



**COURSE SYLLABUS
ECO431: MONEY AND BANKING**

Instructor: *Samuel M. Jung, PhD (Economics), MBA (Intl. Finance & Bus), & Assistant Professor*
Meets in Sperry center room 308 at 03:00 P.M. to 04:15 P.M. on Mon and Wed

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Office Hours: Mondays 1:00 pm - 2:00 pm
Wednesdays: 1:00 pm – 2:00 pm
Fridays: 1:00 pm – 4:00 pm
By appointment

Course Objective: An analytical, institutional, and historical examination of the monetary system of the United States with particular attention paid to the operation of commercial banks, and to the powers, purposes, Global Financial Crisis, Non-conventional monetary policy, The market for reserves, and performance of the Federal Reserve System. The influence of the quantity of money on the level of economic activity will be considered.

Prerequisite: ECO300 Macroeconomic Theory

Required Textbooks: Mishkin, F. and Eakins, S. Financial Markets and Institutions, 11th edition, 2015 Pearson

Optional Textbooks & Suggested readings:

- ✓ MyLab Economics (Pearson)
- ✓ Wall Street Journal
- ✓ Assigned readings for each week

On occasion, I may distribute in class or place on reserve in the library relevant news articles. I will discuss pertinent news events in class periodically. Highly informative and interesting videos will be shown during lecture.

Learning Objectives: This course provides understanding of the fundamental principles that govern financial markets, the instruments that trade on them, and the financial and governmental institutions that use or support these markets.

1. Students will be able to explain the role and the benefits of financial intermediaries.
2. Students will be able to discuss the nature, determination and role of interest rates.
3. Students will be able to explain the history and structure of the Fed and compare it to other central banks. Students will be able to discuss the tools of monetary policy.
4. Students will be able to list the types of financial assets available and discuss briefly the principles, which guide their selection as part of a portfolio of assets.
5. Student will be able to understand the issues and articles related to other countries' monetary policy and financial markets.

Note: The lecture series and readings are not designed to simply duplicate each other. While they overlap and are to some extent complementary, each is an independent entity, and the student will find that the lectures do not cover many points in the readings, and lectures will introduce arguments not contained in the readings. You must be responsible and take both readings and lectures seriously and not view them as substitutes

Student's Responsibilities

Attendance Policy: Attendance and class participation are worth 10 points of your final grade. Attendance is mandatory.

How to Make an Effective Use of the Text: The textbooks and required readings are essential source of the basic information needed to succeed in this course. It helps you to organize your ideas enhancing your learning experience. The relationship between your course materials, assignments, homework, exams, and lectures is interdependent. I expect that you study the material before each class. You should take notes, write summaries of key concepts and main ideas for each chapter covered, and work on problems at the end of each chapter. Think about the application of what you have read and learned in class and actively engage with the material to develop deeper understanding and thinking. It is highly encouraged that you form study groups that meet regularly to discuss, review, and think about the material.

Expectations: Students are expected to read the syllabus and to develop an understanding of the policies adopted. You have to be aware and take ownership of your own learning. I expect students to attend all classes, to come to class on time and prepared, to do all work on time, and to behave appropriately in class. I will often ask questions in class and I expect you to answer. I also expect that you raise questions of your own. I expect that you are willing to work hard and push yourself to a level you did not think you could reach. Students who prefer to skip class, arrive late, gab on the cell phone, and so on, should find another class. In order to do well, you must **keep up** with the readings and assignments. You are expected to attend all classes and review sessions and to raise questions in class or during office hours when you are having problems with the material. All concerns about grades or issues related to this course should be expressed in a timely manner and prior to the end of the semester. Do not wait until the week of an exam to seek help. I will do my best to help each of you to achieve the grade you desire, but we will succeed only if you put in the requisite effort. In this course, there is a high probability that if you attend all classes, correctly complete assignments on time, follow the policies described in this syllabus, and participate in class you will succeed.

Studying & Seeking Help: If you need help ask! I expect you, as adults, to take responsibility for your education by actively engaging with the material and studying on a regular basis to increase your knowledge and understanding. You should recognize that the learning process takes place in and out of class. You should take notes in class and while reading course materials to facilitate your

understanding and organize your thoughts, review them on a regular basis and keep up with the readings and assignments. Planning, organization, and reflection on what it takes to learn are an integral part of the learning process. However, these do not necessarily guarantee that you will achieve your goals. You should put effort and play an active role asking questions and taking responsibility for your own learning.

Assignments: The assignments will be announced in class and posted on blackboard one week before they are due. It is your responsibility to keep up with assignments. There will also be announced quizzes. The quizzes are designed to do two things. First, they encourage you to stay on top of the material. Second, they are designed to help you preparing for the exam.

Exams: Exams will be held on the scheduled dates. Only the final exam is “comprehensive” in the sense that some questions on the exam will concern material covered earlier in the course. Exams may include multiple choice, and essays. I will grade in terms of percentage of possible points. The exam dates are listed in the class schedule. Plan accordingly.

Group Project & Presentation: Each group member must present for approximately 8 minutes. You must be present for ALL (other groups’) presentations. You must make at least one comment on the material/subject that is presented. Part of your overall presentation grade is being engaged in the other presentations. The use of PowerPoint or other presentation programs is highly encouraged, and you are welcome to use the board. Each member must also submit a detailed list of what they contributed to the project and scores for yourself and the other members of your group. A 3-5 Page Report (typed 12 point single space) 2) A PowerPoint (7-12 slides for 8 minutes). References MUST be cited! You must submit both an electronic and a hard copy.

Topic - Macroeconomic Analysis - The topic is relatively open, but narrows quickly. Choose a "current" macroeconomic event, either in the United States or abroad, and analyze the event and consequences, with the tools that you have learned. **You must get your topic approved beforehand, and the same topic can only be done once.**

Bloomberg Market Concepts Certification:

The Bloomberg Terminal integrates the very best in data, news, and analytics. The Terminal is a 24-hour, global financial services system that provides transparent and reliable financial, economic, and government information covering all market sectors. It features company financials, market data spanning more than 20 years, charts, statistics, communications platform and current news reports.

Bloomberg Market Concepts (BMC) is an e-learning course that provides an interactive introduction to the financial markets. BMC consists of 3 parts – Core Concepts, Getting started on the Terminal, and Portfolio Management, **but the completions of two parts, Core Concepts and Getting started on the Terminal are only needed for the full credit for this course.** After the completion of BMC certification, students can also add this certification to their LinkedIn and Resume.

- **Core Concepts** will provide students a foundational understanding of the financial markets so students can utilize that knowledge to more effectively use the Bloomberg Terminal. Students will learn the fundamentals of economics, currencies, fixed income, and equities.

- **Getting started on the Terminal** is intended to provide an overview of the Bloomberg Terminal so students can get started using this powerful tool.

Participation: The most important thing is be prepared to boldly voice all your questions and doubts in class. I believe that every question you ask is interesting and integral to your learning process. So do not be shy thinking that your question is not smart enough. Often, I learn as much as the students during the course when students are engaged and contribute to class lectures.

Legible Handwriting: All of the exams and homework assignments for this course will require you to present your answers in written form in *ink* (BLUE OR BLACK). If I am not able to clearly understand what is written then you will receive no credit for the particular section(s) that are illegible. Therefore I strongly recommend that you use print handwriting rather than cursive handwriting for exams. For homework assignments, I recommend typing the part of your answers that are written and then drawing the necessary graphs by hand.

Legible Graphs: Many of the exam and homework questions will require a graph using the two dimensional Cartesian (rectangular) coordinate system to correctly answer the question. **Graphs that are not properly drawn will receive NO credit.** Properly drawn graphs consist of:

1. Clearly labeled axis units.
2. Clearly labeled axis values.
3. Clearly labeled curves.

Grading:

Attendance, Participation, & Homework	30%
Exam #1	10%
Exam #2	10%
Final Exam	20%
Group Project (Current issues in Macro)	15%
Bloomberg Market Concepts Certification	15%

Exam Dates:

Exam No. 1	February 26 th , in class
Exam No. 2	March 30 th , in class
Final Exam	May 13 th , in class (<u>Comprehensive</u>)

MyLab Economics (Online Homework)

MyLab Economics contains your E-Book, help resources, practice problems and homework. Before given deadline, you should finish a homework assignment. Each homework can be found under ASSIGNMENTS heading each chapter. The completion of each homework is required by the due date. Students can attempt up to three different version of each question and will receive immediate grading and feedback. Three attempts only apply to questions with built-in randomization capability and does not apply to “write your own” question types.

If you have technical problems with MyLab Economics, please contact PEARSON directly. I have no knowledge of the technical aspects of this program.

Deadline for all MyLab Economics assignments is 11:59PM.

The final exam will be held on the regularly scheduled day. Plan your vacation accordingly. There will be no exception.

Make-Up Exams: Make-up exams will be given to students with excused absences, it is your responsibility to contact me before the scheduled exam to let me know of your absence. And note carefully that make-up exams will be more difficult than in-class exams. This is necessary in order to eliminate any advantage that might accrue to students with additional time to prepare.

If you cheat on anything, you get zero on it! If you are caught cheating or plagiarizing, we go through formal University procedure. The disciplinary procedure for academic misconduct can be found at The State of New York at Cortland Code of Student Conduct and Related Policies. The document is accessible online at www.cortland.edu/student-conduct.

Final course grades will be based on the following grading scale:

<i>Numeric Score</i>	<i>Letter Grade</i>
93 – 100	A
90 – 92	A-
87 – 89	B+
83 – 86	B
80 – 82	B-
77 – 79	C+
73 – 76	C
70 – 72	C-
67 – 69	D+
63 – 66	D
60 – 62	D-
0 – 59	F

Academic Integrity (College Handbook, Chapter 340.01)

It is expected that candidates will maintain the highest academic and ethical standards. The College is an academic community, which values academic integrity and takes seriously its responsibility for upholding academic honesty. All members of the academic community have an obligation to uphold high intellectual and ethical standards. The Academic Integrity Policy can be found in Chapter 340 of the College Handbook.

Accommodation of Disabilities Statement

Students with disabilities are required to register with the Office of Student Disability Services in order to receive accommodation. If your student asks for an accommodation due to a disability, they should also hand you a form issued by the **Office of Student Disability Services** notifying you of the disability and the accommodation that is expected of you. If the student in question does not have this paperwork, no accommodation is necessary. Common accommodations are: a distraction-free testing environment (provided by Student Disability Services), extra time for exams, note-taking by another student in the class. For details and questions, don't hesitate to call Ute Gomez at the Office of Student Disability Services, (607) 753-2066.

Tentative Course Outline:

Week 1:

- Topics: Introduction to the course, Overview of the financial system and monetary economics
- Required readings: Mishkin (2012), Chapter 1,2
- Suggested readings: Current monetary issues in the US and in Latin America:
<https://blogs.imf.org/2014/01/16/u-s-monetary-policy-and-its-effects-on-latin-america/>

Week 2:

- Topics: Understanding Interest Rates, Behavior of Interest Rates, Determination of Equilibrium Interest Rates, and Departures from equilibrium: the case of financial repression
- Required readings: Mishkin (2012) - Chapter 4: The Meaning of Interest Rates, Chapter 5: The Behavior of Interest Rates
- Suggested readings: Reinhart, C. et al (2011), "Financial Repression Redux," Finance and Development, June, Vol. 48, No 1 <http://www.imf.org/external/pubs/ft/fandd/2011/06/reinhart.htm>

Week3:

- Topics: The Risk and Term Structure of Interest Rates
- Required readings: Mishkin (2012) - Chapter 6: The Risk and Term Structure of Interest Rates
- Suggested readings: Introducing the Emerging Markets Bond Index Plus (EMBI+)

Week 4:

- Topics: The Stock Markets, Rational Expectations and Efficient Markets
- Required readings: Mishkin (2012) - Chapter 7: The Stock Market, the Theory of Rational Expectations
- Suggested readings: The stock market: Is it worse than it was in 2000?
<https://www.marketwatch.com/story/the-stock-market-is-it-worse-than-2000-2014-08-08>

Week 5:

- Topics: An Economic Analysis of Financial Structure, Financial development in China
- Required readings: Chapter 8
- Suggested readings: Allen, F., Qian, J., Zhang, C., and Zhao, M. (2012). China's Financial system: Opportunities and Challenges

FIRST EXAMINATION

Week 6:

- Topics: Dotcom bubble, Global Financial Crisis, and European Debt Crisis, Non-conventional Monetary Policy, Negative Interest Rates, The Bank Balance Sheet
- Required readings: Mishkin (2012) - Chapter 9: Global Financial Crisis, Chapter 10: Banking and the Management of Financial Institutions
- Suggested readings: Kiguel, M. (2011), "Argentina's 2001 Economic and Financial Crisis: Lessons for Europe," Brookings Institution
http://www.brookings.edu/~media/research/files/reports/2011/11/think%20tank%202011_a_rgentina_kiguel.pdf

Week 7:

- Topics: Central Banking and the Conduct of Monetary Policy, Structure of Central Banks and the Federal Reserve System, Money creation & Money supply process
- Required readings: Mishkin (2012) - Chapter 13: Central Banks and the Federal Reserve System, Chapter 14: The Money Supply Process
- Suggested readings: Walsh, C. (2005), "Central bank independence," Prepared for the New Palgrave Dictionary, December http://people.ucsc.edu/~walshc/MyPapers/cbi_newpalgrave.pdf

Week 8:

- Topics: Tools of Monetary Policy, The Conduct of Monetary Policy, The market for reserves
- Mishkin (2012) - Chapter 15: Tools of Monetary Policy , Chapter 16: The Conduct of Monetary Policy

Week 9:

- Topics: The Foreign Exchange Market, Connectivity of domestic loanable fund market and the Foreign Exchange Market in the open economy
- Mishkin (2012) - Chapter 17: The Foreign Exchange Market , Chapter 18: The International Financial System

SECOND EXAMINATION**Week 10:**

- Topics: Quantity Theory, Inflation and the Demand for Money, The Breakdown of Quantity Theory of Money
- Required readings: Mishkin (2012) – Chapter 19

Week 11:

- Topics: Macroeconomic Effects of Monetary Policy in a Keynesian Framework
- Required readings: Mishkin (2012) – Chapter 20: The IS Curve , Chapter 21: The Monetary Policy and Aggregate Demand Curves

Week 12:

- Topics: Aggregate Demand and Supply analysis, Monetary Policy Theory, The Breakdown of Phillips Curve
- Required readings: Mishkin (2012) - Chapter 22: Aggregate Demand and Supply Analysis , Chapter 23: Monetary Policy Theory

Week 13:

- Topics: Recent issues in Monetary policy, Recent Monetary policy in major economies in the world: Federal Reserve, European Central Bank, and People's Bank of China

FINAL EXAMINATION

RELEVANT WEB SITES

Ohio State	http://www.cob.ohio-state.edu/dept/fin/ Financial data finder; historical series on U.S. and foreign stock markets, interest rates, foreign exchange rates, national product; links to many sites.
Big Charts	http://www.bigcharts.com Interactive charts; quotes and reports on more than 24,000 U.S. securities.
Yahoo! Finance	http://finance.yahoo.com Good all-around site, daily stock prices, historical charts and tables.
Moneycentral	http://www.moneycentral.msn.com (formerly cnbc.com) Investing section of this comprehensive site offers an excellent research wizard plus comparisons with other stocks in the industry.
Motley Fool	http://www.fool.com Investing commentaries and advice.
Bloomberg	http://www.bloomberg.com Financial, world and market news; Bloomberg radio; Bloomberg University (requires FREE registration)
Financial Industry Regulatory Authority	http://www.finra.org (formerly http://www.nasd.org) Investor alerts and market data
Hoover's on line	http://www.hoovers.com Market news, quotes, and stock screens. http://www.hoovers.com/global/ipoc/index.shtml IPO Central: calendar of IPO filings and analysis of performance.
Morningstar	http://www.morningstar.net Basics of mutual funds; screen top funds
Thomson	http://marketedge.com Live ticker, 20 minute delay; link to realtime quotes.

Reuters Business & Finance	http://www.reuters.com/finance News plus much free content on stocks, bonds, funds, and alternative assets.
Seeking Alpha	http://www.seekingalpha.com News and analysis of macro-economy and markets, including stocks, commodities, forex, and real estate.
Stock Charts	http://www.stockcharts.com Check the “Chart School” to learn about technical analysis; many free charting tools, although subscribers have access to more.
Stock evaluator	http://www.valuepro.net This site wants to sell you their valuation software and how-to book, but it has a good explanation of the discounted cash flow approach and it allows you to access the valuation models for many stocks.
Bond information	http://www.bondsonline.com Access yields and spreads among sectors, by type, maturity, default rating. http://investinginbonds.com Good primers on “bond basics,” types of bonds, allocations to bonds, how to read bond price quotations.
Nasdaq	http://www.nasdaq.com Custom ticker can be configured for 20 stocks, 5 indices; opens in new window and updates every 15 minutes. Also efficient stock screener.
New York Stock Exchange	http://www.nyse.com Check out “Listed companies: listing requirements” and “Trading Floor: Anatomy of a Trade.”
Investor’s Business Daily	http://www.investors.com See Investors’ Corner archives for articles on technical analysis and investor psychology.
The Street.com	http://www.thestreet.com Stock and Treasury bond quotes.
Annual reports	http://www.annualreports.com Internal search engine to find annual report databases on the net; links directly to company home pages.
SEC reports	http://www.sec.gov SEC EDGAR database; corporate filings. For the story of “How Edgar Met the Internet” see also http://museum.media.org/edgar/ .
Chicago Board Of Trade	http://www.cbot.com/ Glossary and info on futures, options, commodities.

Will Goetzmann's Home Page <http://viking.som.yale.edu/>
Interesting research, in addition to a hypertext book on Investment Theory, from a Yale School of Management professor.

Wachowicz's Web World http://web.utk.edu/~jwachowi/wacho_world.htm
"Web sites for discerning finance students" –organized by topic