

BA 4833 – CENTRAL BANKING
Course Schedule
FRI 14:40-18:15

Instructor:	PROF. DR. ERK HACIHASANOĞLU
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Phone:	
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Office Hours:	By appointment
Course Web Page:	Link to ODTUClass Course Page
Course Description:	
<p>The nature of monetary policy as well as the financial markets has been changing dramatically over the last few decades, especially after the global financial crises of 2007-09. Central banking more and more has been regarded as an “art” rather than a science by some circles, as it requires judgement at every stage of the process, from initial formulation to the final implementation. Moreover, effective expectations management and communication strategies become one of the most important tools of today’s central bankers. The aim of this course is to give the students a broad overview of the basic principles and the practical implementation of central banking as well as the financial markets in an attempt to better understand the monetary policy transmission mechanism. The course will start with an introduction to monetary operations of central banks then explore the monetary policy in Turkey under different capital account regimes. In this respect the selected financial crises in emerging markets as well as 2000, 2001 and 2007-09 financial crises will be evaluated under the heading of crises management. The effects of New Corona Virus on economies particularly on financial markets and central bank’s response will also be discussed.</p>	
Course Student Learning Objectives: (CSLOs)	
<p><i>Upon successful completion of this course, students should be able to:</i></p> <p><i>Course Specific Skills:</i></p> <ol style="list-style-type: none"> 1. Understand the duties and responsibilities of Central Banks 2. Understand the selection of the targets such as exchange, monetary and inflation 3. Understand the concept of Impossible Trinity 4. Understand the concept of Monetary Policy Instruments 5. Develop skills in understanding the Open Market Operations and Financial Markets 6. Understand the relations with the Central Government 7. Understand the Central Bank Balance Sheet 8. Understand the Monetary Policy in Turkey under different capital account legislations 9. Understand the concept of Financial Stability 10. Understand the Macro-prudential Policies and Perspectives 11. Understand the Role of IMF, BIS, OECD, G-20 and other supranational institutions 12. Understand Central Bank Watch <p><i>Discipline Specific Skills:</i></p> <ol style="list-style-type: none"> 13. Recognize how Central banking is useful in making the best managerial decisions 14. Demonstrate broad knowledge of concepts on the Central Banking <p><i>Personal and Key Skills:</i></p> <ol style="list-style-type: none"> 15. Develop reading skills 16. Develop writing and discussion skills 	

Learning and Teaching Methods:

Sessions consist of a mixture of formal lectures, in-class discussions, group work, presentation sessions, in-class writing and directed private study.

Required Reading:

1. The Central Bank and The Financial System; C.A.E. Goodhart, MIT Press, Cambridge, Massachusetts
2. Monetary Policy, Goals, Institutions, Strategies and Instruments; Peter Bofinger; Oxford University Press

Suggested Reading:

- *Central Bank Governor Game:*
<http://www.frbsf.org/education/activities/chairman/index.html>
- The Monetary Policy Balloon Game
<http://www.bankofengland.co.uk/education/Pages/inflation/balloon/balloon.aspx>
- *Introduction to Monetary Policy; Glen Hogarth, Center for Central Banking Studies, Bank of England (Hand Books in Central Banking)*
<http://www.bankofengland.co.uk/education/Documents/ccbs/handbooks/pdf/ccbshb01.pdf>
- *Introduction to Monetary Operations; Gray, Hogarth and Place, Center for Central Banking Studies, Bank of England (Hand Books in Central Banking)*
<http://www.bankofengland.co.uk/education/Documents/ccbs/handbooks/pdf/ccbshb24.pdf>
- *Central Bank Governance and Financial Stability, Bank For International Settlements.*
<http://www.bis.org/publ/othp14.pdf>
- Macroprudential Policy Tools and Frameworks; Update to G20 Finance Ministers and Central Bank Governors
<http://www.bis.org/publ/othp13.pdf>
- Monetary And Exchange Rate Policy for 2020; Central Bank of the Republic of Turkey
- The European Central Bank, History Role and Functions, by Hanspeter K. Scheller
<http://www.ecb.int/pub/pdf/other/ecbhistoryrolefunctions2004en.pdf>
- Reserve Option Mechanism, CBT Research Notes in Economics ;
<http://www.tcmb.gov.tr/research/ekonominotlari/2012/eng/EN1228eng.pdf>
- Central Bank Balance Sheet
https://www.tcmb.gov.tr/wps/wcm/connect/e9da357f-da90-42d6-9a54-569587068795/Bilanco_ve_AB_Kitap.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-e9da357f-da90-42d6-9a54-569587068795-m3fB7PC

Movies & Podcasts

The Central Bank of the Republic of Turkey from Past to the Future – the Movie

Assessment and Grading:				
Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by the assessment	Feedback Method
Written Examination 1	30	60-minute essay-type examination	1-7	Written and oral
Final Examination	45	60-minute essay-type examination	7-12	Written
Written Assignment (Case Study)	15	Self-study hours	1-16	Written and presentation

Attendance and participation to the class will contribute 10 % to the grading

Makeup Examinations: There will be no make-ups for exams or assignments. If you have a time conflict, please contact me ahead of time.

Important Note About Re-sit (Bütünleme) Exams: Please note that re-sit exams are no longer given at METU.

Incompletes: A grade of incomplete will not be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".

Course Policies:

COURSE REQUIREMENTS: Attendance is mandatory to the class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform significantly better than students who have an intermittent attendance and/or who do not keep current in reading the chapters.

CASE STUDY ASSIGNMENTS: Case study assignments and due dates will be announced after the midterm exam. Please remember that it is the student's responsibility to follow the due dates for the assignments.

READING ASSIGNMENTS: Reading assignments will be given 1 week prior to classes

PRESENTATION SLIDES: A copy of the presentation slides will be given after the lecture .

STUDENT DISABILITIES: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

ACADEMIC DISHONESTY: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BA/MBA/MS degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

CHEATING: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty/Institute for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

PLAGIARISM: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately. Persons observed to plagiarize while preparing assignments will be referred to the Dean of the Faculty for additional disciplinary action and also they will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

CIVILITY IN THE CLASSROOM: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

Students arrive on time. Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

Cell phones are turned off.

STUDENT EXCUSES: Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR! <http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. Appendices are required only if they are assigned. The students are required to read the chapters and appendices before they are covered in class.

Tentative Course Schedule

Month	Day	Topic	Reading/ Assignment	CSLO
October	7	Introduction		
October	14	Duties and Responsibilities of Central Banks	The Central Bank of the Republic of Turkey from Past to the Future – the Movie	1,6
October	21	Monetary Policy Instruments and Operations	Introduction to Monetary Policy; Glen Hogarth, Center for Central Banking Studies, Bank of England (Handbooks in Central Banking) http://www.bankofengland.co.uk/education/Documents/ccbs/handbooks/pdf/ccbshb01.pdf	2,4
October	28	National Holiday		
November	4	Monetary Operations	Introduction to Monetary Operations; Gray, Hogarth and Place, Center for Central Banking Studies, Bank of England (Hand Books in Central Banking)	1-5, 8
November	11	Monetary Operations	Reserve Option Mechanism, CBT Research Notes in Economics; http://www.tcmb.gov.tr/research/ekonomi-notlari/2012/eng/EN1228eng.pdf The Monetary Policy Balloon Game http://www.bankofengland.co.uk/education/Pages/inflation/balloon/balloon.aspx	1-5, 8
November	18	Exchange Rate Risk and Regime Choices	Monetary and Exchange Rate Policy for 2020; Central Bank of the Republic of Turkey	1-3, 7-8
November	25	Reserve Management	Central Bank Governance and Financial Stability, Bank For International Settlements. http://www.bis.org/publ/othp14.pdf	1-8
December	2	Midterm		
December	9	Central Bank Balance Sheet	https://www.tcmb.gov.tr/wps/wcm/connect/e9da357f-da90-42d6-9a54-569587068795/Bilanco_ve_AB_Kitap.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-e9da357f-da90-42d6-9a54-569587068795-m3fB7PC	7-9
December	16	Financial Stability	Central Bank Governance and Financial Stability, Bank For International Settlements. http://www.bis.org/publ/othp14.pdf	1-12
January	23	Financial Stability	Macroprudential Policy Tools and Frameworks; Update to G20 Finance Ministers and Central Bank Governors http://www.bis.org/publ/othp13.pdf	1-12
January	30	Case Study Presentations		
January	6	Case Study Presentations		