

NEW YORK UNIVERSITY
Department of Economics

V31.0231.01
Money and Banking

Spring '03
J. Prager

Required Text: R.G. Hubbard, *Money, the Financial System, and the Economy* (2002)

Recommended Supplement: *Study Guide* to text

All readings from Hubbard as well as the distributed packets are required; other readings will increase your appreciation of the topic. The text comes with a web site that refers you to additional readings. Insofar as you can schedule time for supplementary reading, take advantage of this site; the more you use it, the more fascinating will the class and the topic become. The web site also contains various types of questions to test yourself (but not as many as the *Study Guide*), and will undoubtedly help you in preparing for the course. *Please note that not all of the assigned readings will be covered in class. You will nevertheless be held responsible for them on examinations.*

N.B. Notices concerning this class (including this syllabus, exam dates, etc.) may be found on my website:
<http://www.econ.nyu.edu/dept/courses/prager/prager.htm>

N.B.II Websites. Surfing the web might make this course more meaningful provided you surf to the right sites. A good place to start is the Federal Reserve Board -- <http://www.bog.frb.fed.us> -- and its links to other sites. Another source for links is the NYU economics department at www.econ.nyu.edu. The text's web site also references a number of websites that you are welcome, indeed, urged to try.

Quizzes and Exams: You can anticipate that every second class will begin with a brief quiz (5 - 10 short-answer questions) covering the required readings. The average of the quiz grades will count 10 percent of the semester grade. The remaining 90 percent of the semester grades will be based on exams. Probably two mid-semester exams and a final exam will be administered. Exam details and dates will be discussed in class.

Syllabus

I. Introduction: The Nature and Role of Money and Interest

A. Money

Text, chs. 1, 2

Packet no. 1

B. Interest

Text, chs. 4, 7

II. The Theory and Practice of Financial Intermediation

Text, chs. 3, 11, 12

III. Commercial Banking

A. On and Off the Bank Balance Sheet

Text, Ch. 13

Prager, ch. 6 (on my website as Prager, ch. 6)

Packet no. 2

B. Portfolio Management

Text, Ch. 5

Prager, ch. 7 (on my website as Prager, ch.. 7)

Packet no. 3 (includes material for the next section as well)

C. Banking Regulation and the Role of Bank Capital

Text, ch. 14, 15, 16 (only pp. 424 - 429)

Spong, K., *Banking Regulation: Its Purposes, Implementation, and Effects* (2001)

[This publication is available for free from the Federal Reserve Bank of Kansas City. I have a few spare copies that I will be happy to provide to interested students as long as my supply lasts.]

IV. Money creation

Text, chs. 17, 18 (to p. 481)

Packet no. 4

V. Central Banking

A. Structure

Text, ch. 19

B. Monetary Controls

Text, chs. 20

Meulendyke, A.M., *U.S. Monetary Policy and Financial Markets* (1998)

[This publication is available for free from the Federal Reserve Bank of New York. Again, I have a few spare copies for anyone interested students as long as my supply lasts.]

Edwards, C.L., "Open Market Operations in the 1990s," *Federal Reserve Bulletin* (Nov. '97): 859-874

C. Money and GDP - the basic elements of aggregate demand and supply

Text, chs. 23, 6 (to p. 136), 25

VI. Monetary Policy

A. Objectives

Text, chs. 21, 28

B. Transmission Channels: The New Keynesian, Monetarism, and Rational Expectations

Text chs. 26, 27

C. Monetary Policy During the Past Decade

N.G. Mankiw, "U.S. Monetary Policy During the 1990s," www.nber.org/papers/w8471

VII. Where Do We Go From Here?