

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

Fall 2021

Bates College

Paul Shea

**Class Times:** TR, 2:40-4 PM

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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?).

**Class Setup:** The course is divided into two parts. The first is the Fed Challenge. This is an intercollegiate competition where teams of about 5 students compete (virtually this year) at the

Boston Fed. Students prepare a presentation on the current state of the economy and make a recommendation for monetary policy, They then take questions from judges. The date of the competition is earlier than in the past, on Friday, October 15. All students will participate in one of four groups. Each group will present on a part of the competition while preparing materials for the Boston students to select from. Afterwards, five students will represent the class to the Boston Fed.

The second part of the class will continue discussions of how Central Banks operate and will then discuss several case studies of central banks through history and around the world.

**Prerequisites:** Econ 103. 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.

**Classroom Climate:** This course may discuss controversial policies and issues. Students bring different perspectives and opinions to the table. There is no "right ideology" in the classroom. Students are expected to approach intellectual differences with honesty and mutual respect. To quote President Spencer: "It is central to who we are and what we do to create an environment that encourages students, faculty, and staff to explore subjects in their full context and complexity and to interrogate ideas and beliefs with the freedom to develop their own points of view. Faculty members bring different kinds and levels of expertise to different issues, students bring different levels of awareness and knowledge, and we all bring different lived experiences. Inevitably, individuals will see complex issues in different ways, and we have a responsibility to sustain a culture in which discourse can happen in authentic ways to advance learning and foster understanding."

**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>

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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

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 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,

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Aug. 2014.

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**

### **Part I: The Fed Challenge**

Thursday, 9/2: Class Overview, Monetary Policy

Tuesday, 9/7: Monetary Policy Cont., Fed Challenge Intro.

Thursday, 9/9: Current Economic Environment, Forecasting, and Risks.

Tuesday, 9/14: Class Project: Write the Upcoming FOMC Statement. Create video montage of FOMC meeting set to Nickleback's Greatest Hits.

Thursday, 9/16: Fed Challenge Group 1: Current Economic Conditions

Tuesday, 9/21: Economic Crises and Discussion of Current Risks.

Thursday, 9/23: Fed Challenge Group 2: Current Economic Risks and Forecast

Tuesday, 9/28: Non-Conventional Policy.

Thursday, 9/30: Fed Challenge Group 3: Asset Purchases and Other Non-Conventional Monetary Policy Measures.

Tuesday, 10/5: Current Interest Rate Environment.

Thursday, 10/7: Fed Challenge Group 4: What to Say About Interest Rates.

Tuesday, 10/12: Boston Team Moot (may be moved to 10/14 depending on group preferences).

Thursday, 10/14: Discussion of Current Fed Situation

### **Part II: Case Studies**

1. Central banks as Regulators and Lenders of Last Resort
2. Monetary Wars, the Panic of 1907, and the Creation of the Fed

3. The Great Inflation

4. China

5. Zimbabwe.

6. East Asian Crisis