

MORAVIAN COLLEGE

DEPARTMENT OF ECONOMICS & BUSINESS

ECONOMICS 220: MONEY, BANKING & FINANCIAL POLICY

COURSE SYLLABUS-FALL 2015

PROFESSOR: DR. JAMES WEST

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Office Hours: MW 10:30-11:30; TTH 1:00-2:00 and by appointment

Texts: *Required:*

The Economics of Money, Banking & Financial Markets, by F. Mishkin, 11th Edition, Addison Wesley Publishers, 2016. ISBN: 978-0 383679-0.

Materials posted to Blackboard and MyEconLab Websites.

Recommended: *The Wall Street Journal, Bloomberg*

Course Description: Economics 220. Money, Banking, and Financial Policy. History and theory of money, banking and financial markets: commercial banking and bank management; money and capital markets; financial innovation and regulation. Central banking, monetary theory and policy and international monetary issues are covered. A critical examination of current monetary and regulatory policies to maintain economic stability, economic growth, and other goals. Prerequisite: Economics 152. Fall. *Leeds, Terrizzi, West*

Course Objectives: The purpose of this course is to provide you with a comprehensive introduction to the field of Money, Banking, and Financial Markets and Policy. Financial events dominate today's business news and a clear understanding of the organization of financial markets and institutions is essential to all citizens and especially 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, especially the Crash of 2008 and the 'Great Recession' as well as financial issues the contemporary global economy.

Grading and Course Policies:

Term Exams 3 @ 20% each	=60%
Final Exam @ 30%	=30%
Class Grade (attendance, quizzes)	<u>=10%</u>
	100%

Important Class Policies: All exams must be taken as scheduled. Excused make-up exams are subject to penalty to compensate for the extra study time. Quizzes, announced or unannounced, cannot be made up and may be incorporated into exam grades. Attendance and punctuality are expected and will be factored into the class grade. Leaving and re-entering class, while sometime necessary, should not become routine. It is disruptive and discouraged. Cell phones are to be silenced, out and out of sight during class and may not be used for exams. You may bring a

calculator. University policies regarding academic honesty are enforced and can be found in the student handbook. Only drinks – no food – are permitted in the class room. Thank you.

Notice: "Students who wish to request accommodations in this class for a disability should contact Ms. Elaine Mara, Assistant Director of Academic & Disability Support, located on the first floor of Monocacy Hall (extension 1401). Accommodations cannot be provided until authorization is received from the Academic Support Center."

Class Schedule

Week of:

August 31 Introduction: Why Study Money and the Financial System, - contemporary issues in finance and monetary economics. Chapters 1 Mishkin text.

September 7 – An Overview of the Financial System and the Definition of Money. Chapters 2 & 3 Mishkin Text. (September 8 is the last day for course changes)

September 14 – The Meaning and Behavior of Interest Rates. Chapters 4 and 5 Mishkin Text.

September 21 – The Risk and Term Structure of Interest Rate. Chapter 6. The Stock Market. Efficient Markets Theory and Rational Expectations. Chapter 7 Text

September 28 –. Review for Exam 1. **Exam One Wednesday, September 30. Chapters 1-7 plus notes.**

October 5 - An Economic Analysis of Financial Structure. Chapter 8 Text. Banking and bank and financial institution management. .Chapters 8 & 9 Text.

October 12 – (Monday October 12 No Class Fall Recess); Banking regulation. The banking industry structure and competition. Chapter 10 & 11 Text

October 19 – Non bank finance. Financial crisis, Chapter 11 text.

October 26 – Review for exam 2. **Exam 2, Chapters 9-12 plus notes**
Monday October 26.

November 2 – Central Banks and the Federal Reserve Systems. Chapter 12. The Money Supply Process and the Role of Monetary Policy. Chapters 13 & 14. (November 6 is the last day to withdraw with a grade of 'W')

November 9 - Tools of Monetary Policy; Strategy and Tactics. Chapters 15, 16

November 16 –The Foreign Exchange Market, 17 and Review for Test 3.

November 23 – **Exam 3 Chapters 12-17, and notes.** No class Thursday, November 26 Thanksgiving Break.

November 30 – International Monetary System. Chapter 18 text. An Overview of Monetary Theory, Chapter 22 and Notes from Part 6 of the text.

December 7 – **Review for final exam** (Classes end December 11)

Final Exams – December 14-18- The final exam is selectively comprehensive.