

UN3265 MONEY AND BANKING: Barnard College, Columbia University TR 1:10pm-2:25pm

Prof. Elham Saeidinezhad

esaeidin@barnard.edu

Office Hours: TBA

Course Website: <https://courseworks2.columbia.edu/courses/105247>

1 Course Description

This course brings a fresh perspective to today's major questions surrounding financial policy. Money and Banking Course offers students a unique viewpoint and informed insight into the monetary policy process, the regulation and supervision of the financial system, and the internationalization of financial markets. Most important, the intertwining of previously separate capital markets and money markets has produced a system with new dynamics as well as new vulnerabilities. That's the reason this course also studies dealers, in both capital markets and money markets, as suppliers of market liquidity to the new system of market-based credit. The course also studies central banks' new role as dealers of last resort aftermath of the financial crisis. The result was nearly a decade of innovation by central banking authorities in an effort to stem the collapse.

2 Prerequisites

ECON BC3033 or W3213, and BC3035 or W3211

3 Textbook

The main sources for this course are:

- **Money, Banking, and Financial Markets, 6/e**, by Stephen G. Cecchetti, and Kermit L. Schoenholtz.

And,

- **Columbia University, Barnard College: Economics of Money and Banking Lecture Notes**, by Perry Mehrling.

The course will also cover a few chapters from the following*:

- **Trading and Exchanges: Market Microstructure for Practitioners**, by Larry Harris, 1st Edition.

**This book is optional.*

4 Grade Distribution

The composition of the final grade will be roughly as follows:

- **Midterm1** Exam 15%
- **Midterm2** Exam 15%
- **Biweekly Quizzes** Exam 10%
- **Synthesis Project: Book Review** 40%
- **Final** 20%

5 Synthesis Project: New Lombard Street Book Review

- This project is a 2000-word paper that uses the concepts of the class to write a critical assessment of the “The New Lombard Street: How the Fed Became the Dealer of Last Resort” by Perry Mehrling.
- The deadline is **Friday, December 11th, by 11:59 pm**.
- This is a hard deadline and cannot be extended.
- Link to the book*: <https://press.princeton.edu/books/hardcover/9780691143989/the-new-lombard-street>

5.1 Essay's format

- The main body of the essay should not exceed **2,000 words**.
- This is around 4 pages single spaced or 8 pages double spaced.
- Your essay should have a reference page.

It also should provide a cover page that clearly mentions this information:

- Full name of the student and her/his email.

- The Title for your essay.

5.2 Guideline

Here is a short guideline on how to write this essay. To get the full grade, please make sure you read the guideline carefully:

- This book project is a critical evaluation of Mehrling's book and should have an argument.
- The most important feature of this review project is that it is a commentary, not a summary.
- You should enter a dialogue with the book's author and other audiences, including but not limited to, me and my TAs.
- The maximum grade you will get for submitting even a very good summary of Mehrling's is 40/100.

Instead, your essay should share these common features:

First, a review gives the reader a concise summary of the content. This includes a relevant description of the topic as well as its overall perspective, argument, or purpose.

Second, and more importantly, a review offers a critical assessment of the content. This involves your reactions to the work under review: what are the main thesis of the book, which difference strikes you as noteworthy, whether or not it was effective or persuasive, and how it enhanced your understanding of the issues at hand.

Third, your essay should compare Mehrling's main thesis with the standard theories. Your essay should describe what are the differences and similarities between Mehrling's ideas and standard theories as we learn from Mishkin's, and

Finally, in addition to analyzing the work, a review often suggests whether or not the audience would appreciate it.

5.3 Submission

- The essay should be submitted **electronically**.
- The deadline is Friday, Dec 11th, by 11:59 pm EST. No extensions will be granted.

6 Extra Office Hours for Writing Project

From week 7 onwards, there will be an additional office hour to guide you through your writing project.

| Name | Email | Session 1 (Day/Time) | Session 2 (Day/Time) | Office Hour (Day/Time) |
|------------------|----------------------|-------------------------|-------------------------|---------------------------|
| Aime Bierdel | ab4884@columbia.edu | TBA | TBA | TBA |
| Wendy A Morrison | wam2133@columbia.edu | TBA | TBA | TBA |
| Roslyn Pan | rp2873@columbia.edu | TBA | TBA | TBA |

7 TA Sessions

- This course has three teaching assistants. Students must sign up for one TA session. Attendance is **mandatory**. Please see the table above.

8 Lectures

–We start every class by discussing a relevant news article, typically from FT, WSJ or The Economist. These articles will be posted in the course website a few days prior to Tuesday.

–The material is difficult and cumulative. To be successful in the class it is very important for you to read the relevant material before class.

8.1 Other Materials

Students should be regularly checking the developments in capital and money market. Some of the excellent resources are as below:

–FRB Balance Sheet https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm

–Enhanced Financial Accounts <https://www.federalreserve.gov/releases/efa/enhanced-financial-accounts.htm>

–Quarterly Trends for Consolidated U.S. Banking Organizations https://www.newyorkfed.org/research/banking_research/quarterly_trends.html

–Indicators and Data: Cleveland Fed <https://www.clevelandfed.org/en/our-research/indicators-and-data.aspx>

–Monitoring Systemic Risk in U.S. Financial System: OFR <https://www.financialresearch.gov/>

–U.S. Treasury Yields and Yield Curve <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>

–Derivatives Statistics: BIS <https://www.bis.org/statistics/extderiv.htm?m=6%7C32%7C616>

–Markets Data: New York Fed <https://www.newyorkfed.org/markets/data-hub>

–Capital Market and Securitization data: SIFMA <https://states.sifma.org/#states>

–Economics in Brief: Banque de France <https://publications.banque-france.fr/en/liste-rubrique/economics-brief-0>

Please note that this list is not exhaustive. Students are required to be well-informed about other resources.

9 Academic Dishonesty

–Students have an obligation to integrity in all academic work. Submission of test answers to be counted towards the course grade automatically imply a personal pledge that the student has neither given nor received unapproved information about the test, whether by copying answers, exchanging unauthorized prior information, etc. The college may initiate disciplinary proceedings against a student accused of scholastic dishonesty.

–Scholastic dishonesty may involve one or more of the following acts: cheating, plagiarism, and/or falsifying academic records.

–Cheating is the willful giving or receiving of information in an unauthorized manner during an examination, illicitly obtaining examination questions in advance, using someone else's work for assignments as if it were one's own, or any other dishonest means of attempting to fulfill the requirements of the course.

–Any cases of cheating will be reported to the Office of the Dean of Students.

–For more details please refer to the Office of the Dean of Students.

10 Provisions for Possible Syllabus Revisions

There may be changes in the assignments and topics. Students are responsible for learning of any changes in the syllabus that are announced during class.

11 Tentative Course Outline

The weekly coverage might be different from this outline as it depends on the progress of the class:

| Tentative Course Outline | | |
|---------------------------------|---|--|
| Important Dates | Topic | Reading |
| | Future Value, Present Value, and Interest Rates | Chapter 4: Cecchetti |
| | Bonds, Bond Prices, and the Determination of Interest Rates | Chapter 6: Cecchetti |
| | Dealers: Liquid Security Markets | Mehrling (67-74) |
| | The Risk and Term Structure of Interest Rates | Chapter 7: Cecchetti |
| | Federal Funds Rate, Repo and Eurodollars | Mehrling (37-59) |
| | Stocks, Stock Markets, and Market Efficiency | Chapter 8: Cecchetti |
| Oct. 20 | Writing Workshop: New Lombard Street Project | |
| Oct. 22 | Midterm 1 | |
| Nov. 3 | Forwards, Futures, Interest Rate Swaps, Credit Derivatives Election Day holiday | Mehrling (128-149) (no classes held) |
| Nov. 26 | Banks: The Market for Liquidity Thanksgiving holiday | Mehrling (74-81) (no classes held) |
| Dec. 3 | The Central Bank Balance Sheet and the Money Supply Process Midterm 2 | Chapter 17: Cecchetti Non-cumulative |
| Dec 11 | Dealer/Lender of Last Resort Dealine: Book Project Submission | Mehrling (81-92) 11:59 PM EST |