

## **Economics 216, Central Banking and the College Fed Challenge**

Fall 2020, Module A

Bates College

Paul Shea

**Class Times:** 10:15 AM-Lunch

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**Office Hours:** TBA.

**Office:** 270 Pettingill.

**Course Website:** [www.paulshea.com](http://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, perform important regulatory functions, 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, and has helped lead the policy response to the Covid-19 recession. 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,? how aggressive should the Fed be in issuing emergency loans in response to covid-19?).

**Modular Setup:** This course is being modified to accommodate the modular schedule for 2020-21

academic year. The class will meet four times a week (skipping either a Tuesday or Wednesday each week). There are two interrelated tracks.

Twice a week (usually during the second and fourth class meetings of the week), the focus will be fairly general. This includes understanding the rationale and structure of Central Banks, how they conduct policy, and looking back at some historical and recent challenges faced by Central Banks. If we are forced to go remote, these topics will be converted into asynchronous lectures. Ideally, however, we will be able to meet in-person with students studying remotely either participating by zoom or watching a recording via classroom capture.

The other two meetings (the first and third of each week) will be designed to allow students to participate in the Fed College Challenge. This is an intercollegiate competition where a group of 3-5 students represents Bates at the Boston Fed. The students make a presentation about the conduct of U.S. monetary policy and take questions from a group of professional economists. No student is required to participate at the Boston Fed. But all students will be part of a group that makes an equivalent presentation to the rest of the class.

Fed Challenge meetings are intended to be more participatory. We will start by organizing the groups, laying out the challenges facing the Fed, and examining the tools at the Fed's disposal. Group presentations will then become frequent. If we are forced to go remote, this part of the class will likely switch to synchronized zoom meetings.

The actual College Fed Challenge is scheduled for Friday, October 16, and will be done remotely. I will survey students' interest in participating. Students who prefer not to will not be penalized in any way. Participation in the Boston competition can only improve a student's grade in that component of the course.

**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 students 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 first week of class.

**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.

**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:<sup>1</sup>

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:

<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

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

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.

## **Tentative Course Plan: To be Adjusted as Needed**

Wednesday, 9/2 (D): Class Overview, Fed Challenge Introduction and Organization of Groups.

Thursday, 9/3 (L): Money and Monetary Policy.

Monday, 9/7 (D): Discussion of the Current Economic Environment and the Challenges facing the Fed.

Wednesday, 9/9 (L): Different Types of Macroeconomic Crises.

Thursday, 9/10 (D): Discussion of the Policy Choices facing the Fed.

Friday, 9/11 (L): Central Banks as Lenders of Last Resort.

Monday, 9/14 (D): Class Project: Write an FOMC statement for the September meeting.

Tuesday, 9/15 (L): The Creation of the Fed.

Thursday, 9/17 (D): Group Presentations.

Friday, 9/18 (L): Great Depression, Part I.

Monday, 9/21 (D): Discussion of Fed Asset Purchases and its Balance Sheet.

Wednesday, 9/23 (L): Great Depression, Part II.

Thursday, 9/24 (D): Group Presentations.

Friday, 9/25 (L): Fed Actions in Response to Covid-19, Part I.

Monday, 9/28 (D): Discussion of Financial Data.

Wednesday, 9/30 (L): Fed Actions in Response to Covid-19, Part II.

Thursday, 10/1 (D): Group Presentations.

Friday, 10/2 (L): The Great Inflation.

Monday, 10/5 (D): Group Presentations.

Wednesday, 10/7 (L): East Asian Financial Crisis of 1997.

Thursday, 10/8 (L): The Hyperinflation of Zimbabwe.

Monday, 10/12 (D): Final Fed Challenge Group Presentations, Part I.

Tuesday, 10/13 (D): Final Fed Challenge Group Presentations, Part II.