

Money and Banking

ECON 310-001

Fall 2021

Instructor: Marcel Dumas Gautreau

Class Setting: 10:30 AM to 11:45 AM MW - Nguyen Engineering Building 1110

Office Location: TBD

Email Address: mgautrea@gmu.edu

Office Hours: TBD

*“The best things in life are free
but you can give them to the birds and bees
I need money
That’s what I want.”*

-Barrett Strong, “Money (That’s What I Want)” (1959)

Course Introduction:

The role of money in any social order of even the barest level of complexity cannot be overstated. Nor can the number of mistaken, fallacious, or outright dangerously foolish ideas surrounding money, its function, its origins, or its mechanics. The same is true of banking.

By taking this class, you have expressed an interest in learning about the nerve center of the economic system. By the end of this course, you will develop an understanding of both mainstream and heterodox views on nature and role of money and banking in society. You will also know how to calculate present discounted value, which is a practical necessity for any upper level econ courses that aren’t pure writing.

Along the way, you’ll learn a thing or two about monetary, commercial, and central banking systems, with particular emphasis on their relationship with American government programs, fiscal policies, and controls. Three credit hours.

Textbooks and Readings

The following textbooks are required.

Mishkin, F. S. (2016). The Economics of Money, Banking, and Financial Markets (11th Edition). London: Pearson Education.

Rothbard, M. N. (1983). *The Mystery of Banking*. Auburn: Ludwig von Mises Institute

And the following book is recommended.

Mishkin, F. S. (2019). *The Economics of Money, Banking, and Financial Markets* (12th Edition). London: Pearson Education.

I cannot guarantee that any edition of the Mishkin book earlier than the 11th will be sufficient for the class. The Rothbard book is freely available from the Mises Institute's website (<https://mises.org/library/mystery-banking>).

Prerequisites and Expectations

ECON 103 and 104 or permission of instructor (that's me!)

I will assume familiarity with algebra, the ability to solve systems of equations, graph linear and non-linear equations, the ability to shift graphs when the parameters of the equations change, and the ability to provide verbal explanations of mathematical relations.

Grading:

Course grades are based on three problem sets (10% each), a midterm exam (20%), a final exam (30%), and a final paper (20%).

A+ = 100-97	A = 96-94	A- = 93-90	B+ = 89-87	B = 86-84	B- = 83-80
C+ = 79-77	C = 76-74	C- = 73-70	D+ = 69-67	D = 66-64	D- = 63-60

Anything below a 60, of course, gets you an F.

Exams:

Each Exam will consist of 8 True/False + Explain questions, and three short answer questions.

My make up exam policy is this: If you notify me ahead of time, I will attempt to set-up a make-up exam time sometime between the last class before the exam, and the first class after the exam.

If there is no warning, I will allow you to either shift the entire weight of the midterm onto the final, or take the midterm *along with* the final.

Problem sets:

Problem sets consist of 10 questions each, and each problem set is worth 10% of your grade. With three problem sets, homework is worth 30% of your grade. Problem sets are scored out of 10, and for each day late a problem set is, one point will be subtracted. Once graded problem sets are returned to students, I will not accept late assignments. Problem sets will always be handed out at least two weeks before they are due.

Attendance and Participation

As all students are legal adults who pay thousands of dollars per semester for the right to come to class and subject yourself to judgements of your abilities by myself and other GMU employees, I do not accord a point value for attendance.

Students are permitted (subject to COVID safety requirements) to eat in class and use laptops.

Students are not permitted to disturb the workflow of their classmates or myself. Phones should be kept silent, late students should quickly and quietly move to the nearest available seat, and any questions concerning material missed due to tardiness should be kept for after class.

In sum, I feel entitled to 8 hours a week of your time. Three in class, five out. Why? Full-Time Students average 15 credits. This course is one fifth of that. A full-time job is 40 hours a week. 8 hours is one fifth of that.

Class Schedule

Week 1 [08/23]: Introduction

-Read: Mishkin 1-3 (60 pages)

Week 2 [08/30]: Financial Markets

-Read: Mishkin 4-5 (52 pages)

Week 3 [09/08]: Financial Institutions I

-Read: Mishkin 9-10 (48 pages)

-Due: Problem Set I (Financial Markets)

Week 4 [09/13]: Financial Institutions II

-Read: Mishkin 11-12 (58 pages)

Week 5 [09/20]: Central Banking I

-Read: Mishkin 13 (49 pages)

-Due: Problem Set II (Financial Institutions)

Week 6 [09/27]: Central Banking II

-Read: Mishkin 15-16 (59 pages)

Week 7 [10/04]: Monetary Theory

-Read: Mishkin 22-23 (73 pages)

Week 8 [10/12]: Review and Midterm

Week 9 [10/18]: Money Revisited

-Read: Rothbard 1-3 (42 pages)

Week 10 [10/25]: Money Supply and Demand

-Read: Rothbard 4-5 (23 pages)

-Read: Yeager (1956), "A Cash-Balance Interpretation of Depression"

Week 11 [11/01]: Commercial Banking

-Read: Rothbard 6-8 (43 pages)

Week 12 [11/08]: Credit Expansion

-Read: Rothbard 9-11 (52 pages)

-Due: Problem Set III (Mystery of Banking)

Week 13 [11/15]: History of Central Banking I

-Read: Rothbard 12-14 (40 pages)

Week 14 [11/22]: History of Central Banking II

-Read: Rothbard 15-16 (27 pages)

Week 15 [11/29]: Alternatives to the Present Banking System

-Read: Yeager and Greenfield (1989), "Can Monetary Disequilibrium Be Eliminated?"

-Read: Selgin and White (1994), "How Would the Invisible Hand Handle Money?"

-Read: Rothbard 17+Appendix (46 pages)

Writing Assignment

Many movies exist in which the primary conflict hinges on an imbalance of knowledge of money and banking between the/ antagonists, the protagonists, and the public at large. Watch one of those movies and write an article of 500-800 words commenting on how public ignorance of the dynamics of money, banking, and financial institutions drives the plot.

Discuss how the events of the movie would be different if either the main characters, or the public at large, had a superior understanding of money and banking, whether the mainstream views advanced by Mishkin, or the heterodox views advanced by Rothbard.

You might comment on whether the movie would exist at all if the writer of the movie had a superior understanding of money and banking, or leaned to the views of Rothbard over Mishkin, or vice versa.

You might also comment on the stance the film takes on financial professionals as a class. Are they glorified gamblers? Greedy predators? Do they serve a positive social function, at least in theory, despite the presence of a few bad apples or even systematic malfeasance?

Suggested movies include:

-*It's A Wonderful Life* (1946)

-*Wall Street* (1987)

-*Other People's Money* (1991)

-*Barbarians at the Gate* (1993)

-*Rogue Trader* (1999)

-*Boiler Room* (2000)

-*Margin Call* (2011)

-*The Wolf of Wall Street* (2013)

-*The Big Short* (2015)

Important Dates

Last Day to Drop (100% Refund): 09/07

Last Day to Drop (50% Refund): 09/14

Last Day to take an (ironically named) W: 09/27

More information:

Selective Withdrawal Information, found here <https://registrar.gmu.edu/topics/selective-withdrawal>

Non-academic withdrawal information, <https://chssundergrad.gmu.edu/withdrawal/non-academic>

Honor Code

“To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University community and with the desire for greater academic and personal achievement, we, the student members of the University Community have set forth this: Student members of the George Mason University community pledge not to cheat, plagiarize, steal and/or lie in matters related to academic work.”

That’s the honor code.

For more information, including definitions of “cheating,” “lying,” and “plagiarism,” visit <http://oai.gmu.edu>

Students with Disabilities:

Disability Services at George Mason University is committed to providing equitable access to learning opportunities for all students by upholding the laws that ensure equal treatment of people with disabilities. If you are seeking accommodations for this class, please first visit <http://ds.gmu.edu/> for detailed information about the Disability Services registration process. Then please discuss your approved accommodations with me. Disability Services is located in Student Union Building I (SUB I), Suite 2500. Email: ods@gmu.edu | Phone: (703) 993-2474

Privacy:

Student privacy is governed by the Family Educational Rights and Privacy Act (FERPA). Your rights under FERPA can be found at <https://registrar.gmu.edu/ferpa/>

Students must use their MasonLive email account to receive important University information, including communications related to this class. I will not respond to messages sent from or send messages to a non-Mason email address.

Sexual Misconduct:

As a faculty member and designated "Responsible Employee," I am required to report all disclosures of sexual assault, interpersonal violence, and stalking to Mason's Title IX Coordinator per university policy 1412. If you wish to speak with someone confidentially, please contact the Student Support and Advocacy Center (703-380-1434) or Counseling and Psychological Services (703-993-2380). You may also seek assistance from Mason's Title IX Coordinator (703-993-8730; titleix@gmu.edu).