

**MARMARA UNIVERSITY  
FACULTY OF ECONOMICS  
DEPARTMENT OF ECONOMICS---ENGLISH CURRICULUM**

**ECON 342.1/3042.1 Banking and Monetary Policy**  
**Prof. Sadullah Çelik**

**Class Meeting: MON 13.00-15.50**  
**Office Hours: MON 16.00-17.00 or by appointment**

**Course Objective**

The aim of this course is to build on the fundamentals introduced in ECON 341.1/3041.1. Monetary policy is crucial in achieving price stability and continuous growth for an economy. Therefore, the prosperity of a nation depends on the reasonable implementation of monetary policy. This means that monetary policy should constitute the central role for an economics student in a developing country. Moreover, a sound and safe financial structure is a fundamental need for a nation trying to grow rapidly. In this sense, financial institutions-starting with commercial and savings banks-would be analysed.

**Weekly Course Programme**

- 17<sup>th</sup> Feb:** Why Study Money, Banking, and Financial Markets? (Mishkin, Chp. 1)  
**24<sup>th</sup> Feb:** An Overview of the Financial System (Mishkin, Chp. 2)  
**2<sup>nd</sup> Mar:** What is Money? The Conduct of Monetary Policy: Strategy and Tactics (Mishkin, Chps. 3, 16)  
**9<sup>th</sup> Mar:** The Role of Expec. in Monetary Policy & Transmission Mech. of Monetary Policy (Mishkin, Chps. 24, 25)  
**16<sup>th</sup> Mar:** The Money Supply Process & Tools of Monetary Policy (Mishkin, Chps. 14, 15)  
**23<sup>rd</sup> Mar:** The International Financial System & The Monetary Policy and AD Curves (Mishkin, Chp. 18, 21)  
**30<sup>th</sup> Mar:** Monetary Policy: Turkish Experience (Special Lecture)  
**4<sup>th</sup> April-12<sup>th</sup> April: Midterm Exam**  
**13<sup>th</sup> Apr:** Open Economy Monetary Economics (McCallum, IME, Chps. 5, 6, 7)  
**20<sup>th</sup> Apr:** Financial and Credit Analyses of Banks 1 (Mishkin, Chps. 8, 9)  
**27<sup>th</sup> Apr:** Financial and Credit Analyses of Banks 2 (Mishkin, Chps. 10, 11)  
**4<sup>th</sup> May:** Financial and Credit Analyses of Banks 3 (Mishkin, Chps. 12, 13)  
**11<sup>th</sup> May:** Banking Risk Part 1 (van Greuning and Bratanovic, Chps. 1-6)  
**18<sup>th</sup> May:** Banking Risk Part 2 (van Greuning and Bratanovic, Chps. 7-11)  
**25<sup>th</sup> May:** *Ramadan Festival*  
**1<sup>st</sup> Jun:** The Great Recession (Reinhart and Rogoff, Chps. 12-17) and International Banking Analysis (Special Lecture)  
**8<sup>th</sup> June – 19<sup>th</sup> June: Final Exam**

**Main Textbooks (in alphabetical order not order of significance)**

- B. T. McCallum (1996)**, International Monetary Economics, Oxford University Press.  
**F. S. Mishkin, (2016)**, The Economics of Money, Banking and Financial Markets, 11<sup>th</sup> Edition, Pearson.  
**C. M. Reinhart and K. Rogoff (2009)**, This Time is Different: Eight Centuries of Financial Folly, Princeton University Press.  
**H. van Greuning and S. B., Bratanovic (2009)**, Analyzing and Managing Banking Risk, 3<sup>rd</sup> Edition, The World Bank.

**Supplementary Textbooks**

- CBRT Laws numbered 1211, 3098, 3291, 3670, 4651, 5411, 5728, 6456, 6493, 6770 and 7186.**  
**Banking Laws numbered 5411, 5472, 5667, 5754, 5766, 6111, 6300, 6327, 6352.**  
**B. Casu, C. Girardone, and P. Molyneux (2006)**, Introduction to Banking, FT Prentice Hall.  
**R. L. Hetzel, (2008)**, The Monetary Policy of the Federal Reserve: A History. Cambridge Univ. Press.

**Grading**

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|------------------------------------|------|
| One midterm (Date to be announced) | 40 % |
| One final (Date to be announced)   | 60 % |

## Articles

- Acharya, V. V., L. H. Pedersen, T. Philippon and M. Richardson, (2017)**, “Measuring Systemic Risk”, *The Review of Financial Studies*, 30 (1), 2-47.
- Akyüz, Y. and K. Boratav, (2001)**, “The Making of the Turkish Financial Crisis”, *Paper prepared for the Conference on Financialization of the Global Economy*, University of Massachusetts, Dec. 7–9.
- Bauer, M. D. (2017)**, “A New Conundrum in the Bond Market”, *FRBSF Economic Letter 2017*, 34, November 20.
- Bernanke, B. S. and M. Gertler, (1995)**, “Inside the Black Box: The Credit Channel of Monetary Policy Transmission”, *Journal of Economic Perspectives*, 9 (4), 27-48.
- Bernanke, B. S. (2020)**, “The New Tools of Monetary Policy”, American Economic Association Presidential Address, Retrieved from [https://www.brookings.edu/wp-content/uploads/2019/12/Bernanke\\_ASSA\\_lecture.pdf](https://www.brookings.edu/wp-content/uploads/2019/12/Bernanke_ASSA_lecture.pdf)
- Blanchard, O. (2009)**, “The Crisis: Basic Mechanisms, and Appropriate Policies”, *CESifo Forum* Vol. 10, no.1.
- Blanchard, O., Dell’Ariccia, G., and P. Mauro, (2010)**, “Rethinking Macroeconomic Policy”, *Journal of Money, Credit and Banking*, 42(S1), 199-215.
- Blanchard, O. and J. Gali (2011)**, “International Dimensions of Monetary Policy: The Macroeconomic Effects of Oil Price Shocks: Why are the 2000s so Different from the 1970s?” in J. Gali and M. Gertler, (eds.), *International Dimensions of Monetary Policy*, Chapter 7.
- Boyd, J. H. and G. de Nicolo, (2005)**, “The Theory of Bank Risk Taking and Competition Revisited”, *The Journal of Finance*, 60(3), 1329-1343.
- Brunner, K. and A. H. Meltzer, (1990)**, “Money Supply”, in B. M. Friedman and F. H. Hahn, (eds.), *Handbook of Monetary Economics*, Chapter 9.
- Carvalho C. and F. Nechio, (2013)**, “Do People Understand Monetary Policy?”, *Paper presented at the 2013 ASSA Meeting held by AEA*, San Diego, CA, USA.
- Cecchetti, S. G., Kohler, M. and C. Upper, (2009)**, “Financial Crises and Economic Activity”, *NBER Working Paper No: 15379*.
- Cecchetti, S. G. (2009)**, “Crisis and Responses: The Federal Reserve in the Early Stages of the Financial Crisis”, *Journal of Economic Perspectives*, 23 (1), 51-75.
- Clarida, R., Gordi, G. and M. Gertler (1998)**, “Monetary Policy Rules in Practice: Some International Evidence”, *European Economic Review*, 42, 1033-67.
- Claessens, S., Köse, M. A., Laeven, L. and F. Valencia, (2013)**, “Understanding Financial Crises: Causes, Consequences and Policy Responses” *Koç University-Tüsiad Economic Research Forum Working Paper Series*, No: 1301.
- Cukierman, A. (2008)**, “Central Bank Independence and Monetary Policymaking Institutions: Past, Present and Future”, *European Journal of Political Economy*, 24(4), 722-36.

**Ersel, H. (1990)**, "Monetary Policy in a changing Financial Environment", *Central Bank of the Republic of Turkey Research Department, Discussion Paper No. 9004*, March.

**Ersel, H. and L. İskenderoğlu, (1990)**, "Monetary Programming in Turkey", *Central Bank of the Republic of Turkey Research Department, Discussion Paper No. 9006*, December.

**Friedman M. (1995)**, "The Role of Monetary Policy", in Estrin S., and A. Marin (eds.), *Essential Readings in Economics*, Chapter 10.

**Gali, J. and T. Monacelli, (2005)**, "Monetary Policy and Exchange Rate Volatility in a Small Open Economy", *The Review of Economic Studies*, 72 (3), 707-734.

**Hetzl, R. (2009)**, "Monetary Policy in the 2008-2009 Recession", *Federal Reserve Bank of Richmond Economic Quarterly*, 95 (2), 201-33.

**Hilberg, B. and J. Hollmayr, (2013)**, "Asset Prices, Collateral and Unconventional Monetary Policy in a DSGE Model", *Paper presented at the 2013 ASSA Meeting held by AEA, San Diego, CA, USA*.

**Lubik, T. A. and F. Schorfheide, (2007)**, "Do Central Banks Respond to Exchange Rate Movements? A Structural Investigation," *Journal of Monetary Economics*, 54 (4), 1069-1087.

**Orphanides, A. (2003)**, "Historical Monetary Policy Analysis and the Taylor Rule", *Journal of Monetary Economics*, 50, 983-1022.

**Özatay, F. and G. Sak, (2003)**, "Banking Sector Fragility and Turkey's 2000–01 Financial Crisis", *The Central Bank of the Republic of Turkey Discussion Paper*, December.

**Poole, W. (2007)**, "Understanding the Fed", *Federal Reserve Bank of St. Louis Review*, 89 (1), Jan/Feb.

**Reis, R. (2010)**, "Interpreting the Unconventional U. S. Monetary Policy of 2007-09", *NBER Working Paper No: 15662*.

**The Economist, (2020)**, *Special Report on International Banking*, Forthcoming in May 2020 (Issue to be announced).

**Volcker, P. (2002)**, "Monetary Policy Transmission: Past and Future Challenges", *FRBNY Economic Policy Review*, May, 7-11.

**Woodford, M. (2008)**, "How Important is Money in the Conduct of Monetary Policy?" *Journal of Money, Credit and Banking*, 40(8), 1561-98.

**P.S. Further articles could be added as the course progresses.**

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