This course is about money, financial institutions, and the monetary-financial system in a modern economy. We will therefore focus on such topics as: what money is, how money is provided in our economy, what kind of institutions deal in providing and exchanging money, and how money and finance fit into the working of our economic system. Our textbook will be David S. Kidwell and Richard L. Peterson, Financial Institutions, Markets, and Money. You are requested to sign up for a subscription to The Wall Street Journal. (Sign-up sheets will be passed out to let you order it at a student rate.) We will use the Journal almost every class to tie what we are doing into the actual current proceedings of the financial system. A few supplementary readings will be available at Kinko's Copy Center across the street. Finally, an optional book, Burton Malkiel, A Random Walk Down Wall Street, is available at the bookstore for those of you especially interested in exploring some aspects of the stock market in further depth.

Hopefully, this combination of readings plus the class lectures and discussions will enable us to examine the workings of our financial institutions and financial markets in some detail, while tying these institutions into the bigger picture of the overall functioning of the economy as well. The course exams, on which your grade will be based, are intended to reinforce this. There will be two midterms and a final, each counting 1/3 of your grade. You can substitute a term paper for the second midterm. It should be between 5 and 10 pages long, the topic must be approved by me, and if it is not turned in by the date of the second exam, you must take the exam. Those who are enrolled in Econ. 511 must write the paper. Before each of the midterms we will go over some review questions in class and you will be given the opportunity to write an essay answer to a question I will give out. The essay will be graded and given back to you. As long as you make a D or better on the essay (in other words, make a decent effort at an answer), your midterm test grade will be raised 1/3 of a letter. If you make a B or A on the final, your grade on that test will be raised 1/6 of a letter (for a B) or 1/3 of a letter (for an A).

Below are listed the topics of the course and the readings that go with each.

I. The Financial System
   Kidwell and Peterson, chaps. 1-4

II. Central Banking
    Kidwell and Peterson, chaps. 5-7

III. Commercial Banking
     Kidwell and Peterson, chaps. 8-11

FIRST MIDTERM EXAM

IV. Nonbank Financial Institutions
    Kidwell and Peterson, chaps. 12-17

V. Financial Markets
   Kidwell and Peterson, chaps. 18-21
   Malkiel (optional)
   Gary Smith, Money and Banking, chap. 6

SECOND MIDTERM EXAM

VI. Monetary Policy
    Kidwell and Peterson, chaps. 22-24
    Henry Wallich, "Recent Techniques of Monetary Policy"
    Milton Friedman, "The Role of Monetary Policy"
    James Tobin, "Commercial Banks as Creators of Money"
    Joan Robinson, "Prices and Money"
    Tracy Mott, "Monetary Policy in a Kaleckian Framework"

VII. The International Financial System
     Kidwell and Peterson, chaps. 25-26
     Scott Pardee, "Prospects for LDC Debt and the Dollar"

FINAL EXAM