

ECON 354-01 Money and Banking

Summer 2009
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Office Hours

Walk in: Tue/Thu: 12:00pm –2:00pm; 4:30pm-5:30pm; Email: Wed: 12:00pm – 2:00pm and by appointment.

Course Web Page: <http://facstaff.uww.edu/ahmady/courses/econ354/>

This is the web page for the course. Here you can find the course schedule, problem sets, practice exams, and more.

Prerequisites

ECON 201 – Principles of Microeconomics

ECON 202 – Principles of Macroeconomics

Required Resources

1. Aplia: Problem sets and exercises will be conducted using the web site <http://www.aplia.com>. Students are required to register there for this course (use the code **4WC8-9LGY-3J8H**) and the cost is \$35.00. Click on “Sign In” on the top right corner of the webpage to register. Instructions on registering are provided in greater detail, later in the syllabus.
2. Text: Mishkin, Frederick S. (2004), The Economics of Money, Banking and Financial Markets, 7th edition, Pearson/Addison Wesley. ISBN: 0-321-33185-0
3. The Course Homepage: <http://facstaff.uww.edu/ahmady/courses/econ354/>

Course Description and Objectives

This course focuses on money and the banking system and comprises of three main parts. The first part of the course will review money, interest rates and their behavior, concepts like present discounted value and risk. In addition, we will have a brief overview of the institutional arrangements that apply to money, banks and other financial intermediaries and institutions. Part two examines the structure of the financial industry, the operations of monetary policy and its goals. We will review the determinants of the money supply process, the operations of monetary policy and its goals, and the demand for money. Finally, the last part of the course will review monetary theory and the control of modern economies through coordinated monetary and fiscal policy within the context of the IS-LM framework (time permitting).

In covering these topics the following will be emphasized: the development of analytical techniques; the role of money and the intermediation sector within the larger economy; and the interaction of monetary and fiscal policy. This means that questions on the final exam and quizzes (as well as the homework exercises and class experiments) will assess your ability

to develop analytical techniques to better understand the topics, as well as how the various course topics relate to public policymaking.

Course Requirements and Grading

The requirements for this course are the homework problem sets, on-line experiments, end of week quizzes, and one final exam. Although the quizzes will cover topics for the week, the final exam will be cumulative, so you can expect it to cover materials from the course up to the date of the exam.

There will be two grading schemes, in order to minimize the impact of a poor performance on any one assignment. I will use whichever scheme yields the highest grade for each student.

1. Each quiz is worth 15% of your overall grade, the final exam is worth 30%, and homework and experiments account for the remaining 10%.
2. Alternatively, I will drop the lowest quiz score, (still counting the remaining quizzes as 15%), but count the final exam as 40% and the homework and experiments as 15%.

Note: Under either scenario, I will drop your two lowest homework or experiment scores.

Problem sets will be assigned and due every week. Practice problems will be posted, along with graded problem sets. Refer to the subsection “Aplia Assignments”, under *Instructions For Registering On The Aplia Website*, later in the syllabus.

Warnings: The quizzes will be given in class. If you miss a quiz, for any reason, grading scheme (2) will be invoked. **There will be no make up quizzes.** Late homework will not be accepted, graded, or counted. This schedule is not flexible at all, so it is your responsibility to make sure that you can attend all exams.

Please note that whilst students are encouraged to work together on the homework, each student is expected to submit an individual answer, in his or her own words. Generating ideas for homework solutions can be done in collaboration with others; communicating those ideas in the form of your homework submissions must be done individually.

A Note on Letter Grades: Students often worry about what grade they got on a midterm. **Each individual quiz or exam is not assigned a letter grade** because there isn't a direct correspondence between a score on any individual exam and a letter grade because of the grading scheme. **The grade you get for the course** is the outcome of the grading schemes above which award you the higher score.

However, since students worry about letter grades, **an approximation** of letter grades on any particular exam could be categorized as follows:

A:	>=86	C+:	66-69
A-:	82-85	C:	62-65
B+:	78-81	C-:	56-61
B:	74-77	D:	50-55
B-:	70-73	F:	<50

Please note that these are only approximate because in implementing this type of grading method, I am trying to provide students with a certain degree of flexibility in case they don't perform well on any particular day, e.g. due to stress, or other outside influences, etc. In addition, I typically apply a "curve" to the scores at the end of the semester in order to account for things like the length and difficulty of exams etc.

Attendance Policy

Enrollment in this course is taken as a commitment from you that you have made room in your life to fulfill the obligations of this course - coming to class, being there for exams when they are scheduled, etc. I will not record attendance, but you will find yourself at a significant disadvantage if you miss class. **It is the student's responsibility to obtain any materials or information missed due to absence.**

Advice

Homework assignments count for 15% of the grade and you can be sure that midterm and final exam questions will require a thorough understanding of questions found in the homework assignments.

Due to the flexibility of the grading scheme, students can skip two problem sets, and one midterm and still score well. However, I would not recommend attempting to do so. Taking the second midterm or completing the last problem set cannot hurt your grade, and you might learn something.

Policy Statement

The University of Wisconsin-Whitewater is dedicated to a safe, supportive and non-discriminatory learning environment. It is the responsibility of all undergraduate and graduate students to familiarize themselves with University policies regarding Special Accommodations, Misconduct, Religious Beliefs Accommodation, Discrimination and Absence for University Sponsored Events. (For details please refer to the Undergraduate and Graduate Timetables; the "Rights and Responsibilities" section of the Undergraduate Bulletin; the Academic Requirements and Policies and the Facilities and Services sections of the Graduate Bulletin; and the "Student Academic Disciplinary Procedures" [UWS Chapter 14]; and the "Student Nonacademic Disciplinary Procedures" [UWS Chapter 17].

Course Outline

This course outline is tentative and I reserve the right to amend the schedule as I see fit. These changes will be announced in class and posted on the course webpage. We will cover as many topics as time permits, which in turn will depend on the pace of the class.

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| 1. Introduction and Course Overview | Chapters 1 – 2 |
| 2. Review of Aggregate Demand and Supply | Chapters 23, 25 |
| 3. Introduction to Money and Interest Rates and PDV | Chapters 3-4 |

Interest Rates and Asset Pricing

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| 4. The Behavior of Interest Rates: | Chapter 5 |
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| 5. Risk and Term Structures: | Chapter 6 |
| 6. Rational Expectations and Market Efficiency: | Chapter 7 |

Money:

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| 7. Central Banks, Multiple Deposit Creation & Institutions: | Chapters 14-15 |
| 8. Money Supply Determinants: | Chapter 16 |
| 9. Tools and Goals of Monetary Policy: | Chapters 17-18 |
| 10. The Demand for Money: | Chapter 22 |

Monetary Theory and Policy:

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| 11. The IS-LM Framework: | Chapters 23-24 |
| 12. Monetary & Fiscal Policy and The Transmission Mechanism: | Chapters 25 - 26 |
| 13. Money and Inflation: | Chapter 27 |
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Exam Schedule

This is the exam schedule. All exams will be held in the regularly scheduled classroom, unless otherwise noted. The quizzes will (tentatively) be given on the 4th, 11th, 18th, and the 25th of June. The final exam will be on Thursday, 2nd of July 2009.

Note: It is your responsibility to make sure that you can attend all exams.

Instructions For Registering On The Aplia Website



Weekly homework assignments are found on the Aplia website. These assignments will collectively count for **15%** of your grade. The Aplia site requires a separate registration process. Here are the steps for **first time users**:

Registration Instructions

1. Connect to <http://www.aplia.com> .
2. Click the System Configuration Test link below the Sign In and Register sections to make sure you can access all of the features on Aplia's website. This takes just a few seconds and tells you how to update your browser settings if necessary.
3. Return to <http://www.aplia.com> .
 - If you have never used Aplia before, click the New Student button to register and follow the registration instructions.
 - If you have used Aplia before, sign in with your usual e-mail address and password. If you are not prompted for a new Course Key, click the Enter Course Key button to enroll in a new Aplia course.
4. During registration, enter your course key: **4WC8-9LGY-3J8H**
5. If you understand your payment options, pay now. Otherwise, postpone your purchase decision by choosing the option to pay later. Your payment grace period ends at midnight on 06/04/2009.

You will only need to register once. After the registration process is complete, you will not need to enter the course key again. For technical problems or problems signing in, please send Aplia an e-

mail by clicking on the "Help" link in the upper-right corner of any page or by e-mailing support@aplia.com.

Student benefits: By completing regular work in association with the lectures, you will better prepare yourself for the lectures and exams in the course. Cramming is not an effective method of learning. Think of the regular assignments on Aplia as a weekly Economics workout. Practicing and applying what you are learning from Aplia and lecture will better prepare you for class.

Aplia assignments: Many assignments come in pairs of practice and graded problem sets. The practice sets give you immediate feedback about whether your answer is right or wrong and an explanation of the correct answer. They are not counted as part of your homework grade. Use them to check your understanding of the material. If you are confident, you can go directly to the graded problem set, and refer back to the practice set only if you want some additional help.

The graded problem sets have a firm due date. You can change your answers as many times as you like before the due date has passed. Once the due date has passed, the grade will be recorded and it will not be possible to change your answers or complete the assignment at this point. In other words, Aplia assignments must be completed by the due date. The software does not care whether you have an excuse or not. These assignments are posted weeks in advance. Do them early to avoid any emergencies preventing your completion before the due date. After the due date, you will be able to see the correct answers and the explanations for graded problems.

The cost of Aplia is **\$35** per student for this class for the semester. You may register and use the website until **6/04/2009** without paying the fee. If you are considering dropping this course during the drop/add period, do not make a payment until you are sure. You will need to pay the full amount before the end of the grace period to continue using the site. You may pay online with a credit card or personal check, or you can mail a check or money order to the address provided on the Aplia site.

If you have questions about registering or using the Aplia website, please contact Aplia by clicking the Aplia Support link at the bottom of any Aplia page or by e-mailing support@aplia.com. You will receive a response in one business day.

Disclaimer: *I am not financially affiliated with Aplia and receive no monetary benefit from requiring this material.*