CALIFORNIA STATE UNIVERSITY, SACRAMENTO
DEPARTMENT OF ECONOMICS

ECON 135 – Money and Banking
SUMMER 2009

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Course web page: econ.aplia.com			Office Hours:	Mondays 4-5p.m.,
Aplia course key:				or by appt.

General Information

Lecture:	MW 5:30-9pm		Call No.:	50282
Section:	01		Prerequisite:	ECON 1A or ECON 104

Catalog Description

The analysis of money supply determination; the interaction of the money-using public, commercial banks, and the Federal Reserve System; introduction to monetary theory and the impact of money on the level of economic activity; evaluation of monetary policy. 3 units

Scope and Objectives

This course is designed to provide students with an understanding of the nature of money, the commercial and central banking system, and the role of money and monetary policy. This includes analysis of money supply determinants and the interaction of the money-using public, commercial banks, and the Federal Reserve System. In addition, the course provides an introduction to monetary theory and the effect of money on economic activity.

At the end of this course, you should be able to:
(i) analyze how interest rates are determined and understand their importance as economic indicators and in the transmission of monetary policy
(ii) examine financial market efficiency and the role of asymmetric information
(iii) understand the structure of the banking system and how it has evolved over time
(iv) discuss central banking in the U.S. and how monetary policy affects financial markets and the economy as a whole.

By the end of the semester, you will have a general understanding of financial markets, monetary policy, and how the financial system is connected to the macroeconomy.

Required Textbook and Online Registration

Mishkin, F. (2007). *The Economics of Money, Banking and Financial Markets,* (8th ed.) Addison-Wesley. ISBN: 0-321-2846-6.
Aplia (econ.aplia.com). Registration instructions are attached.

Grading

Your grade will be determined according to the following weighting scheme:

Homework	35%
Participation/Attendance	10%
Two term exams	55% (30% for higher exam score, 25% for lower)

Grades will be distributed according to the following scale:

A	90 or above	C	68-78	F	Less than 57
B	79-89	D	57-67		

Assignments and Participation	▪ Homework will be completed in an online interactive format and will require reliable (high-speed) internet access. Assignments will be completed at the Aplia web site. I encourage you to use the on-campus computer labs or other source with a high-speed internet connection. Computer problems <u>are not</u> an excuse for missing assignments.
	▪ **No late homework will be accepted.** Due dates for all assignments are posted on Aplia in advance. It is not possible to extend time for assignments after the due date. If you add the course late in the semester, you cannot makeup work you have missed.
	▪ Give yourself ample time to complete the assignments. These assignments are challenging and important both for your homework grade and your performance in the class. Most assignments have accompanying optional practice problem sets. I encourage you to spend time working through them carefully and to seek out help from me, a classmate, or an economics tutor when you encounter problems.
	▪ Answer keys for all material will be available online on Aplia immediately after the due date and time. Please be sure to review your problem sets before exams.
	▪ The attendance/participation grade will be based on your participation in class discussion, and well as your responses to in-class assignments. You may not make-up missed in-class assignments.
Policies	1. Academic honesty is expected. I encourage you to work together on assignments and to help each other in studying, however, work submitted for a grade must be that of the individual student. You will receive a mark of zero on any work (including exams) where cheating or plagiarism occur. Students suspected of cheating will be reported to Judicial Affairs. Please review the *University Policy Manual*.
	2. You are responsible for bringing a scantron form (#882-E or similar) on the day of exams. Exams will be closed book and given in class.
	3. There will be **no makeup examinations**. Exam dates are given in the course outline below and are on posted online. This is to avoid any potential conflicts.
	4. Attendance is highly recommended. If you miss a class, be sure to check with your fellow classmates, and the course web page to see what material you missed.
	5. Come to class on time; you will not be given extra time if you are late for an exam.
	6. If you decide to withdraw from this class, make sure you do so with the registrar. If you withdraw without permission, you will be assigned a failing grade. Students will not be assigned a grade of "WU".
	7. In order to be assigned a grade of "I", the student must: complete satisfactory progress both up through the drop deadline in the course and up to the point when the student requests an incomplete grade be assigned, and the student's request must meet the conditions provided in the *University Policy Manual*.
	8. Keep cell phones and laptop computers shut off during class. During exams, you <u>may not</u> use your cell phone as a calculator. You <u>must</u> bring a calculator without programming capabilities. Financial and graphing calculators are not permitted.
	9. If you have a learning disability or a physical disability that requires accommodation, please let me know as soon as possible. All needs that have been verified through the Services to Students with Disabilities (Lassen Hall) will be accommodated. Requests for special testing accommodations must be given to the instructor at least one week prior to the exam date.

Tentative Course Outline

	Dates	**Topic**	**Reading**
Week 1	June 1st	Introduction to the Course	Chapter 1
		Lecture 2: An Overview of the Financial System	Chapter 2
		Lecture 3: What Is Money?	Chapter 3
	June 3rd	Lecture 4: Understanding Interest Rates	Chapter 4
Week 2	June 8th	Lecture 5: The Behavior of Interest Rates	Chapter 5
		Lecture 6: The Risk and Term Structure of Interest Rates	Chapter 6
	June 10th	*****No class meeting*****	
		Lecture 6, continued (online lecture)	
Week 3	June 15th	Lecture 7: The Stock Market, the Theory of Rational Expectations, and the Efficient Markets Hypothesis	Chapter 7
		Exam #1 Review	
	June 17th	**Exam #1:** Lectures 1-7	
Week 4	June 22nd	Lecture 10: Banking and Management of Financial Institutions	Chapter 9
		Lecture 11: Banking Industry: Structure and Competition	Chapter 10
	June 24th	Lecture 12: Structure of Central Banks and the Federal Reserve	Chapter 12
		Lecture 13: Multiple Deposit Creation and the Money Supply	Chapters 13-14
Week 5	June 29th	Lecture 13, continued	
		Lecture 14: Tools of Monetary Policy	Chapter 15
	July 1st	Lecture 15: Monetary Policy Goals and Strategies	Chapter 16
		Lecture 16: The Monetary Transmission Mechanism	Chapter 23
Week 6	July 6th	Lecture 16, continued	
		Exam #2 Review	
	July 8th	**Exam #2:** Lectures 10-16	