

**San José State University**  
**Department of Economics**

**Course No. 28633, Econ 135 - Money and Banking, Section 01, Spring 2020**

**Course and Contact Information**

Instructor:	Justin D. Rietz
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Office Hours:	Mondays and Wednesdays 1:30pm – 2:30pm and by appointment.
Class Days/Time:	Monday and Wednesday, 12:00-1:15pm.
Classroom:	DMH 348
Prerequisites:	Econ 1A

**Course Format**

**Faculty Web Page and MYSJSU Messaging**

Course materials such as syllabus, handouts, notes, assignment instructions, etc. can be found on [Canvas Learning Management System course login website](http://sjsu.instructure.com) at <http://sjsu.instructure.com>. You are responsible for regularly checking with the messaging system through [MySJSU](http://my.sjsu.edu) at <http://my.sjsu.edu> to learn of any updates.

**Course Description**

Monetary institutions and theory, central banking, Federal Reserve System, interest rates, foreign exchange, price level theory, flow of funds, policy relative to private, government and international finance.

**Course Learning Outcomes (CLO)**

This is course about money, banking, and the financial system. It applies the insights of *both* economic theory and history to modern financial institutions. By the end of the course, the student should demonstrate critical and independent thinking about such controversial issues as inflation, the causes of the Great Depression, monetary policy, banking deregulation, the S & L crisis, international exchange rates, and the recent financial crisis. Although this course touches on the full range of Economics PLOs, it emphasizes PLO2 and PLO4.

PLO 2: *Macroeconomics*.

PLO 4: *Specialist Areas*: Finance.

PLO 5: *Communication*: Demonstrate efficient communication skills.

Upon successful completion of this course, students should be able to demonstrate the follow:

CLO 1. Explain money's vital function and how it interacts with banking and the financial system.

CLO 2. Explain how the interaction of the demand and stock of money determine the price level.

CLO 3. Explain seigniorage and the role it has played in the history and evolution of government involvement in the monetary and financial system.

CLO 4. Explain the complicated relationships between money, interest rates, and fiscal policy.

CLO 5. Discuss the various factors that play a role in financial crises.

## Required Texts/Readings

### Textbook

1. R. Glenn Hubbard and Anthony Patrick O'Brien, *Money, Banking, and the Financial System*, 1st edn. (Boston: Prentice Hall, 2012); **ISBN-13:** 978-0132553452).

- Note: This is an older version of the textbook. If you choose to use a newer version, you are responsible for any differences in the text.

2. Murray N. Rothbard, *What Has Government Done to Our Money?* rev. edn. (Auburn, AL: Ludwig von Mises Institute, 1990); **ISBN-13:** 978-1933550343 (available online at <http://mises.org/library/what-has-government-done-our-money>).

### Other Readings

Econ 135 Course Reader, available at Maple Press, 330 South 10th Street.

## Course Requirements and Assignments

The final examination, which will be comprehensive, is worth 40 points out of the total of 100 for the course. Each of two other examinations is worth 20 points toward the total. In addition, there will be twelve short, objective quizzes based exclusively on assigned weekly readings worth another 20 points. Each quiz individually is worth 2.5 points, allowing students to drop or miss four out of the twelve quizzes. There will be no make-ups for any quizzes. Cheating on any quiz or exam will result in an automatic F for the entire course.

Success in this course is based on the expectation that students will spend, for each unit of credit, a minimum of 45 hours over the length of the course (normally three hours per unit per week) for instruction, preparation/studying, or course related activities, including but not limited to internships, labs, and clinical practica. Other course structures will have equivalent workload expectations as described in the syllabus.

### Final Examination or Evaluation

There will be a cumulative final exam.

## Grading Information

Converting Number Grades to Letter Grades

97-100 A+	93-96 A	90-92 A-
87-89 B+	83-86 B	80-82 B-
77-79 C+	73-76 C	70-72 C-
67-69 D+	63-66 D	60-62 D-
below 60 F		

Final grades will be curved. However, the curve will never hurt your grade. I do not round up grades, e.g. an 86.9 is a B, not a B+.

Note that I do not provide study guides for exams. Instead, I will hand out brief, unit outlines with key concepts and terms in class.

### Classroom Protocol

This is a traditional, lecture-based course. The use of laptops, tablets, cell phones, or other electronic device is prohibited in class unless you provide documentation from the AEC. Studies have proven that students who

take notes on these devices *significantly* impair their comprehension of the material. Therefore, students need to come prepared to take hand-written notes. Those who violate this prohibition will have a half point deducted from their final grade for the course (out of 100 points) for *each and every* infraction.

Because class participation helps enliven the course, it is greatly appreciated and can earn students up to one extra point toward their final grade. Finally, if you experience any difficulty in this course, please do not hesitate to come to me for help. I am always happy to clarify hard concepts, resolve any lingering confusion, or otherwise assist you in making this course enjoyable and rewarding.

### **University Policies**

Per University Policy S16-9, university-wide policy information relevant to all courses, such as academic integrity, accommodations, etc. will be available on Office of Graduate and Undergraduate Programs' [Syllabus Information web page](http://www.sjsu.edu/gup/syllabusinfo/) at <http://www.sjsu.edu/gup/syllabusinfo/>” Make sure to review these university policies and resources.

### **Course Units:**

- I. The Nature and Origin of Money.
- II. The Nature and Origin of Credit.
- III. An Overview of Today's Financial System.
- IV. Commercial Banking: History and Practice.
- V. Nonbank Intermediaries, Deregulation, and Financial Crisis.
- VI. Modern Central Banking.
- VII. Money and the World Economy.

# Course No. 47821, Econ 135 - Money and Banking, Fall 2018

## Course Schedule

### Course Schedule

Note: the schedule is subject to change with fair notice. Changes will be announced in class and an updated syllabus will be available on Canvas.

Week	Date	Topics, Readings, Assignments, Deadlines
1	Jan 27	First day of class.
1	Jan 29	Review
2	Feb 3	1. Rothbard, chs. I, II 2. Roger Thurow, "In Romania, Smoking a Kent Cigarette is Like Burning Money," <i>Wall Street Journal</i> , (3 January 1986). 3. Pp. 88-89 from Norman Angell, <i>The Story of Money</i> (New York: Garden City, 1929).
2	Feb 5	
3	Feb 10	1. Hubbard & O'Brien, ch. 2; 2. Rothbard, ch. III. 3. Peter Brimelow, "Do You Want To Be Paid In Rockefeller's? In Wristons? Or How About a Hayek?" <i>Forbes</i> , (30 May 1988), 243-50.
3	Feb 12	
4	Feb 17	1. Hubbard & O'Brien. chs. 1, 4. 2. Online Appendix 3 to Frederic S. Mishkin, <i>The Economics of Money, Banking, and Financial Markets: Business School Edition</i> , 2nd edn. (Boston: Addison-Wesley, 2007), ch. 5, "Loanable Funds Framework," available as a pdf file that will be emailed to all students
4	Feb 19	
5	Feb 24	1. Hubbard & O'Brien, chs. 3, 7. 2. Ch. 14, "The Basic Tools of Finance," from N. Gregory Mankiw, <i>Principles of Macroeconomics</i> , 3rd edn. (Mason, OH: Thomson, 2004), pp. 287-302.
5	Feb 26	
6	Mar 2	1. Hubbard & O'Brien, chs. 5, 6. 2. Charles L. Hooper, "Who Is Harmed by Insider Trading?" <i>Library of Economics and Liberty</i> (March 2, 2015): <a href="http://www.econlib.org/library/Columns/y2015/Hooperharmed.html">http://www.econlib.org/library/Columns/y2015/Hooperharmed.html</a> .
6	Mar 4	
7	Mar 9	Review
7	Mar 11	Exam #1

Week	Date	Topics, Readings, Assignments, Deadlines
8	Mar 16	<p>1. Hubbard &amp; O'Brien, chs. 9, 10.</p> <p>2. David Kelley and Jeff Scott, "Gekko Echo: A Closer Look at the 'Decade of Greed'," <i>Reason</i>, (February 1993), 30-37.</p> <p>3. Leonard Read, "I, Pencil," <i>The Freeman</i>, (December 1958); abridged version: <a href="http://fee.org/freeman/detail/i-pencil/">http://fee.org/freeman/detail/i-pencil/</a>.</p>
8	Mar 18	
9	Mar 23	<p>1. Hubbard &amp; O'Brien, ch. 11.</p> <p>2. Kurt Schuler, "History of Free Banking," from Peter J. Boettke, ed., <i>The Elgar Companion to Austrian Economics</i> (Aldershot, Hants: Edward Elgar, 1994), pp. 414-17.</p>
9	Mar 25	
10	Mar 30	Spring Break
10	Apr 2	Spring Break
11	Apr 7	<p>1. Hubbard &amp; O'Brien, ch. 12.</p> <p>2. Online Appendix 1 to Frederic S. Mishkin, <i>The Economics of Money, Banking, and Financial Markets: Business School Edition</i>, 2nd edn. (Boston: Addison-Wesley, 2007), ch. 11, "The Savings and Loan Crisis and Its Aftermath," available as a pdf file that will be emailed to all students.</p> <p>3. Jeffery Rogers Hummel, "Privatize Deposit Insurance," <i>The Freeman</i>, (July 1989), 270-271; <a href="http://www.fee.org/the_freeman/detail/privatize-deposit-insurance#axzz2qLC3suMD">http://www.fee.org/the_freeman/detail/privatize-deposit-insurance#axzz2qLC3suMD</a>.</p> <p>4. Original draft of Jeffrey Rogers Hummel and David R. Henderson, "Blame Federal Gov't, Not the Fed, For Subprime Mortgage Problems," <i>Investor's Business Daily</i>, 24 (March 28, 2008): A13.</p> <p>5. OPTIONAL: Charles W. Calomiris on the Financial Crisis, Podcast Interview with Russ Roberts, <i>EconTalk</i>, available at <a href="http://www.econtalk.org/archives/2009/10/calomiris_on_th.html">http://www.econtalk.org/archives/2009/10/calomiris_on_th.html</a> (one and a half hours in length). Worth half a point extra credit if you listen to it and write an additional 400-word summary of it.</p>
11	Apr 9	
12	Apr 14	Review
12	Apr 16	Exam #2
13	Apr 21	<p>1. Hubbard &amp; O'Brien ch. 14.</p> <p>2. Online Appendix 1 to Frederic S. Mishkin, <i>The Economics of Money, Banking, and Financial Markets: Business School Edition</i>, 2nd edn. (Boston: Addison-Wesley, 2007), ch. 17, "The Fed's Balance Sheet and the Monetary Base," available as a pdf file that will be emailed to all students.</p>

Week	Date	Topics, Readings, Assignments, Deadlines
		<p>3. Jeffrey Rogers Hummel, “The Myth of Federal Reserve Control Over Interest Rates,” <i>Library of Economics and Liberty</i> (October 2013), <a href="http://www.econlib.org/library/Columns/y2013/Hummelinterestrates.html">http://www.econlib.org/library/Columns/y2013/Hummelinterestrates.html</a>.</p> <p>4. Jeffrey Rogers Hummel, “Paradoxes of Paying Interest on Reserves,” <i>Liberty &amp; Power: Group Blog</i> (December 2008), <a href="http://historynewsnetwork.org/blog/58090">http://historynewsnetwork.org/blog/58090</a>.</p> <p>5. David R. Henderson, “Does Growth Cause Inflation,” <i>Cato Policy Report</i>, 21 (November/December 1999), 1, 12-3; <a href="http://www.cato.org/sites/cato.org/files/serials/files/policy-report/1999/11/cpr-21n6.html">http://www.cato.org/sites/cato.org/files/serials/files/policy-report/1999/11/cpr-21n6.html</a>.</p>
13	Apr 23	
14	Apr 28	<p>1. Hubbard &amp; O’Brien, chs. 13, 15.</p> <p>2. Bruce Bartlett, “Thank You Federal Reserve,” <i>The American Enterprise</i>, (March 2000), 20-23.</p> <p>3. Milton Friedman, “The Fed’s Thermostat,” <i>Wall Street Journal</i>, (19 August 2003): A8.</p>
14	Apr 30	
15	May 4	<p>1. Rothbard, ch. IV</p> <p>2. David Wessel, “Could One Little Rule Explain All of Economics?” <i>Wall Street Journal</i> (7 February 2000).</p> <p>3. Ch. 19, Selections from ch. 19, “The Conduct of Monetary Policy,” in Frederic S. Mishkin, <i>The Economics of Money, Banking, and Financial Markets: Business School Edition</i>, 2nd edn. (Boston: Addison-Wesley, 2007), pp. 461-471, 478-481, 484-493.</p> <p>4. Jeffrey Rogers Hummel, “What’s Wrong With the Taylor Rule?” <i>Library of Economics and Liberty</i> (November 2014): <a href="http://www.econlib.org/library/Columns/y2014/HummelTaylor.html">http://www.econlib.org/library/Columns/y2014/HummelTaylor.html</a>.</p> <p>5. Jeffrey Rogers Hummel, “How the Fed Became Huge,” <i>Reason</i>, 46 (December 2014): 43-49; <a href="http://reason.com/archives/2014/11/20/how-the-fed-got-huge">http://reason.com/archives/2014/11/20/how-the-fed-got-huge</a>.</p>
15	May 6	
16	May 11	<p>1. Hubbard &amp; O’Brien, chs. 8, 16.</p> <p>2. Milton Friedman, “Markets to the Rescue,” <i>Wall Street Journal</i>, (13 October 1998).</p> <p>3. Benn Steil, “The End of National Currency,” <i>Foreign Affairs</i> (May/June 2007).</p>
Final Exam	May 19	Tuesday, May 19 <sup>th</sup> @ 9:45am – 12pm ( <a href="http://info.sjsu.edu/static/catalog/final-exam-schedule-spring.html">http://info.sjsu.edu/static/catalog/final-exam-schedule-spring.html</a> )