

BOSTON COLLEGE
Department of Economics

Economics 361
Money and Monetary Policy
Dr. H. S. Kazemi

Spring 1999
Office: Carney 243
Office Hours:
T&TH 4:15-5:15

A. Textbook:

L.S. Ritter, W.L. Silber and G. F. Udell, Principles of Money, Banking and Financial Markets. Basic Books, 10th Ed., 1998.

B. Additional Readings/Tools:

1. J.A. Dorn and Anna J. Schwartz, The Search for Stable Money, University of Chicago Press, 1987.

2. The Board of Governors of the Federal System, The Federal Reserve System: Purposes of Functions, Washington, DC.

3. Wall Street Journal

C. Exams:

There will be three exams, two mid-terms accounting for 50% of your final grade (25% each) and a final exam which will account for 30%. Since student participation in class discussions is an important input in this course, the remaining 20% will be assigned to student discussion as well as writing assignments (see below). "Make-up" exams **will not** be given for missed scheduled exams except in the case of a reasonable and valid excuse which is submitted to me promptly. These excuses are subject to my approval, and I may require substantiation. For approved excuses, a make-up exam will be scheduled at the time of the final exam.

D. Assignments:

During the semester there will be a number of assignments given which may be an analysis of the economic and statistical releases, a written summary of a section or chapter out of one of the outside readings, a problem to solve or a question to discuss in class. This will account for 10% of your grade. Assignments are due in the following class automatically, unless mentioned otherwise. Missing class **does not** waive or extend the deadline for submitting an assignment.

E. Reading Schedule:

I. An Introduction to Money and Monetary Economics - The thrust of the first section is simply to review and discuss money and macroeconomics.

Reading assignment: Parts I and II of the text: Chapters 1-10.

II. Commercial Banks and the Role of Banks in an Industrial Society - In this section we will give almost exclusive emphasis to banks, and focus on different aspects of the banking business.

Reading assignment: Parts III and IV of the text, Chapters 11 through 17. In addition to "The Federal Reserve System: Purposes and Functions (the entire book). You will also read a summary version of "The Depository Institutions Deregulation and Monetary Control Act of 1980," on reserve at the main Library.

III. Federal Reserve System - All modern industrial countries have some kind of central bank. Ours is called not a "bank" but a "system": The Federal Reserve System. The ultimate function of most central banks is monetary policy. In this section we will read all about the Fed and its functions.

Reading Assignment: Part V of the text, Chapters 18 through 22.

William Poole, The Erratic Nature of Federal Reserve Policy, pages 31-47, The Search for Stable Money.

Lawrence R. Roos, "Inherent Conflicts of U.S. Monetary Policy making, pages 47- 52, The Search for Stable Money.

IV. Money and Macroeconomic Theory - One of the great controversies of macroeconomics is whether and to what degree "money matters." It will be very difficult to understand and appreciate that controversy without some macro theory. We start a macro model without money, and then bring money in to see its role.

Reading Assignment: Part VI of the text, Chapters 23 through 30. In addition to:

Michael D. Bordo and Anna J. Schwartz, The Importance of Stable Money: Theory and Evidence, pages 53-73, The Search for Stable Money.

Milton Friedman, Monetary Policy: Tactics vs. Strategy, pages 361-382, The Search for Stable Money.

Karl Brunner, Has Monetarism Failed?, Pages 163-209, The Search for Stable Money.