This course will emphasize recent developments in money and banking, with particular attention paid to changes in global financial markets. Recent regulatory changes at home and abroad will be studied and the effectiveness of monetary policy in light of these developments will be thoroughly examined. The changes brought on by high federal budget deficits will also be studied, and the constraints they impose on monetary policy will be considered. A basic knowledge of economics at the 201/202 level is assumed. A knowledge of basic mathematics is also assumed. There will be three grades, each counting for one third of the total. A midterm will be given after the first, institutional section of the course. A comprehensive final will be given during the final examination period. The third grade will be an eight to ten page typed paper, the topic chosen from a list of subjects provided by the instructor. Note: All rules of academic honesty must be rigorously followed in the paper. Further, the title page and bibliography are not counted in the length of the paper. The paper is due at the start of class on Monday, 20 April. A letter grade will be subtracted for every day past 20 April that the paper is late.


Additional readings at Kinko's on the hill.

I. Institutions

Introduction: chps. 1, 2
Fundamentals of Financial Markets: chps. 3-7
Financial Intermediaries: chps. 8-11

The Euromarkets and the Globalization of Finance:
From Euromoney: "Variations On A Theme Of Swaps,"
"Swap Winners, Swap Losers,"
"Flinging Open The Doors Of Change,"
"Goodbye, Cosy World,"
"How To Survive The Big Bang,"
"Surviving The Big Bang."
From The Economist: "Big Bang Briefs."
The Money Supply and Central Banking: chps. 12-16

MIDTERM

II. Theory and Policy

An Overview of Monetary Policy: chps. 17, 18

The Demand for Money and Keynesian Theory and Policy:
chps. 20-22, 19

The Monetarist Response: chps. 23-25

The Theory of Rational Expectations and its Policy Implications: chps. 26, 27

Federal Budget Deficits:

Paper Subjects. Your topic must be chosen from this list.

1. Interest Rate Swaps
2. Fixed Rate Currency Swaps
3. Currency Coupon Swaps
4. The Big Bang: Deregulation in the City of London
5. The Rising Federal Debt as a Constraint on Monetary Policy
6. Changes in Central Banking
7. Monetary Policy and the Great Depression
8. The Foreign Exchange Market and the Money Supply