

Syllabus for Economics 111: Monetary Economics

Spring 2022; Tu-Th, 5PM – 6:20PM; Peterson Hall 103

Lecturer: Dr. Darrel Cohen
Office: Economics Building 113
Email: dscohen@ucsd.edu
Office Hours: Tu-Th, 2:30PM - 4PM

Preamble: I recognize that we all continue to be under an unusual amount of stress, owing to the pandemic, and will do my best to mitigate it. Nonetheless, my hope and aim is to provide a very high quality intellectual experience for students. Of course, under extraordinary circumstances I might have to modify the following plans but will try my best to follow through on what is stated below.

Course Overview

A major focus of this course is to explore the goals, formulation, and macroeconomic impact of Federal Reserve 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.

Lectures, Lecture Notes, and Textbook

1. I will podcast the lectures (and will Zoom record lectures if we are forced online).
2. 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**
3. 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 three equally-weighted "midterms" (likely at the end of module 1, at the end of module 2, and during final exam week). The exams are "open book," meaning you can use any reference material (including my lecture notes, textbooks, homework problems, etc.) and pocket calculators, but you **cannot** use the help of another person during the exam (which is cheating).

Each exam is worth one-third of your course grade. In theory, extra credit and in-class participation potentially can 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). In practice, *this is a very rare event*. Final course grades will be curved. There will be ungraded homework assignments, each with problems of varying degrees of difficulty. Working through the homework is **essential** to understanding the material and doing well on the exams. In addition, I will give detailed study hints to help you prepare for the exams.

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 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. The dates are approximate.

Weeks 1 - 3: Chapters 1 (plus appendix), 2 (read quickly now and more thoroughly in weeks 9-10); 3 (just skim); chapter 18 (except pages 500-505)

Weeks 4 – 8: Chapters 4, 5, 6, 7, 23

Weeks 9 - 10: Chapter 15; Chapter 18 (p. 500-505); Chapter 20 (pages 553-566)

Administrative Issues

1. If you have a documented disability, please give me or the economics department your documentation, so we can work on your accommodations.
2. Academic dishonesty will not be tolerated. Students are expected to do their own work, as outlined in the UCSD Policy on Integrity of Scholarship. I reserve the right to give an oral exam to students suspected of cheating and to fail students found guilty of academic misconduct. For a review of UCSD policy, please see <http://www-senate.ucsd.edu/manual/appendices/app2.htm>. All suspected cases of academic dishonesty will be reported to the Academic Integrity Coordinator.