

Money and Banking

ECON 310-003 – Fall 2013

Instructor: Edward Austin Middleton
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Course Meeting Times

Tuesday/Thursday Enterprise Hall 174, 9:00 – 10:15 am

Office Hours:

Enterprise Hall, Workstation 342, Thursday 12:00 – 2:00 and by appointment.

Course Description

This course examines the theory, history, and policy of money and banking institutions. We will be covering a lot of ground. Lectures will coordinate with the assigned reading, but I will also amplify, modify, and supplement. Expressing your understanding of the material in writing represents a significant portion of your work this semester.

Prerequisites

ECON 103 Principles of Microeconomics, ECON 104 Principles of Macroeconomics

Texts

Most of the class material consists of papers which are available online. The following books are available at the GMU bookstore:

Dean Croushore, *M&B²*

Leland Yeager, *The Fluttering Veil*

All other readings are available at Mason's Blackboard website in the Course Content section. [mymason.gmu.edu]

Grading

The weights for determining the final grade are as follows:

15%	Reading Responses
22%	Midterm Examination 1
28%	Midterm Examination 2
35%	Final

A Reading Response is a single typed paragraph to be written on your own due at the beginning of class. In no more than 5 sentences, and in as few words as possible, tell me why the reading is relevant; do not summarize. These will be graded on a -1 to 1 point scale.

Coherent:	1
Not Turned In:	.3
Incoherent:	0
Wikipedia Copy/Paste:	-1

There will be two midterms and a final exam. Each midterm will cover only material in that part of the course. The final will be cumulative, though weighted more towards the unexamined material. The midterms and final are open book, open notes, but you may *not* use any device with networking capability (such as laptops, tablets, or cell phones).

This class is primarily lecture format, but I encourage students to ask questions about the lectures and readings. There is no formal grade for participation, but if you are one of the students who (in my judgment) contributes most to class discussion, your grade will be improved by one step (e.g. from a B- to a B).

Extra Credit

Extra Credit will be awarded in this class for a semester-long research project on the money of an assigned country and time period. For this assignment to be accepted at the end of the semester, the student must submit component parts of the final product on the assigned days during the semester.

The topic is simple: tell me the story of this country's money. Include what information you feel is relevant.

Due Dates:

September 10: Part 1

A 1 page outline of the relevant people, legislation, banks, dates and otherwise you will use in your further research.

October 1: Part 2

5 pages of rough draft paying particular attention to the relationship between money, banks, and the central government.

October 24: Part 3

5 additional pages of rough draft paying particular attention to the relationship between domestic and foreign money.

November 12: Part 4

15 pages of rough draft.

December 5: Part 5

15+ pages of final product !!!AND!!! a 2 page executive summary

If you submit each part by the deadline, I will read your executive summary, possibly your entire paper. The grade you earn for your paper will replace your lowest exam score. Yes, this does mean that missing an exam might not be catastrophic.

Semester Schedule

I will be lecturing on the subject material in the readings below. Please prepare a Reading Response for the listings in *italics*.

August

- 27 Introduction and Sundry
- 29 *Hayek – The Use of Knowledge in Society*

September

- 3 *Menger - On the Origin of Money*
Croushore - Chapter 3: Money and Payments
Last day to drop without tuition penalty.
- 5 *Yeager - Essential Properties of the Medium of Exchange*
- 10 *Radford – Economic Organization of a POW Camp*
Extra Credit Part 1 Due
- 12 *deRoover - The Concept of the Just Price*
Munger - Locke's Venditio
- 17 *Vance - The Myth of the Just Price*
Bentham - In Defense of Usury
- 18 Last day to drop with 33% tuition penalty.
- 19 *Knight - Diminishing Returns from Investment*
Halfway to St. Patrick's Day
- 24 *Lerner - The Marginal Product of Capital*
Dewey - Geometry of Interest
- 26 MIDTERM 1
- 27 Last day to drop. 67% tuition penalty.

October

- 1 *Lewin – Hayek and Lachmann and the Complexity of Capital*
Croushore - Chapter 13: Modern Macro Models (Dynamic Models)
Extra Credit Part 2 Due
- 3 Croushore - Chapter 4: Present Value
- 8 Croushore - Chapter 5: The Structure of Interest Rates
- 10 *Yeager - What are Banks?*
- 15 NO CLASS

- 17 *Hamilton - The Failure of the Ayr Bank*
Croushore - Chapter 8: How Banks Work
- 22 *Friedman - The Role of Monetary Policy*
Croushore - Chapter 15: The Federal Reserve System
- 24 *Yeager - The Costs, Sources, and Control of Inflation*
Croushore - Chapter 6: Real Interest Rates
Extra Credit Part 3 Due
- 29 *Yeager - Injection Effects and Monetary Intermediation*
Croushore - Chapter 9: Government's Role in Banking
- 31 MIDTERM 2

November

- 5 *Horwitz - The Great Recession*
Croushore - Chapter 17: Monetary Policy, Goals and Tradeoffs
- 7 *Sumner - Nominal GDP Targeting*
Croushore - Chapter 18: Rules for Monetary Policy
- 12 *Garrison - Austrian Trade Cycle Lecture:*
<http://www.youtube.com/watch?v=zhoFOyy7rbo>
Croushore - Chapter 10: Economic Growth and Business Cycles
Extra Credit Part 4 Due
(Tentative) Guest Lecture: Monetary Constitutions
- 14 *Agenor - Benefits and Costs of Financial Integration*
Croushore - Chapter 14: Economic Interdependence
- 19 *Fausten - Humean Origin of Contemporary Monetary Balance of Payments*
- 21 *Bordo - Gold Standard as "Good Housekeeping Seal of Approval"*
- 26 *Yeager - Can Monetary Disequilibrium be Eliminated?*
- 28 Turkey, Football, Naps

December

- 3 *Odriscoll - Central Banks Reform or Abolish*
- 5 Semester Review
Extra Credit Part 5 Due
- 12 FINAL; 7:30 AM – 10:15 AM