

Moravian College Fall 2006
EC 320 Course Syllabus
Money, Banking and Financial Markets

Instructor: Dr. James P. West, Professor, Department. of Economics and Business, Moravian College.

Office: 215 Comenius Hall, Phone: 610.861.1381; e-mail westJ@moravian.edu

Office Hours: M,W 1:00 – 2:30; T, 10:30 – 11:30 or by appointment

Course Description: History and theory of banking; structures of commercial banking; bank management; money and capital markets. History of central banking, monetary theory and domestic monetary policy. Debt management and liquidity policy. Sources and uses of funds. Current international economic policies and programs to maintain economic stability, economic growth and other goals.

Course Objectives: The purpose of this course is to provide you with a comprehensive introduction to the field of Money and Banking. Financial events dominate today's business news and a clear understanding of the organization of financial markets and institutions is essential to all business and political decision makers. It is my objective to help you gain that understanding and to develop a lasting interest in the subject of financial economics. In addition to the material discussed in the text, the quickly changing financial environment will be monitored during the semester by using the Wall Street Journal and other financial periodicals. Specifically students will:

- Understand the function and evolution of money and payments system
- Understand the role of financial markets and institutions including the important role of financial intermediaries.
- Understand and apply economic analysis surrounding security prices and interest rate determination.
- Gain an appreciation of the role of Central Banks esp. the Federal Reserve System.
- Understand the process by which the Fed devises and implements monetary policy
- Utilize macroeconomic models to show the impact of money policy on macro variables
- To become familiar with the international financial system, including an historical perspective, operation of markets, the evolution of institutions
- To apply tools of analysis to study historical and current problems including early bank panics, the Great Depression, Stagflation, the market crashes of 1987 and 2001-2 as well as the contemporary economy.

Required Texts:

1). The Economics of Money, banking, and Financial Markets, 8th Alternate Edition , Frederic Mishkin, Pearson Addison Wesley Publishers, 2007.

2). The Wall Street Journal

(Revised 9/7)

Grading:

Attendance and active participation is required and will be incorporated into the class grade along with quizzes and homework. More than 3 absences (70-minute classes will be penalized 1 grade (+-). Lateness to class is disruptive and counts as ½ absence.

There will also be four exams at 15 % each, the Final Exam at 25% and 15% for class grade and “Revolutions in Finance (to be detailed in class). Exams must be taken as scheduled. The Academic Honesty Policy is followed for this class and is detailed in the College Catalog and Student Handbook. This syllabus is subject to change with notice.

Money and Banking Assignment Schedule

- The week of : 8/29 Introduction to Money, Banking and Financial Markets- Chapter 1
- 9/5 An Overview of the Financial System; What is Money? – Chapters 2, 3
- 9/12 Review and **Test 1.** Understanding Interest Rates? – Chapter 4
- 9/19 Interest Rates Continued; The Behavior of Interest Rates – Chapter 5.
- 9/26 The Risk and Term Structure of Interest Rates. Chapter 6.
- 10/3 Market Efficiency and the Stock Market Chapter 7.
- 10/ 10 Review of Interest Rates (10/8-10/12 Fall Recess- no class 10/10)
An Economic Analysis of Financial Structure – Chapter 8
- 10/17 **Test 2.** Banking and the Management of Financial Institutions). Chapter 9.
- 10/24 Banking Industry: Structure and Competition. Chapter 10. Economic Analysis of Banking Regulation. Chapter 11
- 10/31 Nonbank Finance Chapter 12. Review
- 11/7 **Test 3.** Structure of Central Banks and the Federal Reserve System the Money Supply Process. Chapters 15 & 16.
- 11/14 The Fed continued. Money and Monetary Policy Chapters 17, 18, 19. Review.
- 11/21 **Test 4.** 11/23 No Test – Thanksgiving break.
- 11/28 International Finance. Chapters 20 & 21 Monetary Theory Introduction.
- 12/5 Monetary Theory: Aggregate Supply and Demand; The Challenges of Monetary Policy. Chapter 22 & 23. 12/7 Last class. Review for Final.
- 12/13-19 Final Exam** as scheduled by the Registrar.