric Information in the Financial System
10. The Economics of Banking
11. Shadow Banks and Nonbank Financial Institutions
12. Financial Crises and Financial Regulation
13. Federal Reserve and Central Banking
14. Federal Reserve and Money Supply Process
15. Monetary Policy
16. International Financial System and Monetary Policy
17. Monetary Theory I: AD-AS
18. Financial Crises
19. Monetary Transmission Mechanism

¹ Like the Wall Street Journal, The New York Times, Business Week, Barrons, The Economist, and other related business publications.