TEXT: There will be no required textbook for the course. The following textbook will be kept on reserve at the Memorial Library for periodic reference: Roger Miller & David VanHoose, *Money, Banking and Financial Markets*, Thomson South-Western, 2007. Students who need to review background materials can refer to this book. Any other standard textbook in Money and Banking could also be used for this purpose. Research articles included in the Reading List in the Syllabus can be downloaded, free of charge, from the listed website. These articles would be required reading and would be discussed in class. In addition, handouts on monetary policy and current economic events would be regularly distributed and discussed in class.

*Wall Street Journal/Financial Times*: I strongly suggest that each one of you regularly read leading business newspapers, such as, *Wall Street Journal* or *Financial Times*. They are excellent sources for monetary and economic events and business information. I will regularly draw from, and refer to, these publications in my lectures.

**COURSE DESCRIPTION:** This course takes a policy-oriented approach to analyzing the financial and monetary systems of the United States and in other developed and emerging markets. Our focus will be on the FOMC and the major decisions it makes about setting monetary policy. We begin by examining the financial system and the role of money. Then, we discuss financial markets and instruments. Next, we will talk about financial institutions, including current innovations in the banking system and the supervision and regulations of banks by the government. We will study monetary policy, including the money supply process and the conduct of monetary policy in the U.S. with an emphasis on current policy issues. Next, we will discuss the major elements of macroeconomics including the role of money. The role of the central bank in the foreign exchange market will also be analyzed. Special emphasis will be given on the current economic and financial crisis and the response of the policy makers.
Throughout the semester we will discuss current global economic events and how they affect financial markets and monetary policy.

A considerable amount of time would be spent on discussing and analyzing the current economic situation in the United States and the rest of the world. New topics would be added to the Syllabus as national and global events unfold during the course of the semester.

**COURSE OBJECTIVES:**

By taking this course, you will: (i) learn the fundamentals of the financial and monetary systems of the US economy as well as a number of other developed and emerging markets; (ii) understand how economic news affects financial markets and how it influences the decisions of policymakers; (iii) learn how to use and interpret macroeconomic data; (iv) analyze current macroeconomic data, preparing written analysis of some important financial and monetary issues; (v) learn to communicate about economics; (vi) understand how to think analytically, using economic theory to solve problems.

In short, students should be able to:
- perform the fundamental activities of business;
- communicate effectively in business settings;
- comprehend global strategic issues of a corporation;
- apply ethical reasoning to business situations; and
- use critical thinking skills to make sound managerial decisions.

**GRADES:**

The Grade in this course will be based on a research paper and exams. There will be two exams. There will also be one individual research paper. This will be discussed in detail later in the syllabus and in class.

**EXAM:** 50 points (25 points each)
**Individual Research Project:** 50 points

**GRADING SCALE:** Letter grades will be determined based on the following schedule:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Cut-off</th>
<th>Grade</th>
<th>Cut-off</th>
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<tbody>
<tr>
<td>A</td>
<td>93 and above</td>
<td>AB</td>
<td>87-92</td>
</tr>
<tr>
<td>B</td>
<td>81-86</td>
<td>BC</td>
<td>74-80</td>
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<tr>
<td>C</td>
<td>67-73</td>
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<tr>
<td>F</td>
<td>below 66</td>
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</table>
College of Business Administration Assessment Statement

The fundamental mission of the College of Business Administration is to provide a quality education grounded in Catholic, Jesuit intellectual values. Students are expected to learn how to function effectively in a diverse and global economy and develop into responsible members of the business community. As one of many methods of assuring that the goals of our educational mission are successfully met, the college regularly and systematically engages in the assessment of these competencies.

Students in the Bachelor of Science in Business Administration program are assessed on their ability to reason ethically, communicate effectively, analyze critically, and understand local, national and global business and cultural issues. Students in our MBA programs are also assessed on their competency to communicate effectively, reason ethically and apply critical thinking, as well as their capacity to comprehend the global strategic issues of firms and perform fundamental activities of business managers. Students in our other graduate programs are assessed on specific competencies related to their disciplines.

Assessment takes place each semester in all programs and settings using quantifiable measures to gather and analyze information to help continuously improve the educational process. The College of Business Administration is dedicated to successfully providing a quality education for all students. Assessment is the continuous improvement process of evaluating our success. More information on assessment can be found at [http://www.marquette.edu/assessment/] or in the assurance of learning tabs under [http://business.marquette.edu/academics/assurance-of-learning-undergrad] or [http://business.marquette.edu/academics/assurance-of-learning-graduate]

Grade Appeal and Academic Honesty Issue

The Course has a grade appeal process consistent with the Graduate School of Management policy. If students think that their exam is not graded accurately, they have 10 days from when it is returned to appeal. Otherwise, they must accept the assigned grade.

Note that “All written assignments are subject to submission to a plagiarism detection service such as ‘Turnitin’. Students are required to turn in electronic versions of their written assignments in addition to printed versions.” Also refer to the Graduate School of Management web site for further information on the grade appeal process and the academic dishonesty policy.

Attendance Policy

The Marquette University Graduate School of Management considers regular class attendance an important component of the learning process. Students are expected to attend scheduled class meetings; excessive absences may have adverse consequences, ranging from a lowered course grade to forced withdrawal from the course. Excessive absence is generally defined as missing more than 10-15 percent of the regularly scheduled class time. If a student misses a class, he/she should notify the instructor before
the class begins, if possible. Otherwise, adequate reason should be given for the absence when the student returns to class. The student should speak to the instructor to develop an agreed upon and mutually acceptable resolution to situations of missed classroom activities and missed work for university sanctioned events.

**Special Needs**
Please inform me during the first week of class if you have any conditions that may limit or affect your ability to participate in this course so that we can make necessary arrangements. You may also contact the Office of Student Educational Services (OSES), in AMU 317 (8-3270) for more information (see also: [http://www.marquette.edu/oses/](http://www.marquette.edu/oses/)).

**Emergency Plan**
Every Marquette University campus building has emergency shelter and evacuation plans. Please familiarize yourself with the plans of each building in which you take classes or attend meetings. Make sure to note the routes to the lowest level of the buildings for shelter during inclement weather, as well as exits from the buildings in the event of fire or other emergency.
COURSE OUTLINE:
Both the extent and the timing of coverage may change.
(Reading list for each topic is given later)

I. A Survey of the current economic situation in the Global and US Economy
   Handouts and power point presentation
   Ia: Introduction to several quantitative techniques to be used in class

II. Money and Payments
    Money – characteristics, kinds, definition
    Alternative measures of money
    M2 vs M1 debate

III. The Federal Reserve System
    Structure of the FED
    Functions of FED
    Money creation and FED’s tools for money creation
    Federal Open Market Committee

IV. Monetary Policy: Goals and trade off
    Stabilization Policy
    Goals of monetary policy
    Conduct of Monetary Policy 1953-2012
    New Monetary Experiment: QE1, QE2, Operation Twist & QE3
    FED’s Objective Function
    Is the FED independent?

V. Money Demand
    Theories of Money Demand
    Empirical evidence on Money Demand
    Money demand in the United States
    Money Demand in foreign countries

VI. Economic Growth, the Macro model and Monetary and Fiscal Policy
    Modern Macroeconomic Theory
    IS-LM Model
    The Debate on Effectiveness of Monetary versus Fiscal Policy

VII. Monetary Policy and Economic Interdependence
    IS-LM-BP Model
    Balance of Payments
    Exchange Rate Markets and Regimes
    Gold Standard, Bretton Woods System, Managed Float
    Monetary Policy under different Exchange Rate Regimes
    Intervention by Central Bank in Foreign Exchange Markets
The role of U.S. dollar as a reserve currency

**VIII. Currency Crises and the role of the Central Bank**

- Asian Currency Crisis 1997-98
- The Peso Crisis 1994
- The Russian Ruble Crisis 1998
- The Euro Crisis 1992
- The Lessons Learned

**IX. Conduct of Monetary Policy in the European Union and the BRIC Countries**

- The role of the European Central Bank
- Monetary Policy in Brazil, Russia, India and China

**X. Current Economic Condition in the United States and the Global Economy**

- Current Financial Market Crisis – causes and consequences
- Role of the Federal Reserve Bank in the current crisis
- Role of the ECB and other foreign central banks
- Role of Fiscal Policy and Stimulus Package
- International Policy Coordination
INDIVIDUAL RESEARCH PROJECT (50 points)

Each student will write a research paper. MSAE students are encouraged to write a quantitative paper using econometrics (regression, VAR, Panel data, hypothesis testing, etc). Those without the necessary quantitative background can write an analytical paper.

The student can choose any topic related to the subject matter of this course. A brief abstract (one page) including the title, importance of the topic, methodology to be used, source of data, expected results, etc should be submitted on or before February 18, 2016.

The research project itself must take the form of an empirical analysis of a macroeconomic relationship or a hypothesis that is grounded in macroeconomic theory. The output of your research should be a paper of about 20-25 double spaced and typed pages that should include the following: 1) An executive summary of one or two pages; 2) An introduction containing problem statement, objective of study, and a brief description of your findings; 3) A section providing background on the issue in terms of a critical review of the relevant literature; 4) A section in which your synthesis or hypothesis is developed; 5) A section in which the econometric methodology of your research is outlined, the relevant variables and data are identified, and your findings are presented; 5) A conclusion section; and 6) List of references.

Students will make a presentation in class on May 5th, 2016 on the main findings of the research project.

The final paper is due on or before May 5, 2016.
Reading List

For each topic, in addition to the class lecture, textbook by Miller and VanHoose (MV) and handouts given in class, we will refer to the following articles:

**Topic I**


**Topic II**

Miller and VanHoose (MV), Chapter 13


**Topic III**


MV, Chapters 14,15.

Ben Bernanke’s College Lecture Series, Lecture 1 and 2, March 20 and 22, 2012 (http://www.federalreserve.gov/newsevents/lectures/about.htm)


**Topic IV**


Abdur Chowdhury : *A Primer on Federal Reserve Bank’s Policy in Recent Months*, 2009.

Ben Bernanke’s College Lecture Series, Lecture 3 and 4, March 27 and 29, 2012 (http://www.federalreserve.gov/newsevents/lectures/about.htm)


MV, Chapters 17, 19, 20 and 21.

**Topic V**


MV, Chapter 16.

**Topic VI**


MV, Chapter 17.

**Topic VII**


MV, Chapters 5, 22.

**Topic VIII**


The EMS crisis of 1992/93, mimeo.

Additional handouts will be given in class.

**Topic IX**

Handouts will be given in class.

**Topic X**

Handouts will be given in class.
<table>
<thead>
<tr>
<th>Week</th>
<th>Dates</th>
<th>Topics to be covered</th>
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<tbody>
<tr>
<td>1</td>
<td>January 21</td>
<td>Introduction, Topic I</td>
</tr>
<tr>
<td>2</td>
<td>January 28</td>
<td>II, III</td>
</tr>
<tr>
<td>3</td>
<td>February 4</td>
<td>III, IV</td>
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<td>4</td>
<td>February 11</td>
<td>V</td>
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<td>5</td>
<td>February 18</td>
<td>V</td>
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<td>6</td>
<td>February 25</td>
<td>VI, Exam Review</td>
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<tr>
<td>7</td>
<td>March 3</td>
<td>EXAM I</td>
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<tr>
<td>8</td>
<td>March 10</td>
<td>VII</td>
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<tr>
<td>9</td>
<td>March 17</td>
<td>Easter and Spring Break</td>
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<tr>
<td>10</td>
<td>March 24</td>
<td>Easter and Spring Break</td>
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<td>11</td>
<td>March 31</td>
<td>VII</td>
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<tr>
<td>12</td>
<td>April 7</td>
<td>No class</td>
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<td>13</td>
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<td>VIII</td>
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<td>April 21</td>
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<td>15</td>
<td>April 28</td>
<td>IX, X, Wrap up,</td>
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<td>16</td>
<td>May 5</td>
<td>Class Presentation</td>
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<td>Research Paper Due</td>
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<td>Take Home Exam</td>
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Note: Depending on our needs, we may decide to spend more or less time on any given topic.