

Economics 490: MONEY AND BANKING

(T 7-9:40pm)

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San Diego State University
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Office hours: Tuesday 3:30pm – 4:30pm
Wednesday 10:00am – 3:00pm

Course Description:

This course introduces you to financial markets and monetary theory. By the end of the course, you should have a broad understanding of the structure of credit markets in the U.S. today and of the importance of money in economic activity. We will begin by exploring the rapidly-evolving financial markets that provide credit to people and businesses. Next, we will examine the functions of central banks, established by governments to control financial markets and the quantity of money circulating in those markets. Finally, we will consider models that attempt to explain why money and credit are so important to the health of the economy. Throughout, we will consider how this information helps to explain current events in the world's financial system and how it influences actions taken by policymakers.

Text and other reading:

The structure of the course follows *The Economics of Money, Banking, and Financial Markets*, Seventh edition Update, by F. S. Mishkin which is available at the SDSU bookstore. This book is a packaged bundle that also includes a mandatory subscription to the *Wall Street Journal* (WSJ) and *dismal.com*. We will cover almost the entire book this semester and your paper and assignments will require access to the WSJ and *dismal.com*.

The book is listed at the bookstore as: **ECONOMICS MONEY, BANKING & FIN MKTS 7th UPDT w/ ACCESS CODE & 2 SUBSCRIPTIONS MISHKIN / ADDISON WESLEY PUBLISHERS / S / 06**

Prerequisites: Economics 101, 102, and Accountancy 201 (230).

Web resources:

The class website will be available through the Blackboard CourseInfo server, at <http://blackboard.sdsu.edu/>. When you officially enroll in this class at SDSU, you are automatically enrolled in the class Blackboard website. **To login**, use the same information you use to access WebPortal. Your **username** is your Red ID and your **password** is your University PIN. If you wish to change your University PIN, please contact SDSU e-services at <http://www.sdsu.edu/e-services/>. PIN changes will be recognized by Blackboard within 24 hours.

There is also a textbook website at www.aw.com/mishkin. It would be a good idea to familiarize yourself with this website since it has some useful tools for students (such as online quizzes).

Course Requirements, Exam Dates, and Grading:

Grades for the course are based on 3 exams (two midterms and a final), 2 assignments, in-class participation, and an FOMC report. The exams focus on specific section of the course, while the final exam is cumulative (covers all of the material in the class). Final grades are determined as follows:

Assignments	10%	(5% each)
FOMC report	10%	
Participation	10%	
Midterm Exams	50%	(25% each)
Final Exam	<u>20%</u>	
	100%	

Make-up exams/Late Policy: There are no make-up exams. If you must miss one of the mid-term exams, you **must let me know in advance** and your final exam will be given extra weight. You may not miss more than one midterm exam and **you must take the final exam**. The final exam is set by the University and cannot be changed. Late assignments will be marked down a letter grade for each day late. Grades on assignments turned in late on the day they are due (e.g., more than an hour after the end of class) will be reduced one-third of a letter grade. Once the answer key is posted online, no credit will be given to late assignments. No exceptions will be made.

Participation: Participation will be based on: 1) the best 3 of 5 in-class quizzes 2) solving book problems on the blackboard and 3) in-class group exercises. Further details will be announced in class.

Fed paper: You will prepare a briefing document for the June FOMC meeting. The 5-8 page paper will summarize the current state of the economy and draw conclusions about appropriate monetary policy. You will receive more details later.

Important dates:

Tuesday, February 21	Assignment #1
Tuesday, February 28	Exam #1
Tuesday, April 11	Assignment #2
Tuesday, April 18	Exam #2
Monday, May 15	Fed project
Tuesday, May 16	Final Exam

Other Issues:

Academic misconduct: Academic dishonesty includes plagiarism and cheating. Your work must be your own, and you must give credit for ideas from other sources. During an examination, looking at someone else's paper or telling someone else the answer is considered cheating.

Classroom conduct: Please turn off you cell phones before class begins. Arriving late, leaving early, and talking during class can be disruptive to the instructor and to other students and should be minimized.

Schedule:

The following schedule is provided to give you a rough idea of the lectures and readings covered this semester. The exam dates, number of exams, assignments, quizzes, and material covered are **all tentative** and are subject to change.

Date	Reading	Topic	Key Dates
January 24	Chapter 1	Introduction to Money and Banking	
January 31	Chapters 2 -3	Overview of the Financial System; What is Money?	Quiz #1
February 7	Chapter 4	Understanding Interest Rates	
February 14	Chapters 5-6	The Behavior of Interest Rates; Risk and Term Structure of Interest Rates	Quiz #2
February 21	Chapters 9- 10	Banking and Management of Financial Institutions; The Banking Industry: Structure and Competition	Problem Set #1 2/21
February 28	Exam	Catch-up, Review and Exam	Exam #1 2/28
March 7	Chapter 14	Central Banks and the Federal Reserve System	
March 21	Chapter 15	The Money Supply Process	Quiz #3
March 28	Chapter 16	Determinants of the Money Supply	
April 4	Chapters 17- 18	The Tools of Monetary Policy; The Conduct of Monetary Policy	Quiz #4
April 11	Chapter 19- 20	The Foreign Exchange Market, The International Financial System	Problem Set #2 4/11
April 18	Exam Chapter 22	Exam; The Demand for Money	Exam #2 4/18
April 25	Chapter 25	Aggregate Demand and Supply Analysis	
May 2	Chapter 26	Transmission Mechanisms of Monetary Policy: The Evidence	Quiz #5
May 9	Chapter 27	Money and Inflation	
May 15	Fed paper		Due by 5pm in NH305
May 16	Final Exam		Final Exam