

University of Texas at Arlington
Department of Economics
Class Meeting: M, 7:00-9:50pm
Professor C.Y. Choi

Office: COBA 331
Office Hrs: M 3:00-4:30 p.m.
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ECON 5327

Monetary Policy and Financial System Analysis

Course Description:

This course is intended to discuss the link between financial system, monetary policy and the macro economy, with an emphasis placed on the role that financial markets and financial institutions play in the domestic and global business environment. The course discusses a variety of topics related to the fundamental concepts of monetary policy and financial system and the current events often covered in the media. Since the course emphasizes application and interpretation, students will engage in the statistical analysis of actual data from diverse sources to explore empirically how monetary policy affects financial markets.

Prerequisites: **ECON 5336** or **ECON 6317** with **intellectual curiosity and strong willingness to learn**.

Student Learning Outcomes:

Upon completion of this course, students will be

- (1) acquainted with the sources of data for macroeconomics and finance;
- (2) familiar with the contemporary issues in monetary policy and financial markets and institutions;
- (3) capable of making a basic analysis of economic and financial data by using econometric software such as Eviews or Stata;
- (4) able to present analysis results to audience in a professional manner.

Course Material

1. Textbooks:

Though there is no one textbook exactly matches the material covered in class, the following textbook is the closest to our course objectives.

“Money, Banking and Financial Markets”, Stephen G. Cecchetti & Kermit L. Schoenholtz, 4th edition, McGraw Hill, 2015 (**required**)

2. Other useful course materials include:

(1) The media

The Economist Magazine (www.economist.com)
The Wall Street Journal (www.wsj.com)
Business Week (www.bloomberg.com/businessweek)
Financial Times (www.ft.com)

(2) Central Banks

BOG (<http://www.federalreserve.gov/>)
FRB Chicago (<https://www.chicagofed.org/>)
FRB Dallas (<http://www.dallasfed.org/>)
FRB New York (<https://www.newyorkfed.org/>)
FRB San Francisco (<http://www.frbsf.org/>)
FRB St. Louis (<https://www.stlouisfed.org/>)
European Central Bank (<https://www.ecb.europa.eu/home/html/index.en.html>)
IMF (<http://www.imf.org/external/index.htm>)
BIS (<https://www.bis.org/>)
Bank of England (<http://www.bankofengland.co.uk/Pages/home.aspx>)
People's Bank of China (<http://www.pbc.gov.cn>)
Bank of Japan (<https://www.boj.or.jp/en/>)
The first 100 years of the Fed
(<http://conference.nber.org/confer/2013/SI2013/FED/FEDprg.html>)

(3) Data sources

FRED (<https://research.stlouisfed.org/fred2/>)
Bureau of Labor Statistics (www.bls.gov)
Bureau of Economic Analysis (www.bea.gov)
IMF Data (<http://www.imf.org/en/Data>)
OECD Database (<https://data.oecd.org/>)
The World Bank database (<http://data.worldbank.org/>)
Quandl (<https://www.quandl.com/>)

(4) Statistical packages

R (<https://www.r-project.org/>)
Excel online (<https://office.live.com/start/Excel.aspx>)
EViews (<http://www.eviews.com/home.html>)
Stata (<http://www.stata.com/>)
GAUSS (<http://www.aptech.com/>)
Matlab (<http://www.mathworks.com/products/matlab/>)

Course Website:

The course website is available in the UTA Blackboard interface (<http://elearn.uta.edu>). Since the website will serve as a storehouse of course information (course syllabus, course materials,

announcements, links to relevant websites, practice problems and answer keys, and grade information, etc.), it is **your responsibility** to check the course website as often as you can.

Course Requirements and Grading Policy:

Evaluations	Date	Weight
Homework	Four assignments (TBA)	20 percent
Mid-term	March 10, Thursday (tentative)	25 percent
Final exam	May 8, Monday (8:15-10:45 pm)	25 percent
Current event report	TBA	5 percent
Research project	See the table on the last page	20 percent
Class participation	Throughout the semester	5 percent

- **COURSE GRADE:** Your course grade will be given based on the **weighted** average of the exams and quizzes using the formula of

Your total score = average homework score \times 0.25 + mid-term score \times 0.25 + final exam score \times 0.30 + current event report score \times 0.05 research project score \times 0.20 + class participation score.

Letter grades then will be given according to the following scale:

A = 90.0 and above C = 70.0 - 79.9 F = 59.9 and below
B = 80.0 - 89.9 D = 60.0 - 69.9

- **EXAMS:** Due to the inherent unfairness, there will be **no make-up exam** unless you miss an exam for a valid reason (see below for the penalty waivers). *If there is any question about the grading of the mid-term examination, you have one week to submit the examination with a specific issue after the examination is returned.* The **Final Exam** will be **cumulative**. You must take the final to receive a course grade.
- **CURRENT EVENT REPORT:** Each student is expected to give one 10 minute presentation of examples or news of current topics that relate to the main theme of this course. Suggested sources for the story: *The Economist*, *Wall Street Journal*, *Financial Times*, *Business Week*, *Fortune*, etc. A printed summary of your report that includes the event's relevance to monetary policy and financial system should be turned in at the beginning of the presentation.
- **PENALTY WAIVERS:** I will waive the penalty on a missed exam only for the following reasons on condition that you provide me a valid document. (only for one mid-term exam).
 - (a) You have a valid medical excuse (**doctor's medical statements in official coverletter with signature are required**)
 - (b) you are a student athlete traveling to competition
 - (c) you are in the armed forces reserves and are called out of town

(d) family emergencies.

- When I grade exam answers **you EARN points – you do not LOSE points**. You start every exam with a zero (not 100) and build your points upon what is included on the exam.
- There will be no bargaining for grades. Also, there will be no post-course opportunity to do “extra work” to raise your grade. *But, the instructor reserves the right to adjust final course grades based upon class participation.*

Expectations for Out-of-Class Study:

Beyond the time required to attend each class meeting, students enrolled in this course should expect to spend at least an additional 9 hours per week of their own time in course-related activities, including reading required materials (before and after each class), completing assignments, preparing for exams, etc.

Grade Grievances:

You have one calendar year from the date the grade is assigned to initiate any grievance. The normal academic channels are department chair, academic dean, and the Provost.

Drop Policy:

Students may drop or swap (adding and dropping a class concurrently) classes through self-service in MyMav from the beginning of the registration period through the late registration period. After the late registration period, students must see their academic advisor to drop a class or withdraw. Undeclared students must see an advisor in the University Advising Center. Drops can continue through a point two-thirds of the way through the term or session. It is the student's responsibility to officially withdraw if they do not plan to attend after registering. **Students will not be automatically dropped for non-attendance.** Repayment of certain types of financial aid administered through the University may be required as the result of dropping classes or withdrawing. For more information, contact the Office of Financial Aid and Scholarships (<http://www.uta.edu/aao/fao/>). **(March 31, 2017 is the last day to drop. ABSOLUTELY NO DROPS AFTER THE OFFICIAL LAST DAY TO DROP)**

College Policy:

Students who have not paid by the census date and are dropped for non-payment cannot receive a grade for the course in any circumstances. A student dropped for non-payment who continues to attend the course will not receive a grade for the course. Emergency loans are available to help students pay tuition and fees through the Bursar's Office.

Academic Integrity:

Students enrolled in this course are expected to adhere to the UT Arlington Honor Code:

I pledge, on my honor, to uphold UT Arlington's tradition of academic integrity, a tradition that values hard work and honest effort in the pursuit of academic excellence.

I promise that I will submit only work that I personally create or contribute to group collaborations, and I will appropriately reference any work from other sources. I will follow the highest standards of integrity and uphold the spirit of the Honor Code.

UT Arlington faculty members may employ the Honor Code as they see fit in their courses, including (but not limited to) having students acknowledge the honor code as part of an examination or requiring students to incorporate the honor code into any work submitted. Per UT System Regents' Rule 50101, §2.2, suspected violations of university's standards for academic integrity (including the Honor Code) will be referred to the Office of Student Conduct. Violators will be disciplined in accordance with University policy, which may result in the student's suspension or expulsion from the University. No unauthorized assistance may be used when taking exams. **Any academic dishonesty will result in a grade of "F" for the course.**

Americans with Disabilities Act:

If a student requires an accommodation based on disability, the student should meet with the instructor in his/her office during the first week of the semester. As a faculty member, I am required by law to provide "reasonable accommodation" to students with disabilities, so as not to discriminate on the basis of that disability. Student responsibility primarily rests with informing faculty at the beginning of the semester and in providing authorized documentation through designated administrative channels.

Student Support Services:

The University of Texas at Arlington supports a variety of student success programs to help you connect with the University and achieve academic success. They include learning assistance, developmental education, advising and mentoring, admission and transition, and federally funded programs. Students requiring assistance academically, personally, or socially should contact the Office of Student Success Programs at 817-272-6107 for more information and appropriate referrals.

Bomb Threats:

If anyone is tempted to call in a bomb threat, be aware that UTA will attempt to trace the phone call and prosecute all responsible parties. Every effort will be made to avoid cancellation of presentations/tests caused by bomb threats. Unannounced alternate sites will be available for these classes. Your instructor will make you aware of alternate class sites in the event that your classroom is not available.

Emergency Exit Procedures:

In the event of an evacuation of the College of Business building, when the fire alarm sounds, **everyone must leave the building by the stairs**. With the fire alarm system we now have, the elevators will all go to the first floor and stay there until the system is turned off.

FOR DISABLED PERSONS.....please go to the Northeast fire stairs. We have an evacu track chair located on the 6th floor stairwell. We have people trained in the use of this chair and there will be someone that will go to the 6th floor to get the chair and bring it to any lower floor stairwell to assist disabled persons.

E-Culture Policy:

The University of Texas at Arlington has adopted the University email address as an official means of communication with students. Through the use of email, UT-Arlington is able to provide students with relevant and timely information, designed to facilitate student success. In particular, important information concerning registration, financial aid, payment of bills, and graduation may be sent to students through email.

All students are assigned an email account and information about activating and using it is available at www.uta.edu/email. New students (first semester at UTA) are able to activate their email account 24 hours after registering for courses. There is no additional charge to students for using this account, and it remains active as long as a student is enrolled at UT-Arlington. Students are responsible for checking their email regularly.

When you contact me via e-mail, please make sure that your full name with proper capitalization and ECON 5327 appear in the 'Sender' and in the 'Subject' line. Due to the concern on computer viruses, I often delete suspicious e-mails without even opening them. Questions emailed to me related to course material will be answered by email in the earliest manner and possibly distributed to all students in the class anonymously.

Student Feedback Survey:

At the end of each term, students enrolled in classes categorized as "lecture," "seminar," or "laboratory" shall be directed to complete an online Student Feedback Survey (SFS). Instructions on how to access the SFS for this course will be sent directly to each student through MavMail approximately 10 days before the end of the term. Each student's feedback enters the SFS database anonymously and is aggregated with that of other students enrolled in the course. UT Arlington's effort to solicit, gather, tabulate, and publish student feedback is required by state law; students are strongly urged to participate. For more information, visit <http://www.uta.edu/sfs>.

Final Review Week:

A period of five class days prior to the first day of final examinations in the long sessions shall be designated as Final Review Week. The purpose of this week is to allow students sufficient time to prepare for final examinations. During this week, there shall be no scheduled activities such as required field trips or performances; and no instructor shall assign any themes, research problems or exercises of similar scope that have a completion date during or following this week

unless specified in the class syllabus. During Final Review Week, an instructor shall not give any examinations constituting 10% or more of the final grade, except makeup tests and laboratory examinations. In addition, no instructor shall give any portion of the final examination during Final Review Week. During this week, classes are held as scheduled. In addition, instructors are not required to limit content to topics that have been previously covered; they may introduce new concepts as appropriate.

Title IX:

The University of Texas at Arlington does not discriminate on the basis of race, color, national origin, religion, age, gender, sexual orientation, disabilities, genetic information, and/or veteran status in its educational programs or activities it operates. For more information, visit uta.edu/eos. For information regarding Title IX, visit www.uta.edu/titleIX.

Classroom Protocol (DOs and DO NOTs):

Because lots of (exciting and interesting) materials are going to be covered in a short period of time, it is vital for all of us to cooperate in using the given time as efficiently as possible.

- BE **ON TIME** to every class meeting and conduct yourself appropriately when the class is called to order. I expect students to sit the entire class. If you need to leave class early, please let me know before the class starts and seat yourself close to the door.
- DO check the course website on a regular basis.
- DO ask questions and ask me to slow down if I'm going too fast or if material is not clear.
- DO help out the class by initiating and participating in class discussion. I will frequently call on students to discuss course topics. Please help us maintain a pleasant, scholarly atmosphere. Your questions and comments during class help not only yourself, but others to learn and understand. **Active class participation** will be appreciated and reflected in your grade positively in the event that a student is on the border between grades.
- DO seek out help **early** if you are having problems. I will be available outside office hours if you email or call me in advance so as to schedule a mutually convenient time.
- DO prepare for this class at least twice a week by reviewing your notes, recopying your notes, supplementing notes with text material, working with other students, and coming to my office hours or emailing me questions about the material. Your study habits, attitudes toward course work, strategies for preparation for class and for performance may need to change if you would like to see an improvement in your performance in this course and in other courses in general.
- Do NOT talk amongst yourselves, play palm pilot, play computer, or read the newspaper during class. If you need to use computer for note-taking purpose, you are supposed to get me a notice from doctors.
- DO NOT involve in academic misconduct. Academic misconduct includes, but not limited to, giving or receiving information during an exam, submitting plagiarized work for academic requirements or submitting altered documentation.

Course Schedule (tentative)

Week	Topics	Reading List
1/23	<ul style="list-style-type: none"> • Introduction of the course • Data sources and data uses • Statistical packages 	Refer to p.2
1/30	<ul style="list-style-type: none"> • Financial markets and institutions • Money and payment system 	Chaps. 2 & 3
2/6	<ul style="list-style-type: none"> • Future value, present value, and interest rates • Understanding risk • Bonds, bonds prices, and the determination of interest rates 	Chaps 4,5,6
2/13	<ul style="list-style-type: none"> • The risk and term structure of interest rates • Stock market and monetary policy 	Chaps 7 & 8
2/20	<ul style="list-style-type: none"> • The economics of financial intermediation • Banks and bank management 	Chaps 11 & 12
2/27	<ul style="list-style-type: none"> • Central banks in the world • The Federal Reserve and the ECB 	Chaps 15 & 16
3/6	<ul style="list-style-type: none"> • Central bank balance sheet and the money supply process 	Chap 17
3/20	<ul style="list-style-type: none"> • Mid-term exam 	
3/27	<ul style="list-style-type: none"> • Monetary policy: stabilizing the domestic economy • Exchange-rate policy and the central bank 	Chap 18 Chap 19
4/3	<ul style="list-style-type: none"> • Money growth, money demand, and modern monetary policy 	Chap 20
4/10	<ul style="list-style-type: none"> • Output, inflation, and monetary policy 	Chap 21
4/17	<ul style="list-style-type: none"> • Understanding business cycle fluctuations 	Chap 22
4/24	<ul style="list-style-type: none"> • Modern monetary policy and the challenges facing central bankers 	Chap 23
5/1	<ul style="list-style-type: none"> • Project presentations 	
5/8	<ul style="list-style-type: none"> • Final exam (8:15-10:45 pm) 	

Research Project

As a firm believer that we can learn more by doing, I require this research project assignment. Its main goal is to provide students with an opportunity to develop their understanding of course subjects by identifying and exploring a topic of interest that is related to our class material. You can pursue any topic of your choice, but subject to my approval. By applying the skills and techniques to actual data and problems and by presenting the research results in the class, students are expected to have better understanding of the course materials and to enhance their presentation skills that are essential for their future career.

Assignment	Due date	Percentage
Proposal* (1 page): outlines the research question to address	March 6	15%
Data summary* (1 page): details about the data you collected and use.	March 20	15%
Initial results* (with tables and figures and interpretations of some major results you found)	March 27	20%
Paper* (10-15 pages including references)	April 24	20%
Presentation (with 10 minute time limit followed by 2-3 minute Q&A)	May 1	30%

* Double-spaced with standard font and margins.

Some suggested topics include (though not limited to),

- Central bank digital money and digital bearer instruments
- Three challenges faced by the central bankers: Debt, Demographic composition and Distribution of income.
- The future of currency.
- Narrow banking in a digital age.
- On the effect of negative interest rate policy.
- Central bank balance sheet size and composition.
- Inflation control and inflation targeting.
- Shadow banking.
- The Fed under the new administration.