Money and Banking, Spring 2012

Economics 320

Lecturer: Dr. Niklas Hunter

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Office hours: T 12:00-1:15pm & 3:00 – 4:15pm, R 12-1:15pm

Class time: Class location:

W 4:00-6:50pm Bell Tower 1424

Mid-term exam: Wednesday, March 14 (in class)

Final exam: Wednesday, May 16, 4:00 – 6:00 pm

Course website: <http://csuci.blackboard.com>

Required reading: The Economics of Money, Banking and Financial Markets by Frederic S. Mishkin (9th edition, Pearson, Addison, Wesley, 2009).

Grading system:

Your grade for the course is based on homework and exams in the following way:

|  |  |
| --- | --- |
| Task | Percent of grade |
| Homework assignments | 20 |
| Term Paper | 5 |
| Midterm examFinal exam  | 3540 |

Grades for total points from the homework and exams will be assigned according to the following distribution:

 90%-100%: A-, A, A+

 80%-89%: B-, B, B+

 70%-79%: C-, C, C+

 60%-69%: D-, D, D+

 0%- 59%: F

I may also adjust the scores to account for the difficulty of the exams. For example, if few people get a final score above 90% because of difficult exams, then I will give out more As to account for difficultly of the exams. In this case, I typically assign a median (midpoint) grade in between a C+ and a B-.

Exams:

There will be no make-up exams, so if you can not attend class on the day of the midterm or the final exam, please do not enroll in this course.

The mid-term exam will cover all material up through the preceding lecture. The final exam questions will be drawn almost exclusively from material presented after the midterm. The exams will include both multiple choice and short answer questions based on the lecture notes and assigned reading.

Homework assignments:

There are six homework assignments that typically consist of 15 multiple choice questions drawn from the same test bank I use for the exams. Homework assignments must be turned before lecture begins on the specified dates of the course schedule. Late homework will not be accepted. I will, however, drop the lowest score. As such, please do not be concerned about the effect on your course grade of missing a single homework. I understand that over the course of 16 weeks, unexpected events can occur (illness, work, family issues), and dropping your lowest homework score is my way of accounting for these events. Unless instructed otherwise, the homework assignments must be turned in via blackboard on the assignments tab. If you are new to blackboard, please don’t be concerned about this technical issue. I will provide a brief tutorial on how to download an assignment from blackboard and how to turn it in via blackboard as well.

Term Paper:

As we look back at the subprime crisis of 2008, no single person/party is solely responsible. What role did banks play in causing this crisis? What role did government regulations (or lack thereof) have? What role did homebuyers an investors have? There is no right or wrong answer. I want to know what you think (i.e. your opinion). Your opinion has much more merit when it is formed and justified via facts (from chapter 9, chapter 12, and movie “Too Big To Fail.”. Please write a 3-4 page paper (12 point font, double spaced) addressing these questions. The paper is due on April 25th.

Course Overview:

This course provides a thorough overview of financial institutions and monetary policy in the US. We will consider the effect of money, interest rates, and bonds on various economic indicators. Other major topics include: the importance of regulating the banking system, the tools of monetary policy, and the major contributing factors to the most recent financial crisis. Note, the material from chapters 4 and 5 is essentially “Present Value” (i.e. the time value of money). If you have previously taken a finance course, this will be review material.

This course material is composed from a mix of both economic theory and applications.. The theory is intended to give you a methodical way to grasp the mechanics of the banking system as a whole, while the applications are intended to assist you in making sound financial decisions.

Learning objectives: At the end of this course, students should be able:

• to define money and to understand its use

• to calculate interest rates for simple present value equations.

• to predict how interest rates change in response to various changes in the economy

• to explain the events that led to the subprime crisis

• to understand the importance of regulations in the banking system

• to explain the various functions and roles of the Federal Reserve

• to explain how banks create money without actually printing currency

• to predict how monetary policy influences inflation, production and employment

Cheating:

Don't cheat. Any case of cheating, including looking at another student’s test booklet while taking an exam will be referred to Judicial Affairs. Working with fellow students on homework assignments, however, is not cheating and is encouraged.

# Disability Accommodations:

# *Cal State Channel Islands is committed to equal educational opportunities for qualified students with disabilities in compliance with Section 504 of the Federal Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA) of 1990. The mission of Disability Accommodation Services is to assist students with disabilities to realize their academic and personal potential. Students with physical, learning, or other disabilities are encouraged to contact the Disability Accommodation Services office at (805) 437-8510 for personal assistance and accommodations.*

Please see next page for Course Schedule.

Course Schedule: Subject to changes as necessary through the semester. For example, I may push a HW due date back, but never forward. The exam dates and review session dates will not change.

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| --- | --- | --- | --- |
| **Date** | **Lecture topic** | **Textbook reading** | **HW Due**  |
| 25 Jan. | Why study money, banking, and the financial markets | Chapter 1 |  |
| 1 Feb.  | An overview of the financial system | Chapter 2 |  |
| 8 Feb. | What is money? | Chapter 3 | HW1 |
| 15Feb. | Understanding interest rates | Chapter 4 |  |
| 22 Feb. | The behavior of interest rates | Chapter 5 | HW2 |
| 29 Feb. | An Economic Analysis ofFinancial Structure | Chapter 8 |  |
| 7 March | Banking and the Management of Financial Institutions , Review | Chapter 10 | HW3 |
| **14 March** | **Midterm Exam** |  |  |
| 21 March. | No Class: Spring Break  |
| 28 March | Economic Analysis of Financial Regulation | Chapter 11 |  |
| 4 April | Banking Industry: Structure and Competition | Chapter 12 | HW4 |
| 11 April | Financial Crisis, Too Big to Fail Movie | Chapter 9 |  |
| 18 April | Central Banks and the Federal Reserve System, Finish Too Big to Fail Movie | Chapter 13 | HW5 |
| 25 April | The Money Supply Process | Chapter 14 | Term Paper Due |
| 2 May | Tools of Monetary Policy | Chapter 15 |  |
| 9 May | Conduct of Monetary Policy, Review | Chapter 16 | HW6 |
| **16 May** | **Final Exam (4:00– 6:00pm)** | **Chapters 9, 12, 13, 14, 15, 16** |  |