

Monetary and Financial Policy in the Wake of the Financial Crisis

(rev'd 9/5)

1. INTRODUCTION

This course will cover the basics of monetary policy, finance and financial regulation in the context of the post-Financial Crisis economic environment. Specific topics including how the money supply is controlled, the role of the banking system, and the implications for analyzing macroeconomic fluctuations. The course will also address the basics of asset pricing. A portion of the course will address the analysis and implications of financial regulation. Some discussion of how monetary policy and financial regulation is conducted in emerging market and developing economies will be included. Prerequisites: PubAffr 854, Econ 302, or equivalent.

2. OFFICE HOURS

Prof. Menzie Chinn: T 2:30-3:30, R 3-4
7418 Social Sciences Bldg., 262-7397
e-mail: mchinn@lafollette.wisc.edu

Updated information will be posted on the course website,
http://www.ssc.wisc.edu/~mchinn/web974_f12.html.

3. SCHEDULE AND READINGS

The required textbook is Stephen Ceccehetti and Kermit Schoenholtz, *Money, Banking and Financial Markets*, 2nd Edition (McGraw-Hill, 2011) [abbreviated **CS** below]. You are also required to purchase Menzie Chinn and Jeffrey Frieden, *Lost Decades* (Norton, 2011) (abbreviated **CF** below). Reading assignments are listed below. Occasionally, you will be asked to refer to the weblog for current macroeconomic commentary: <http://www.econbrowser.com>.

LEC.	DATES	CS	CF	READING	TOPICS
1	9/6	1-3			Introduction, IS-LM
2	9/13			ISLM, PCO	IS-LM
3	9/20			ADAS	AD-AS
4	9/27	4-6			Interest rates
5	10/4	7		EHTS	Term structure of interest rates
6	10/11	8		AP, EMH	Asset prices, EMH, News
7	10/18	11-13			Financial structure; Banks and nonbanks

LEC.	DATES	CS	CF	READING	TOPICS
8	10/25	14		BBS	Banking regulation
9	11/1	15-17			Central banks,
				MSP	Money supply proces
10	11/8	18		Ru, Ham	Monetary policy
11	11/15			CCLM	Credit channel
12	11/29		1-2	FA	Financial accelerator
13	12/6	9	3		Derivatives
14	12/13		4-8	GHKS, Br., DFP	Financial crisis, Post crisis reform

- ISLM: Notes on IS-LM
- PCO: Notes on Transactions and Portfolio Crowding Out
- ADAS: Notes on Aggregate Demand/Aggregate Supply
- EHTS: Notes on Expectations Hypothesis of Term Structure
- AP: Notes on Asset Pricing
- EMH: Notes on the Efficient Market Hypothesis and News
- BBS: Notes on Bank Balance Sheets
- MSP: Notes on Money Supply Process
- Ru: [Glenn Rudebusch, "The Fed's Monetary Policy Response to the Current Crisis," FRBSF Economic Letter 2009-17, May 22, 2009.](#)
- Ham.: [James Hamilton, "Concerns about the Fed's New Balance Sheet, in The Road Ahead for the Fed,"](#) edited by John D. Ciorciari and John B. Taylor, Stanford: Hoover Institution Press, 2009.
- CCLM: Bernanke-Blinder
- GHKS: [David Greenlaw, Jan Hatzius, Anil K Kashyap, Hyun Song Shin, "Leveraged Losses: Lessons from the Mortgage Market Meltdown," paper presented at US Monetary Policy Forum Conference, February 29, 2008.](#)
- Br: [M. Brunnermeier, Deciphering the Liquidity and Credit Crunch, 2007-2008," Journal of Economic Perspectives 23\(1\) \(Winter 2009\).](#)
- DFP: [Mathias Dewatripont, Xavier Freixas, and Richard Portes, editors, Macroeconomic Stability and Financial Regulation: Key Issues for the G20 \(CEPR, 2 March 2009\), pp. 91- .](#)

4. GRADING

Letter grading is determined as follows:

- 20% Problem sets (×2)
- 80% Term paper

Late assignments will not be accepted for credit. Although the problem sets do not constitute a large portion of the grade, I strongly encourage you to do the assignments in a timely and serious fashion. The problem sets provide valuable information regarding your grasp of the concepts.

5. THE TERM PAPER

A 20 page term paper will be due at the end of the semester. You will have latitude in terms of the choice of topic. However, I will be able to give you more guidance on certain topics than others. Additional details regarding this assignment, along with suggested readings, will be provided later in the term.

5.9.2012
Pa974syllabus_f12.docx