

ECO 215 Money & Banking
Department of Economics, Queens College
City University of New York

Spring 2006

Instructor: Kazuhisa Matsuda

Office: Room 300B, Powdermaker Hall

Office Hour: Tuesdays & Thursdays 12:00 – 12:30 PM

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Class Schedule

Section/Code	Days & Time	Room
8T3RA/2532	Tue/Thu 8:00 – 9:15 AM	PH 132

Course Objectives:

This course is designed as a medium level economics course (between an introductory course and an advanced course) which deals with a combination of finance and macroeconomics for economics, business, and accounting majors. Prior knowledge of finance and economics are very helpful for this course (look at the prerequisites).

Broadly speaking, this course consists of three parts. Part 1 covers a detailed mechanics of financial instruments, money, interest rates, risk concept, and a brief overview of the role of financial intermediaries and institutions. You will learn the familiar topics like stocks, bonds and interest rates in detail. Part 2 covers the mechanics of the banks and central banks (Federal Reserve System in U.S.). Institutional structure of banks, the balance sheet activities of banks, and banks' role in the process of money creation are discussed. You will learn also the structure and the role of Fed which will not be covered in finance course. Part 3 covers a monetary policy. Starting from what the monetary policy is, its implementation, its goals, and its use and effectiveness to attain the goals will be dealt. We will talk about the difference between the Keynesian and Monetarist views of monetary theory. Key issues are the cause and effect of inflation and how to stop it if possible.

The course emphasizes the economic way of thinking by developing a unifying framework to study financial markets. In other words, you are going to learn the method not the result. This is really important because you can apply the method to any subjects but you can apply the result to a very limited range of subjects. For this purpose, we will have numerous case studies during the semester.

Required Text:

Title: The Economics of Money, Banking, and Financial Markets, Update plus MyEconLab Student Access Kit, 7/E

Author: Frederic S. Mishkin

Publisher: Addison-Wesley

ISBN: 0-321-33185-0

Matsuda's comment: This book is an updated version of the textbook below. This has been just issued on 7/22/05.

or

Title: The Economics of Money, Banking, and Financial Markets plus MyEconLab Student Access Kit, 7/E

Author: Frederic S. Mishkin

Publisher: Addison Wesley

ISBN: 0-321-20049-7

Matsuda's comment: This is fine, too. You can get used books much cheaper.

*6th Edition is fine, too. I recommend you read the textbook and try some application questions.

Required Calculator:

Texas Instruments BAI PLUS. There are several different versions of this series. I bought the one which cost \$30 at Staples. It solves every question you meet in this course. It is also CFA (Chartered Financial Analyst) exam certified.

Course Web Site:

<http://www.maxmatsuda.com> You can get everything you need (handouts and this syllabus) and much more at my website.

Stock Trading Simulation Game:

You are going to spend some time for managing a portfolio of stocks. Don't worry. No real money is at stake. Students are required to work as a team in many case studies because of the importance of the ability to be a member of a team and contribute to the team like any other corporate settings. I will give you the details about the rules of the team later.

Make-up Exam Policy:

Make-up exams will be allowed only in extenuating circumstances. Every effort should be made to take the test as scheduled. All make-ups must have the instructor's approval.

Prereq:

ECON 101 or ECON103 and ECON102 or ECON104

Course Grades:

In terms of exams, you will have one mid-term exam and one final exam. Other components of your grade include series of assignments, 3 (surprise) quiz, the result of stock trading simulation game, and the attendance.

Grade Component

	Date	Marks	Weight	Length	Cumulative
Midterm Exam	3/23 Thursday	100	38.5%	75 minutes	Yes
Others			23%		
Final Exam	T.B.A.	100	38.5%	120 minutes	No

Grading system is based on the relative scale, not on the absolute scale. You will be compared to the class mean.

**I expect regular class attendance and participation throughout the semester.*

**These are just plans. These plans are subject to change.*

**The date of final exam is to be announced by the economics department later.*

Course Outline & Required Readings:

- 1) CHAPTER 1: Why do we study money, banking, and financial markets?
- 2) CHAPTER 2: An overview of the financial system
- 3) CHAPTER 3: Everybody loves money, but what is money?
- 4) CHAPTER 4: Understanding interest rates
- 5) CHAPTER 5: The behavior of interest rates
- 6) CHAPTER 6: Risk and term structure of interest rates
- 7) CHAPTER 7: Stock Market
- 8) CHAPTER 9: Banking and the management of financial institutions
- 9) CHAPTER 14: Structure of central banks and the federal reserve system
- 10) CHAPTER 15: Multiple deposit creation and the money supply process
- 11) CHAPTER 16: Determinants of the money supply
- 12) CHAPTER 17: Tools of monetary policy
- 13) CHAPTER 18: Conduct of monetary policy: Goals and targets
- 14) CHAPTER 25: Aggregate demand and supply analysis
- 15) CHAPTER 27: Money and inflation

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