

Moravian College Fall 2007
EC 320 Course Syllabus
Money, Banking and Financial Markets

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

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Office Hours: M, T, W, TH 1:15-2:15 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 _ Frederic Mishkin, Pearson Addison Wesley Publishers, 2007.

2). The Wall Street Journal

Grading and Class Policies:

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 two exams and the Final Exam at 30% each and 10% for class grade. 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 :

- 8/28 Introduction to Money, Banking and Financial Markets- Chapter 1
- 8/30 Overview of the Financial System – Chapters 2

- 9/4 What is Money? - Chapter 3
- 9/6 Understanding Interest Rates? – Chapter 4

- 9/11 Interest Rates Continued; The Behavior of Interest Rates – Chapter 5.
- 9/13 The Risk and Term Structure of Interest Rates. Chapter 6.

- 9/18 Market Efficiency and the Stock Market Chapter 7.
- 9/20 An Economic Analysis of Financial Structure – Chapter 8

- 9/25 Review for Test 1 – Financial Markets and Institutions
- 9/27 Exam 1 (Chapters 1-8)

- 10/2 Banking and the Management of Financial Institutions). Chapter 9.
- 10/4 Notes on the Banking Industry: Structure and Competition. Chapter 10.
Economic Analysis of Banking Regulation. Chapter 11

- 10/9 Fall Break – Relax (the worst is yet to come)
- 10/11 Structure of Central Banks and the Federal Reserve System – Chapter 12

- 10/16 The Money Supply Process. Chapter 13
- 10/18 Determinants of the Money Supply – Chapter 14

- 10/23 The Tools of Monetary Policy - Chapter 15
- 10/25 Goals, Strategies and Targets of Central Banks – Chapter 16

- 10/30 Review for Exam 2
- 11/01 Exam 2 (Chapters 9-16)

- 11/6 The Foreign Exchange Market – Chapter 17

- 11/01 The International Financial System – Chapter 18
- 11/6 Chapter 18 continued.
- 11/8 Monetary Theory Introduction: The Demand for Money – Chapter 19
- 11/13 The IS-LM Model : A Brief Overview – Chapters 20 & 21.
- 11/15 Monetary Theory: Aggregate Supply and Demand - Chapter 22
- 11/20 No class –Happy Thanksgiving
- 11/22 Chapter 22 (AS-AD) continued
- 11/27 The Challenges of Monetary: Transmission Mechanisms – Chapter 23
Policy. Chapter 22 & 23. 12/7 Last class. Review for Final.
- 11/29 Money and Inflation – Chapter 24
- 12/4 Rational Expectations: Implications for Policy – Chapter 25
- 12/6 Review for Final Exam
- 12/12-19 Final Exam** as scheduled by the Registrar.