

ECON UN3265: Money and Banking

Summer 2026 — Session A

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Lectures: Tuesdays and Thursdays, 9:00 am – 12:10 pm, in person, 1102 IAB

Term dates: May 26 – July 3, 2026 **Credits:** 3

Office: Kravis Hall 590-3 **Office Hour:** By appointment

TA Office Hour: Thursdays 1:00–3:00 pm, Lehman Library Room 329A

Course Description

This course covers the theory of money and banking and how the financial system works in practice, in the United States and in other major economies. We follow a standard textbook treatment of money, interest rates, banking, central banks, monetary policy, financial crises, and foreign exchange. Where useful, guest lectures from practitioners give a working view of the U.S. financial industry, with a focus on international perspectives.

Prerequisites

Per the catalog: **ECON UN3211 (Intermediate Microeconomics)** and **ECON UN3213 (Intermediate Macroeconomics)**, or the equivalent. Comfort with single-variable differentiation and a basic familiarity with constrained optimization is assumed.

Required Textbook

Mishkin, F. S. *The Economics of Money, Banking, and Financial Markets*. 13th edition (Pearson). Chapter references in the schedule below are to this edition. The 11th–13th editions overlap heavily; earlier editions are usable but section numbers will not match.

Recommended Supplemental Readings

1. Wheelan, C. *Naked Money* — accessible, non-technical companion.
2. Bernanke, B. *21st Century Monetary Policy* (2022) — Fed perspective on QE, ZLB, forward guidance.
3. Selected FRBNY *Liberty Street Economics* posts and BIS *Quarterly Review* articles (linked per topic).
4. Diamond, D. and P. Dybvig (1983), “Bank Runs, Deposit Insurance, and Liquidity,” *JPE* — for the bank-run unit.
5. Krugman, P. (1979), “A Model of Balance-of-Payments Crises” — for the FX unit.

Schedule

The schedule below is indicative; readings may shift by ± 1 session as we calibrate pace. Mishkin chapter numbers refer to the **13th edition**; the test bank and slides in our course materials align to this edition.

Course Timeline at a Glance

#	Date	Topic	Mishkin Ch.	Deliverables
1	Tue, May 26	Why Study M&B; Financial System	1, 2	—
2	Thu, May 28	What Is Money; Understanding Interest Rates	3, 4	—
3	Tue, Jun 2	Behavior of Rates; Risk & Term Structure	5, 6	Quiz 1
4	Thu, Jun 4	Financial Structure; Bank Management	8, 9	—
5	Tue, Jun 9	Regulation; Banking Industry	10, 11	Quiz 2
6	Thu, Jun 11	Financial Crises	12	Proposal
7	Tue, Jun 16	Central Banks; Money Supply Process	13, 14	Quiz 3
8	Thu, Jun 18	MP Tools & Conduct	15, 16	—
9	Tue, Jun 23	The Foreign Exchange Market	17	Quiz 4
10	Thu, Jun 25	International Financial System	18	—
11	Tue, Jun 30	AD/AS Analysis; Monetary Policy Theory	22, 23	Quiz 5, Project
12	Thu, Jul 2	Final Exam	—	Final (30%)

Guest lectures by industry practitioners will be added during the term; dates and topics TBD. Attendance at guest lectures is explicitly taken.

Week 1 — Foundations

Session 1 (Tue, May 26) — Why Study Money & Banking; Overview of the Financial System

- Why study money, banking, and financial markets? The big questions of the course.
- Function and structure of financial markets and institutions; direct vs. indirect finance.
- *Reading:* Mishkin Ch. 1, Ch. 2.

Session 2 (Thu, May 28) — What Is Money; Understanding Interest Rates

- Functions of money; evolution from commodity to fiat to digital; measuring the money supply (M1, M2).
- Present value, yield to maturity, and the four debt instruments.
- Real vs. nominal rates; the distinction between interest rates and returns.
- *Reading:* Mishkin Ch. 3, Ch. 4.

Week 2 — Interest Rates and Financial Structure

Session 3 (Tue, Jun 2) — The Behavior of Interest Rates; Risk and Term Structure

- Bond-market and loanable-funds frameworks; equilibrium and shifts.
- Fisher effect; business-cycle and inflation effects on rates.
- Risk structure (default, liquidity, tax) and term structure (expectations, segmented-markets, liquidity-premium theories); reading the yield curve.
- *Reading:* Mishkin Ch. 5, Ch. 6.
- *Quiz 1* — covers Week 1 (Sessions 1–2).

Session 4 (Thu, Jun 4) — Financial Structure; Banking Management

- Why financial intermediaries exist: transaction costs, asymmetric information, adverse selection, moral hazard, principal–agent problems.

- Bank balance sheets; principles of bank management: liquidity, asset, liability, capital, and credit-risk management.
- Off-balance-sheet activities; managing interest-rate risk.
- *Reading:* Mishkin Ch. 8, Ch. 9.

Week 3 — Banking Industry, Regulation, and Crises

Session 5 (Tue, Jun 9) — Financial Regulation; Banking Industry: Structure and Competition

- Economic analysis of financial regulation: deposit insurance, capital requirements, supervision, disclosure.
- U.S. dual banking system; financial innovation; consolidation and the rise of nonbank finance; international banking.
- *Reading:* Mishkin Ch. 10, Ch. 11.
- *Quiz 2* — covers Week 2 (Sessions 3–4).

Session 6 (Thu, Jun 11) — Financial Crises

- Anatomy of a financial crisis: stages and dynamics in advanced and emerging-market economies.
- The 2007–09 Global Financial Crisis: subprime, shadow banking, contagion, policy response.
- European sovereign-debt crisis; the 2020 COVID episode; 2023 SVB / regional-bank stress.
- *Reading:* Mishkin Ch. 12.
- *Group-project proposal due.*

Week 4 — Central Banking and Monetary Policy

Session 7 (Tue, Jun 16) — Central Banks and the Money Supply Process

- Structure of the Federal Reserve System; comparison with the ECB and the Bank of Japan.
- Central-bank independence and political economy.
- The money supply process: monetary base, the money multiplier, and how the framework changes in an ample-reserves regime.
- *Reading:* Mishkin Ch. 13, Ch. 14.
- *Quiz 3* — covers Week 3 (Sessions 5–6).

Session 8 (Thu, Jun 18) — Tools and Conduct of Monetary Policy

- Conventional tools (OMO, discount window, IORB, ON RRP) and the floor system.
- Unconventional tools: ZLB, QE/QQE, yield-curve control, forward guidance — with **Japan as the leading laboratory** (BOJ 1999–present).
- Inflation targeting, the dual mandate, the Taylor principle.
- *Reading:* Mishkin Ch. 15, Ch. 16.

Week 5 — International Finance

Session 9 (Tue, Jun 23) — The Foreign Exchange Market

- Spot and forward markets; mechanics of FX quotes.
- Long-run determinants: PPP and real exchange rates.
- Short-run: interest parity (covered, uncovered) and the asset-market view.
- *Reading*: Mishkin Ch. 17.
- *Quiz 4* — covers Week 4 (Sessions 7–8).

Session 10 (Thu, Jun 25) — The International Financial System

- Fixed vs. floating regimes; the impossible trinity.
- Currency crises: 1992 ERM, 1997 Asia; recent JPY weakness and BOJ/MOF intervention.
- Capital flows, sovereign reserve management, the international role of the U.S. dollar.
- *Reading*: Mishkin Ch. 18.

Week 6 — Aggregate Demand and Supply; Monetary Policy Theory; Final

Session 11 (Tue, Jun 30) — Aggregate Demand and Supply; Monetary Policy Theory

- Aggregate demand and supply analysis: short-run vs. long-run; shocks and policy response.
- Monetary policy theory: response to demand and supply shocks; the role of credibility and anchored expectations.
- Application: the post-pandemic inflation episode through the AD–AS lens.
- Course synthesis and final-exam review.
- *Reading*: Mishkin Ch. 22, Ch. 23.
- *Quiz 5* — covers Week 5 (Sessions 9–10). Project presentations.

Session 12 (Thu, Jul 2) — Final Exam. In-class, closed book, 3 hours.

Evaluation

Component	Weight	Notes
Quizzes	40%	5 weekly quizzes (Tuesdays, first 20 min). Best 4 count, 10% each.
Participation	10%	Active engagement in lecture and in-class exercises.
Group Project	20%	Groups of 3–4; proposal due Session 6, presented in Session 11.
Final Exam	30%	Session 12. Cumulative.

There are no problem sets or written homework assignments in this course. Your grade comes entirely from the four components above. Quizzes are the only recurring graded work — and, as explained below, every quiz question is shared with you in advance.

Quizzes

A quiz is given once a week, in the first 20 minutes of each **Tuesday** session from Week 2 onward — five quizzes total. Each quiz covers the *previous week's two sessions*. The lowest score is dropped automatically — best 4 count, 10% each.

Every possible quiz question is shared with you in advance, together with the answer key. Before each quiz, a complete *practice quiz* is posted for each chapter being tested. It contains *all* of the questions from which the quiz can be drawn, with their answers. The in-class quiz is simply a **randomly selected subset of exactly those same questions** — nothing on it is unseen. You therefore have the full weekend to prepare, and a student who has worked through the practice quizzes has already encountered every question that can appear on the quiz.

Each in-class quiz is around 20 multiple-choice questions and emphasizes conceptual fluency rather than calculation gymnastics.

Participation

Active engagement in lecture and in-class exercises: asking and answering questions, contributing to case discussions, working through examples at the board. Attendance alone is not sufficient.

Group Project

Each group picks a **country or region** and compares its financial system and markets with those of the United States, identifying the issues and challenges that are distinctive to that country or region. Apply the course frameworks — the structure of financial markets, the role of banks and other intermediaries, central banking, and regulation. A one-page **project proposal** — group members, the chosen country or region, and the intended approach — is due at **Session 6 (Thu, Jun 11)**. The proposal is a required mid-course milestone and the checkpoint for instructor feedback before you develop the project further. Final deliverables: a ~15-min presentation in Session 11 plus a short write-up.

Final Exam

A 3-hour, in-class, closed-book exam in Session 12. A mix of conceptual short-answer, problem-solving, and longer essay drawing across topics. Cumulative across all sessions.

Course Policies

Attendance. Active presence is expected. Quizzes cannot be made up — the drop policy is the accommodation. Attendance at **guest lectures** is explicitly taken and counts toward the participation grade.

Academic integrity. Standard Columbia honor code applies. Course materials are for enrolled students only — do not redistribute slides, quizzes, or exam material.

Generative AI. Use of generative AI tools (ChatGPT, Claude, Gemini, etc.) is *encouraged* — for studying, checking intuition, debugging derivations, exploring case material, and supporting the group project. Disclose substantive use in graded write-ups (a one-line note is fine). In-class assessments (quizzes, final) are closed-book and AI is naturally unavailable during them; what matters there is that you can reproduce the reasoning yourself.

The reason this matters is practical, not punitive. When you are sitting in a job interview, or across the table from a client, you do not want to be glancing at your phone or laptop waiting for ChatGPT to generate an answer for you. You need to be able to talk through the logic in real time. The state of the world may shift in a few years and that calculus may change, but for at least the next few years, being able to reason live is the safer skill to invest in.

Accessibility. Accommodations through Columbia's Office of Disability Services. Please notify the instructor in the first week so we can plan.