

Economics 216, Central Banking and the College Fed Challenge

Fall 2017

Bates College

Paul Shea

Class Times: Tuesdays and Thursdays, 9:30-10:50 AM

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Office Hours: Monday, 12:30-1:30 PM, Thursday, 2:30-3:30 PM, and by appointment.

Office: 270 Pettingill.

Course Website: www.paulshea.com. This site includes lecture notes, class announcements, readings, and assignments. Note that the class website is unrelated to Lyceum.

Course Description: Central Banks are among the most important policy makers in modern economies. They conduct a country's monetary policy, and often play important roles in a country's financial sector. In the United States, the Federal Reserve was a key player in both the Great Recession and the Great Depression. The Peoples' Bank of China has played an important role in the emergence of China as a leading economy. The European Central Bank has been critical in furthering European economic and political integration.

The goal of this class is to better understand the role of Central Banks, and how they conduct monetary and regulatory policies. We want to understand the circumstances that have led to major failures of Central Banking (such as the Federal Reserve's botched handling of the Great Depression). We want to understand the tradeoffs that go into contemporary disputes over how current Central Banks should operate (*e.g.* how should China set exchange rates?).

The class will sponsor a team in the College Fed Challenge to be held at the Federal Reserve Bank of Boston on Monday, November 3. 5 students will present their views on the ideal course of U.S. monetary policy, and will take questions from outside economists. If they win, the team will then advance to the National Competition at the Board of Governors in Washington D.C.

Prerequisites: Econ 103 and Econ 101. The latter may be taken concurrently. There is no mathematical prerequisite, but students should feel comfortable with basic algebra.

Textbook: I am not assigning a textbook. But I suggest that student's acquire inexpensive copies of a Money & Banking textbook, and either an Introductory or Intermediate Macroeconomics book.

Supplemental Materials: I will post my lecture notes on the class website. In addition, I may post practice problems and answer keys for topics that we cover in class.

The College Fed Challenge: All students will participate in an internal version of the College Fed Challenge. You will be assigned to teams during the second week of class. Instead of a midterm, each team will make an in-class presentation on either Tuesday, October 10, or Thursday, October 12.

Immediately after the internal presentations, I will assemble a team of 5 students (and possibly a few observers) to represent Bates at the Federal Reserve Bank of Boston on Friday, November 3. Students are not required to accept such an invitation and there is no penalty for declining an invitation. The team presenting in Boston will conduct moots in class on October 26 and/or November 2.

Assignments: Your grade consists of the following with each counting for $\frac{1}{3}$:

i) Periodic assignments.

iii) The Fed Challenge.

iv) A final exam. This will either be on Friday, December 15 from 1:15-3:15 PM or will be a take-home due at the end of that time-block.

Contesting of Grades: Every effort is made to ensure that grades are accurate and consistent. I do not want to give any student an erroneous grade. If you believe that a grading error has been made, please bring it to my attention promptly after the assignment has been handed back. I will

only consider possible grading errors for one week after an examination has been passed back. All grade appeals must be submitted in writing.

All exams and homework assignments will be counted immediately after they are handed in to ensure that the number received equals the number graded. Save all of your graded work. If I have no record of a completed assignment, and if you cannot present your graded assignment, then you will receive no credit for the assignment in question.

Inability to Complete Course Requirements: If you know that you cannot attend an exam or complete an assignment due to a non-college excused commitment, do not take this class. If an unanticipated commitment arises that prevents you from satisfying any of the course requirements, you must have your conflict verified by the Dean of Student's office. Be aware that this office will require documentation of all illnesses and deaths in the family. I will not personally judge the validity of students' conflicts. I reserve the right to either offer a makeup or roll the weight of the missed exam into the other graded elements of the course.

Academic Dishonesty: Historically, I have been very aggressive in investigating and sanctioning cheating. I expect Bates students to act honestly and with integrity, not like disgusting cheaters like Tom Brady. The College has adopted the following language on academic dishonesty. I support this policy and re-print it here:¹

Academic integrity is fundamental to learning, scholarship, and indeed all dimensions of academic life. At its simplest, this means that the work you submit must be your own unless collaboration is specifically allowed, that you use only those resources allowed; that you express yourself in your own words unless you are quoting, and that you properly acknowledge and cite the ideas, information, and other work that you used or that contributed to your understanding.

Your academic work is governed by The Bates College Statement on Academic Integrity, found here at:

¹Auer, Matthew R. "Tips for incorporating academic integrity info into your syllabi." E-mail to Bates Faculty. 6 Aug. 2014.

<http://www.bates.edu/entering/policy/judicial-affairs/code-of-student-conduct/academic-misconduct/>,

and by any additional standards I set in this syllabus or in individual assignments. The Statement on Academic Integrity provides a fuller discussion of academic integrity and definitions of plagiarism, misuse of sources, and cheating. You are responsible for reading the Statement carefully and abiding by its terms.

Violations of academic integrity are serious and can result in severe consequences at both the course and college levels. Depending on the circumstances of the violation, I will assign a failing grade for the assignment and/or the course, require work to be redone, and/or impose other consequences; in addition, I will refer the matter to the Dean of Students for possible institutional action. Procedures for suspected violations are explained here:

<http://www.bates.edu/entering/policy/judicial-affairs/>.

If you have any questions or concerns about what is expected or permissible in this course or about academic integrity in general, please contact me.

If you are unsure about issues of academic integrity, just ask.

Students with Disabilities: If you have a documented disability and need an accommodation, please make arrangements with me during the first week of the term. Please request that the Dean of Student's office send me a letter verifying your disability.

Please note that I am not qualified to diagnose a disability or approve an accommodation. You must therefore always go through the Dean of Student's Office. It is your obligation to have a disability diagnosed in a timely manner. You are unlikely to receive any substantial accommodation if you wait until right before a deadline to notify me.

A Very General Outline, Subject to Change:

Topics Prior to the Fed Challenge

- a. Money and Monetary Policy
- b. Economic Crises
- c. Central Banks as Regulators
- d. The Creation of the Fed and the Monetary Wars of the Nineteenth and Early Twentieth Centuries

Homework assignments will typically be used to present issues related to the Fed Challenge – what should the Fed do about interest rates?, how should it manage its \$4.5 trillion in asset holdings?, etc.

Topics During or After the Fed Challenge

- a. The Great Depression
- b. The Great Inflation
- c. Chinese Economic Policy
- d. the Asian Financial Crisis of the late 1990s
- e. The Financial Panic of 2008
- f. Current Challenges facing Central Banks