

St. Cloud State University  
ECONOMICS 471/571 (Course ID 000772/000773)  
Summer 2007  
Money and Banking

## Syllabus

Instructor: King Banaian (x84797, kbanaian@stcloudstate.edu)  
Office: SH 386A (in the Economics departmental office suite)  
Office Hours: 1:30-2:45 Mondays through Thursdays

TEXT: Frederic Mishkin, Economics of Money, Banking, and Financial Markets, 8<sup>th</sup> Edition. **Do not buy anything with ancillaries.** The ISBN number for the book is 0321415051. Our bookstores have them. It's a popular book, so finding used copies under \$100 isn't that hard; [Amazon's](#) new price when I last looked was \$113.49. Try eBay with the ISBN number for your search – I found many there.

[Aplia](#) course site. This is required. It contains all of the assignments you will do for this course (there are many.) You may pay them any day up to June 20, but after that non-payers will be cut off from the site and unable to complete assignments. I will not accept the excuse of non-payment for any reason as a rationale for missed assignments. See the last page of this syllabus for information on how to sign up.

I would like all students to read the Wall Street Journal daily. If you want to get a subscription at student rates, please let me know. I have a sign-up sheet with favorable prices (6 weeks for \$11.95).

### Course description

This course is aimed both at undergraduate economics majors and students majoring in finance. Many of the latter will get a course or two in financial institutions, so this course will de-emphasize that part of the traditional money and banking course (though I will not ignore it entirely.) We will also discuss some international monetary issues but will not get into a detailed analysis of international financial markets. Students are suggested to take ECON 474 or FIRE 474 if they are interested in these areas.

The course thus has three more concentrated goals. First, I wish to provide a more complete understanding of the economic analysis of asset markets. What is unique about the demand and supply of assets – particularly financial assets – that distinguishes them from the demand and supply for physical goods or labor? How does an economist view the behavior of interest rates using supply and demand analysis?

Second, we will turn to the behavior of banks as creators of money and liquidity in an economic system. This will include analysis of the Federal Reserve's role in the system, its structure and strategies for managing monetary policy.

Last, I will turn to the goals of monetary policy, and the role of money in a macroeconomy. Is money a veil, a good, or what? If, as we learn in principles, inflation is the result of a continuous growth in the money supply, why do central banks allow this to happen? And how does the Fed exert so much influence over the macroeconomy?

The course does not move from one of those issues to the next but moves between them, as they are interrelated. I will take chapters from the text sequentially, but I will be skipping over several.

## **My expectations of you**

You are expected to have read the chapter before the class in which it is to be discussed. After each class you should check the Aplia website for assignments. There are 217 graded questions on the page (along with over 350 practice questions for you to use – many of these are tutorials for math that you might have forgotten.) I will call on students in class to see if they have read, and you can expect that if you haven't come prepared I will know that fairly quickly. It won't be a pleasant experience, so try to avoid it. Those questions are worth 40% of your course grade.

I am also using Aplia this term for some weekly assignments for typing a slightly longer answer. All papers must be typed; I will take email submissions at [kbanaian@stcloudstate.edu](mailto:kbanaian@stcloudstate.edu) if you prefer, but they must be time-stamped before 3pm of the class day. Your answers should be direct and relatively brief – I do not expect more than a paragraph answer to each question. The five assigned essays are worth 20% of the course grade.

Thursdays are exam days except for the fourth week (where the 4<sup>th</sup> of July interferes.) I will handle review for the first thirty minutes of class and then distribute an exam. There will be one each week, and each will be worth 10% of your course grade. There is no cumulative final in this course required. *However*, in lieu of any possible make-up exams or to replace a poor performance on a previous exam, you may *request* a cumulative final for the course which will be 100% essays. It would count as 20% of your grade and allow you to either drop your lowest test to that date (as well as the fifth weekly exam) or to make up for any missed exam. You are expected to understand this rule: *There are no make-up exams in this course, save for the option of a cumulative final.*

## Course schedule (update 7/3 to correct chapter 18)

The schedule for the five weeks is below:

June 11 Chapters 1 and 2 – Understanding Financial Systems	12 Chapter 3 – What is Money?	13 Chapters 4 and 5 – the Structure of Interest Rates	14 Review and EXAM, Chapters 1-5
18 Chapter 8 – The Structure of Financial Systems	19 Chapter 9 – Managing a Bank	20 Chapters 10 and 11 – Regulating a Banking	21 Review and EXAM, Chapters 8-11
25 Chapter 12 – The Structure of the U.S. Banking System	26 Chapters 13– Deposit Creation	27 Chapter 14 – Money Supply Determination	28 Review and EXAM, Chapters 12-14
July 2 Chapter 16– The Conduct of Monetary Policy in the United States	3 Chapter 18 – Monetary Policy Elsewhere in the World	July 4 <b>NO CLASS – Independence Day</b>	July 5 Chapter 19 – Money Demand
July 9 Review and EXAM, Chapters 16, 18, and 19	10 Chapter 22 – Aggregate Supply and Demand, and Money	11 Chapters 23 and 24 – Monetary Transmission Mechanisms	12 Review and EXAM, Chapters 22-24

You can see that it's an aggressive schedule, so as always my advice is **don't fall behind!** Be sure to read ahead, and if you have questions, **ask them.**

Assignments are posted on the Aplia website. Please note that the site does not take submissions of homework after the deadline, so get them done on time or else you will not get credit for those questions. Aplia will grade your answers and put the scores in my mailbox.

*Classroom etiquette and rules:*

1. The penalty for cheating on an exam is failure of the course. *The course, not the exam.*
2. If you expect to leave early from class, sit in the back of the classroom and leave as quietly as possible.
3. Please don't eat in class. Noisy wrappers and munching sounds distract your classmates. Drinks are acceptable, but if you bring a carbonated drink please open it before the lecture begins.
4. You are expected to arrive and be in your chair before 3:00pm. I do my best to start each class on time. I do not anticipate taking breaks during the class period.
5. This class is more fun the less I talk. Please participate with discussion.
6. You can forward email with any questions to me at [kbanaian@stcloudstate.edu](mailto:kbanaian@stcloudstate.edu). I will read that site as often as possible. I try to check after 11pm, but occasionally I fall asleep on the couch (comes with age, I suppose.) If the question is of general interest, I request your permission to use the letter in the classroom. I will maintain anonymity (unless you wish to be named), but I will not read them without your expressed permission.
7. I prefer not to receive calls at home. If you see me on campus, feel free to stop me with whatever question you have, at any time. In my office, I prefer only to see people during office hours, as I have numerous administrative assignments that I might be working on when you "stop by". Of course you can make an appointment for some time other than office hours, if I am available at that time.

# Instructions for signing onto our course site on Aplia

You can begin working on your homework as soon as you register!

- In this course, you will use Mishkin's book and Aplia's website.
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## Registration

### 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 and enter your Course Key: 2L6T-LRHT-NPF4. Continue following the instructions to complete your registration.
  - If you have used Aplia before, sign in with your usual e-mail address and password and enter your Course Key when prompted: 2L6T-LRHT-NPF4. If you are not prompted for a new Course Key, click the Enter Course Key button to enroll in a new Aplia course. Enter your Course Key when you are prompted.
4. 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 the end of the day on 06/20/2007.

## Payment

### Pay Aplia Directly

- Purchase access to your course directly from Aplia on our website for \$35.00 USD.
  - The website includes content that has been customized for your textbook and course.