Business 33402: Understanding Central Banks  
Provisional Spring 2015 Syllabus and Course Requirements  
(March 26, 2015)

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Office Hours: Tuesday from 3 to 4 pm and by appointment in HPC 529. (I find that most of you prefer to meet on short notice so I will plan to see most of you through appointments – I am on campus most days.) Email is the best way to reach me to schedule a meeting (or ask a question). In an emergency my assistant, Sarah Niemann can almost always find me. Sarah sits in HPC 208, her phone is (773) 834-2054 and her email is sarah.niemann@chicagobooth.edu.

The TA for the course is Chanont Banternghansa, he goes by “Big” and his email is chanont@uchicago.edu.

Course Prerequisites:

BUS 33040 is a prerequisite. Students who have not had a macro course recently should not take this class. Students who majored in economics or took a lot of economics as undergraduates and remember their macro classes should have no problem with the class. For a couple of the cases you need to be able to run a regression.

Required Reading:

The relevant reading assignments will be posted in chalk. I will hand out copies of the lecture notes in class. You should read the frequently asked questions about the course that are in the week 1 reading assignment.

Students are expected to look over the Wall Street Journal every day. (If you read the Financial Times instead that is fine too, although I will focus on the Journal since they have better coverage of the Fed.) I will also send out regular email messages to the class mentioning specific articles to review before class.

For people shopping during the first week, the assigned material is also available on my website at: http://faculty.chicagobooth.edu/anil.kashyap/teaching.html (A provisional set of lectures notes for week 1 is posted now, the final version will be posted by March 27.)

Honor Code:

You are expected to do all of your own work in this class. For the case assignments only, you can discuss your answers with a group of no more than three other students. However, prior to joining forces you are each expected to attempt to come up with your own answers. If you
do meet with others, you should note their names on your case write up when you hand it in. **This means everyone in the group turns in a separate write-up** – the answers can reflect your discussions but you should write things up by yourself, putting things in your own words. This policy specifically means that you are not permitted to have a group where people take turns solving the cases and distributing the answers to each other. (I consider spending up to 4 hours on your own a good faith attempt prior to meeting others, so once you have hit that limit you can talk to other students without violating the honor code for this class.)

Similarly, you are not allowed to consult students who used these cases in other classes (or previously in this class). On your case write up each week I expect you to write the following statement “I have followed the course rules for preparing my case write up” and sign your name pledging your honor.

For the final exam you can bring in a single (two sided) page of notes to the exam.

**Course Format and Philosophy:**

This course is designed for students interested in understanding why Central Banks do what they do. Central banks are sometimes dominant forces in financial markets and always play a huge role in the macroeconomy. The target clientele are students who enjoyed their macroeconomics class and would like a more advanced course that will give you a way of thinking about central banks. This course will be differentiated by its emphasis on both the theoretical and practical considerations that guide the making of monetary policy around the world. (NOTE: This course is not set up to provide an introduction to macroeconomics. This course is too narrow and the pace is too fast for someone who is only going to take one course in macroeconomics.)

The bulk of the class time will be spent on lectures and case discussions. However, because the course is about the real world we will spend some time each week discussing how the material relates to current events. The exam will also include questions regarding recent events that relate to the material covered in class.

**Guest Lecture**

Simon Potter, manager of the System Open Market Account for the Federal Open Market Committee (FOMC), will give a guest lecture on May 19 (during our regularly scheduled class).

I also expect you to attend the Myron Scholes lecture on the evening of April 14th by Mervyn King (former Governor of the Bank of England). You can register for that at: https://www.signmeup.com/site/online-event-registration/105924 If you are too late signing up, I will arrange a video to be available.

**Grade Determination:**

**Twenty percent of your grade will be determined based on your class participation.** Participation is graded on three components. The first factor is attendance. The second factor is the quality of your comments during our case discussions. Because everyone is assumed to have
prepared the cases, I will cold call on most of you at some point during the quarter during one of these discussions. The final component comes from your questions and answers during the portions of the class devoted to lectures and analysis of current events. **You cannot get any credit for participation until you have completed and turned in your student information sheet that is available on the chalk site for the class.**

(As a benchmark, students who attend the class faithfully but are largely silent during our discussions can expect to get a C for participation; a B student is expected to occasionally make good comments; an A student should routinely make good comments. Students who make useless comments will be penalized, as will students who miss class, come in late, or leave early.)

There are 9 cases that we will do in class – the best 8 scores count. (Note that on May 12 there are two separate cases due.) In order to get much out of the class discussion of the cases it is important that you are prepared. Cases will be graded on 4 point scale. A description of how to write up a case is given at the end of the syllabus. Any assignment that is not turned in the week it is due will receive a zero. An average write-up defined as answering all the questions, but not necessarily getting the difficult part correct will get a score of two. A write-up which is superficial will earn a score of one. Students who not only answer all the questions, but also give convincing answers to the difficult questions will get a score of 3 or 4; a perfect write up earns a 4, while one that has only small errors get a 3. **The case write-ups will count for 20 percent of your score.** I will only count your nine best scores in calculating your grade. You are free to discuss the cases in groups, provided that you follow the rules discussed above. Students who want a provisional grade must average a score of at least 2 points per case. (Note for anyone who took Analyzing Financial Crises, 35211, the case on Greece is the same as in that class. So for that case your score from 35211 will be used, since you have seen the answers.)

The final will count for 60% of everyone's grade.

To help minimize stress over the exams, I allow you to bring one (double sided) 8.5" by 11" sheet of notes to the exam.

**The final exam will be Tuesday June 9 from 8:30 am until 11:30 am.**

**Provisional Grades**

If you are seeking a provisional grade you must get an average score on the cases and request the grade in writing by May 22. The request should be made after May 13. I ask you to make the request so that we can discuss your performance and if it is unsatisfactory see if there is a way to remedy the problems.

**Policy on Makeup Exams and Regrades:**

MAKEUP EXAMS WILL NOT BE OFFERED. If for a compelling reason, a student cannot sit for the final exam at the scheduled time, the student will receive an incomplete, i.e., a grade of I. This grade can be cleared by taking the final when I next teach the class (sometime in 2016). The only valid reasons for missing the final are a serious illness (that is documented by a doctor's
note) or a death or birth in the family (again with documentation required). In all other cases, failure to sit for the final exam will lead to a failing grade. NOTE: This means that excuses involving vacation schedules, lack of time for preparation, too many other exams, etc. will not be accepted.

If you have an internship that requires you to start during finals week I require you to be back in Chicago for the exam, or to supply a note from a managing director at the firm explaining why this is not possible. In that case, you will need to have the firm administer the exam on Tuesday June 9 in time to have it returned by Fed Ex to Chicago by 10:30 am on June 10 so that it can be graded with all the other exams. I will not finish writing the exam until June 8th so taking the exam early is not an option.

It is your right to question a grade, however, to guarantee that similar cases are handled similarly, it is essential that all grading is done promptly. Therefore, requests for regrades will only be considered for one week after the exams are returned. All requests for regrading must be made in writing and must include an explanation of why the original grade is not justified. Oral requests for regrades or late requests will not be considered.

**Exam Preparation:**

I will also hold an optional review on June 5 from 11:45 to 1:15 pm at the Harper Center. This meeting is designed to be a question and answer session where we can work through homework and lecture notes. A copy of last couple of final exams and answers will be on the chalk web site. The course content has changed somewhat so not all of that material is relevant, but it would be a good idea to review the exam anyway to gauge the level of difficulty and format of the exam.

**Rescheduled and Missed Classes**

If you miss any classes it is your responsibility to pick up any handouts that are distributed and arrange to have any assignments that are due to be turned in. It is also your responsibility to review a classmate’s notes to find out about any announcements that might have been made in class.

**Case Writeups:**

In preparing your case writeups you should keep two things in mind. First, make sure you address all the parts of any questions that are posed. Second, for questions that ask for calculations, clearly document all of your steps and maintained assumptions. If you have questions about how your case is scored please talk to the TA about it first and then come to see me if you are still unsure.

I have told Big to penalize long, rambling answers. So be concise in writing up your answers.

Keep in mind that the case writeups are intended to prepare you for the class discussion. You should not expect to be able to easily answer all the questions before class. The answers should become clear during the class, so once we have completed our discussion you should understand
the correct answers.

See also the frequently asked questions about the course that is posted at
http://faculty.chicagobooth.edu/ani1.kashyap/teaching.html for additional information about the
course.
Provisional Course Outline as of March 26

March 31: Course Introduction: Our Basic Framework
(Lecture on basic New Keynesian model)

April 7: Introduction to the ECB
(Case: Should the ECB maintain its first pillar?)

April 14: Optimal Currency Areas and introduction to inflation targeting
(Case: How Would an Independent Scotland Run Monetary Policy?)

April 21: Should a developing country have a central bank?
(Case: Reducing Inflation in Argentina: Mission Impossible?)

April 28: Introduction to the Bank of Japan
(Case: Quantitative and Qualitative Easing)

May 5: Introduction to the Federal Reserve
(Case: to be written on the March 19, 2014 FOMC meeting)

May 12: Asset Markets and Monetary Policy
(Cases: Inflation Protected Securities in the United States and The Big News: Interpreting the U.S. Labor Market Report)

May 19: Guest Lecture by Simon Potter.

May 26: Monetary policy and Debt Sustainability (Greece)
Case: The Greek Crisis.

June 2: Monetary Policy and Financial Stability and the New Neutral
Homework assignment based on recent research papers.