

Economics 520
Fall 2011
Mount Hall 145, TR 12:30 – 1:48
econ.ohio-state.edu/jhm/econ520

Prof. J. H. McCulloch
Office hrs: MW 2-3
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MONEY and BANKING

TEXTS (Both required, both available in photocopy from Grade A Notes, via SBX.)

McCulloch, *Money and Inflation: A Monetarist Approach*, 2nd ed. (“**M&I**”). Estimated cost, \$8.90.

McCulloch, *Money and Banking: A New Monetarist Approach* (“**M&B**”), Fall 2011 ed., with Spring 2010 exams. Est. cost ~ \$54.00.

GRADING AND EXAMS

Course grade will be based on two midterms (100 points each), a final (200 points), and homework (100 points), for a total of 500 points. The final will be based approximately 2/3 on the last third of the course, and 1/6 each on the first two thirds of the course. Exam questions will be primarily multiple choice. Bring a **non-graphing** calculator with basic scientific functions (including $^$ or x^y), a soft (#2) lead pencil with a good eraser, and your University photo ID to each exam. **Exams are closed book and notes. Graphing calculators, PDAs, cellphones, camera phones, and Twittering devices are not allowed in exams.**

Exams will be only on the date and the time scheduled below. There will be no makeup exams barring documented medical or family emergency. Travel plans are *not* an emergency.

HOMEWORK

Homework will generally be assigned weekly. Homework assigned on Tuesday for Tuesday's and Thursday's material may be handed in at the end of class Thursday, in your Thursday recitation, or in **your TA's mailbox outside Arps 410 by 5:00 PM Friday**. Partial credit will be given for late homework. The total possible homework points will be scaled to 100 course points. Cooperation on homework is permitted and even encouraged. However, you must complete, understand, and sign your own homework.

The TAs will be Ms. Fang Zhang (zhang.607@osu.edu) and Mr. Aaron Popp (popp.22@osu.edu). Both are in Arps 303, 2-0275, and both will have office hours Tuesday 2-3 and Friday 330-430.

Spring 2011 exams are provided at the back of the M&B readings to help you review for exams. These questions will be discussed in recitations as we go along. Homework questions will be reviewed in recitations after the homework in question has been returned.

DATE	TOPIC(S)	READING(S)
9/22	Introduction and The Current Economic Crisis	M&B 1
9/27	Why use Money? The US Monetary Standard	M&I 1 M&B 3
9/29	Prices and Inflation Price Indices The Quantity Theory of Money Walras' Law, Ripple Effect	M&B 7, M&I 2
10/4	Interest rates Present Discounted Value Real vs. nominal rates Loanable Funds Model Debtor-Creditor redistribution	M&B 6, 8, 19 pp. 1-3, M&I 4.1, 7.1
10/6	Velocity and the Quantity Equation Suppressed Inflation, Suppressed Deflation Expected Inflation, Velocity boost, Velocity drag Self-Generating Inflation	M&I 3, 4.2-4.7
10/11 (T)	First Midterm , through 10/6	
10/13	Inflationary Finance The tax on real cash balances Indirect Fiscal Effects of inflation	M&I 5, 7.2-7.5
10/18	Inflation and Unemployment, The Acceleration Hypothesis Adaptive vs. Equilibrium ("Rational") Expectations	M&I 6
10/20	Commercial Banks, the Monetary Aggregates	M&B 4
10/25	Bank Expansion Money Multiplier	M&B 9 M&B 10
10/27	The Federal Reserve System Tools of Monetary Control Review HW 5	M&B 16 M&B 17
11/1	Money and Credit	M&B 19

11/3	The Taylor Rule Stabilization Policy	M&B 21 M&B 22
11/8 (T)	Second Midterm , through 11/1 only	
11/10	War and Peace	M&B 25, 26
11/15	Debt, Equity, and Financial Structure Amortized Loans, Ponzi Funds Financial Intermediation	M&B 5, 27
11/17	Bank and Thrift Regulation The Deposit Insurance Crises The 2007-08 Mortgage Meltdown	M&B 28
11/22	Foreign Exchange Rates and Regimes	M&B 32, 33
11/24	No Class (Thanksgiving Day)	
11/29	The International Monetary System	M&B 34
12/1	Review	
12/7 (W)	Comprehensive final 11:30-1:18 (note time)	

Disability Services: Students with disabilities that have been certified by the Office for Disability Services will be appropriately accommodated, and should inform the instructor as soon as possible of their needs. The Office for Disability Services is located in 150 Pomerene Hall, 1760 Neil Avenue; telephone 292-3307, TDD 292-0901; <http://www.ods.ohio-state.edu/>.