

BOSTON COLLEGE
Department of Economics

Economics 361.01
Money and Monetary Policy
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Fall 2004
Office:Adm Blg 480C
Office Hours:
Tues. 2:00-3:00
Thurs. 4:15-5:15
& by appointment

A. Textbook:

L.S. Ritter, W.L. Silber and G. F. Udell, Principles of Money, Banking and Financial Markets, 11th Ed, Addison-Wesley, Reading, Massachusetts 2004.

B. Additional Readings/Tools:

1. Charles P. Kindleberger, Manias, Panics, and Crashes: A History of Financial Crisis, Fourth Edition, John Wiley & Sons, Inc. New York 2000.
2. The Board of Governors of the Federal System, The Federal Reserve System: Purposes of Functions, Washington, DC.
3. Wall Street Journal

C. Exams: (80%)

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. Mid-terms will be announced in class and the final is scheduled for Monday December 13th at 9:00 A.M.

D. Assignments: (10%)

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. Class Participation: (10%)

You will be graded on your in class performance which makes 10% of your total grade in two ways as follows: First, your class preparedness is an essential part of your responsibility in this course. This **requirement** can be satisfied by **reading** the assigned chapters of your books **in advance of my lectures** on those topics. Second, you will be graded on your active participation in class discussions. I strongly encourage you to ask questions as your questions will first help clarify issues for you and possibly some of your classmates as well as generate further and more interesting discussions in the classroom.

F. 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. In addition to Chapters 1-3 of Kindleberger's Manias, Panics, and Crashes.

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 16.

Chapters 4-6 of Kindleberger's Manias, Panics, and Crashes.

"The Federal Reserve System: Purposes and Functions (the entire book).

"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 17 through 21. . In addition to Chapters 7-9 of Kindleberger's Manias, Panics, and Crashes.

IV. Monetary Theory and Policy - 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 22 through 29. . In addition to Chapters 10-12 of Kindleberger's Manias, Panics, and Crashes.