Syllabus for Economics 111: Monetary Economics
Winter 2020; Tu-Th, 12:30PM – 1:50PM; Solis 104

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Office Hours: Tu-Th, 10:15AM - 11:45AM
Prerequisites: Econ 110B.

Course Overview
A major focus of this course is for you to learn about the goals, formulation, and
macroeconomic impact of monetary policy and, in the process, improve your analytic
skills. Having spent an entire career as an economist at the Federal Reserve Board, I will
attempt to provide an insider's perspective. Actual policy is based both on theoretical
relationships and on the evaluation of data and statistical relationships; as a result, this
course will contain both theoretical and empirical elements. The course also will
consider the relationship among asset prices, interest rates, and the economy, with special
attention paid to the risk and term structure of interest rates; these issues are important to
an understanding of monetary policy and are of independent interest as well. Traditional
topics related to money itself also will be discussed. Further, the course will examine the
buildup and aftermath of financial crises and, in particular, will provide an extensive
description and analysis of the U.S. housing/financial market turmoil of the past decade.

Lecture Notes, Textbook, and Other Reading
1.   Detailed lecture notes are available on the course web page. Also, please check
the class web page frequently for messages about exams, homework, etc. **Required**
2. Stephen Cecchetti and Kermit Schoenholtz, *Money, Banking, and Financial Markets*,
5th edition, 2017 (earlier editions are also excellent). This book has excellent coverage
and intuitive discussions, with a contemporary treatment of monetary policy, but is a little
short on rigor**. Highly Recommended but Not Required.**

Useful Web sites
www.federalreserve.gov/releases/   this contains downloadable economic data
www.federalreserve.gov/monetarypolicy/fomc.htm   this contains FOMC statements, etc.
www.federalreserve.gov/newsevents/speech/2015speech.htm   this contains speeches of
the Fed Chairs and Governors for more than a decade; includes discussion of the current
and projected state of the economy and of various analytical issues.
https://www.cbo.gov   this contains excellent and accessible discussions of the
macroeconomic and budget outlook and of other important economic issues

Course Grade: I will give one "mini" midterm (at the end of the first module, probably
during the fourth week of class), one regular midterm (after the second module), and a
final exam. Their contribution to your final course grade is as follows:
Mini-Midterm 15%
Midterm   25%
Final   60%

I plan on holding a review session prior to the regular midterm and final exams. The final exam will be comprehensive. Given the above percentages, notice that 100% of your final course grade is determined by exam performance. However, I allow performance on homework, extra credit, and in class potentially to help students whose exam scores place them just below a cut line for a particular grade (e.g., a C+ based solely on exam scores could turn into a B- grade), ***although this is a rare event***. Final course grades will be curved.

Reading Assignments
You are required to read the course lecture notes. Although there are only about 50 pages of notes, they contain a lot of information and analysis. If you understand everything in these notes, you will do extremely well in the course. However, for many students, supplementary reading in the textbook by Cecchetti and Schoenholtz (CS) will be necessary. Reading all the chapters recommended below would take a lot of time, so you should be selective, reading only material in the textbook that you find confusing or incomplete in the lecture notes and in the class lectures. I strongly recommend that everyone at least read Chapters 1 – 3 immediately because the material will help you get quickly grounded—but there is no need to memorize the material because we will cover the important pieces in class and in the lecture notes.

Weeks 1 - 3: module 1 of lecture notes and Chapters 1, 2, 3 in CS
Weeks 4 – 6: module 2 of lecture notes; Chapters 21, 22, 23 in CS; also Chapter 10 (pages 240-245 only) in CS
Weeks 7 – 8: module 3 of lecture notes; Chapters 4, 5, 6, 7 in CS
Weeks 9 - 10: module 4 of lecture notes; Chapter 20 (pages 553-563) in CS; also Chapters 15 and 18 in CS