

**ECON 517: Monetary Policy**  
**Department of Economics, LAS, UIUC**

**Rui Zhao**  
**119 DKH**

**Spring 2022**  
**TuTh 9:30-10:50am**

**Communication**

**Office:** 18A DKH

**Office Phone:** 2447594

**E-mail:** ruizhao@illinois.edu

**Office Hours:** In person at 18A DKH Wednesdays 11am-12noon. Additional office hours will be offered before each exams. There are also office hours open to all on Wednesdays 9-11am. No appointment is needed for these regular office hours. If you need to meet outside of these hours, email to make an appointment.

**Course Description**

This course focuses on the money side of macroeconomics. About 60% of the class deals with financial institutions, financial markets and instruments traded on financial markets. The reminder is devoted to the central bank behavior and monetary policy.

**Learning Resources**

Required textbook: Hubbard and O'Brien, *Money, Banking, and the Financial System*, 3<sup>rd</sup> edition. It is available from the Union bookstore or direct from the publisher,

<https://www.pearson.com/store/p/money-banking-and-the-financial-system/P100001434453>

All other class related materials are distributed through Canvas. They are organized by dates of lecture and grouped by exams.

**Important Dates**

Exam 1: Thursday, February 17th

Deadline to Drop without a grade of W: Friday March 11th

Exam 2: Thursday, March 24th

Exam 3 (final exam): Thursday, May 12th, 1:30-4:00pm

**Student Assessment**

This class uses a plus/minors grading system. Roughly,  $\geq 85$  A,  $\geq 70$  B, and  $\geq 55$  C.

Your grades are based on individual quizzes (20%), group assignments (15%), two midterm exams (20% each), and a final exam (25%).

**Quizzes:** There is one quiz, consisting of ten multiple-choice questions, after each lecture. Ideally you want to do them right after to discover which part you don't quite understand and enlist help via office hours. You can access quizzes either through the page pertaining to each lecture or through a folder named "Quizzes" on Canvas. They should show up in the "To Do" list as well.

The deadline for submitting answers to quizzes each week is ***Mondays at 11:30pm***. You are allowed unlimited attempts before deadline; only the attempt with the highest score will be counted. Both quality and quantity count; no excuse will be taken into consideration for missed quiz submission, as 85% of the total throughout the semester is enough to earn you a full credit.

Re-access to quizzes after deadline is allowed, but doing so will change your displayed grades on Canvas to “late”. I download all grades on Tuesday morning each week. I have a record of your original quiz grade. Don’t be concerned about that change. I apologize that I don’t know a way to prevent this change from happening on Canvas.

***Assignments:*** Homework are distributed on Canvas in the folder named “assignment” and listed on the “To Do” list. There is also a link on the day each set is distributed pointing to it. Assignments are done in groups of two. You can form your group based on your own preference. There will be a sign-up sheet once in person class starts. There are 12 sets of assignments in total. **Two** sets with the lowest grade will be dropped. All assignments are due on Thursdays at the beginning of the class. No late homework will be accepted after I walk out of the classroom on the due dates. The last set of homework is collected in my office at 18A DKH on the reading day (Thursday May 5th, 1-3pm)

***Exams:*** All exams are non-accumulative. All exams consist of multiple choices. Two midterms are scheduled in class on February 17th and March 24th; both are Thursdays. The final exam is scheduled on Thursday, May 12th, 1:30-3:30pm. Please let me know as soon as possible if you have known conflicts with these dates. Should an unforeseeable event arise, you must contact me ***before or within 24 hours of the exam***; otherwise you will automatically receive a zero grade.

To qualify for a make-up exam, you must provide proof to show that you physically can’t be present to take the exam on the scheduled exam dates. If you are sick due to Covid, it will be verified automatically and you don’t need to worry about it. For any other illness, a doctor’s notes on the date of exam must be given to me within a week of exam.

Seats are assigned randomly for each exam. A file, where your first name and the first letter of your last name listed alphabetically based on your last name, will indicate which seat you have in the classroom. You can access this file and much more exam relevant information on the module named “Read me before ...” on Canvas.

On the day of exam, you must bring your student ID. Other than calculators (scientific, graphing, accounting, or four-function) and writing utensils, no other items are allowed to be with you during exams. Scratch paper will be provided to you, if needed. All electronic devices must be turned off and put in your backpack, stacked away from you. Students found to be using unapproved items are in violation of the Academic Integrity Policy of the University and will be subject to disciplinary action. There is **no bathroom breaks** during the exam. If you walk out the classroom for any reason during the exam before it ends, it will be treated as if you turned in your exam.

***Re-grading:*** All re-grading requests must be made no later than one week after exams are returned to you.

**Students with disabilities:** Students who require non-standard examination conditions please let me know as soon as possible. You should arrange with the Testing Accommodations Center (TAC) through Disability Resources and Educational Services (DRES) to take all exams. To contact TAC you may visit 1207 S. Oak Street, Room136, Champaign, call 333-4604, or email [dres-testing@illinois.edu](mailto:dres-testing@illinois.edu). Please aware that TAC has recently changed their exam scheduling policy. Go to the following website for details. <https://www.disability.illinois.edu/academic-support/accommodations/testing-accommodations>.

**Honor code:** All types of cheating are strictly prohibited. Academic misconduct will be handled according to the University Academic Integrity Policy at [http://studentcode.illinois.edu/article1\\_part4\\_1-401.html](http://studentcode.illinois.edu/article1_part4_1-401.html).

**Final Exam Policy** is available at: [http://studentcode.illinois.edu/article3\\_part2\\_3-201.html](http://studentcode.illinois.edu/article3_part2_3-201.html)

From the University's final exam conflict policy:

Any student having more than two consecutive final examinations is entitled to rescheduling as follows if he or she takes the following action no later than the last day of classes:

- The student must investigate whether a conflict examination is being held at another time for any of the examinations involved.
- If a conflict examination has been scheduled for any of the courses, the student must take one or more of these conflict examinations. If conflict examinations are offered for more than one course, the student must take the conflict for the course that has the largest number of students.
- If no conflict examinations have been scheduled, the student must contact the instructor of the course having the largest number of students. The contact must be made no later than the last day of classes, and that instructor must provide a makeup examination.
- Normally in a semester several combined-sections, conflict, and noncombined examinations are given at the same time. As a guide to resolving conflicts, an order of priority has been established within each examination period, and a student should resolve a conflict using the published examination schedules and the following priority guidelines.
  - National and state professional examinations (e.g., CPA, actuarial science, Architecture Registration Examination) take priority over campus final examinations. An instructor must offer a conflict examination to a student scheduled to take a national or state professional examination and a campus final examination at the same time.
  - A noncombined course examination has precedence over any combined-sections or conflict examination.
  - A department offering a combined-sections final examination must provide a conflict examination if required to accommodate student conflicts.

**Econ 517 schedule at a glance**

Date	Slides	Textbook reading	quizzes due on Mondays 11:30pm	homework due on Thursdays 11am
18-Jan	Logistics and review			
20-Jan	Review		quiz A1 24-Jan	
25-Jan	Introducing the financial system	Ch1	quiz A2	
27-Jan	Money and the payment system	Ch2: 2.1-2.4	quiz A3	hw1 3-Feb
1-Feb	Why present value?	Ch3	quiz A4	
3-Feb	Bond price and yield-to-maturity		quiz A5	hw2 10-Feb
8-Feb	Interest rate determination	Ch4: 4.1 and Appendix	quiz A6	
10-Feb	Term structure of interest rate	Ch5	quiz A7	hw3 17-Feb
15-Feb	Credit risk and risk premium		quiz A8	
17-Feb	Midterm I			
22-Feb	Stock market statistics	Ch6	quiz B1	
24-Feb	Efficient market hypothesis		quiz B2	hw4 3-Mar
1-Mar	Forward and futures	Ch7	quiz B3	
3-Mar	Options		quiz B4	hw5 10-Mar
8-Mar	Swaps and Asymmetric information	Ch7 and Ch9	quiz B5	
10-Mar	The economics of banking	Ch10	quiz B6	hw6 24-Mar
22-Mar	Regulating the banking system	Ch11 no 11.3; Ch12 12.1 & 12.4	quiz B7	hw7 31-Mar
24-Mar	Midterm II			
29-Mar	Long run neutrality of money	Ch2 2.5	quiz C1	
31-Mar	Cause and cure of inflation	Ch13	quiz C2	hw8 7-Apr
5-Apr	Discount window and OMO	Ch14: 4.1; Ch15: 15.3	quiz C3	
7-Apr	Money multiplier	Ch14	quiz C4	hw9 14-Apr
12-Apr	Exchange rate	Ch8, 8.3 only the interest rate parity part	quiz C5	
14-Apr	Relative PPP		quiz C6	hw10 21-Apr
19-Apr	Foreign exchange intervention	Ch16	quiz C7	
21-Apr	Balance of payment		quiz C8	hw11 28-Apr
26-Apr	Goals, tools and instruments	Ch15	quiz C9	
28-Apr	Liquidity preference model	Ch4: 4.4	quiz C10	hw12 5-May
3-May	Rational expectation	Ch18: 18.2, 18.4	quiz C11	
12-May	Final 1:30-3:30pm			