Instructor: Dan Zuchegno
office: Econ. 309
phone: 492-6875
office hrs: Mon. 11:00-12:30
Wed. 11:00-12:30

Textbooks:
required:


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There may also be a few additional readings made available through Kinkos and the reserve desk at the library.

optional:
The Wall Street Journal. With regard to domestic and international banking and monetary issues the Wall Street Journal maintains one of the most current and educational series of writings available. I will occasionally take articles and examples out of the Journal for discussion.

Grading:
There will be three exams in this course, two midterm exams and a final exam each approximately five weeks apart. Each exam will consist of part multiple choice, part problems, and part essay and will account for approximately one-fourth of the total course grade. In addition to the three exams there will be three short quizzes accounting for a combined one-fourth of the course grade. (approximately 8% of the course grade per quiz)

The course can be broken down into several sections. Section I is an introduction to money and financial markets. This includes an overview regarding the definition and role of money in an economy and a description of the financial market system in the United States. Included is a discussion of the determination of interest rates, their levels and structure. Section II pertains to the structure of the domestic banking system and the process of money creation. Section III discusses the policy tools through which the United States monetary authorities can affect the domestic money supply. Section IV is a detailed macroeconomic study of the relationship between money and economic activity. Section V is a basic introduction into the relationship between international financial flows and domestic financial and banking markets.
Assignments

Section I.
Introduction
Introduction to Money
What is Money; chpt. 1,2 (Mishkin)
Malkiel, chpt. 1-2
Financial Markets
Malkiel, chpt. 3-4
Overview of the Domestic Financial System; chpt. 3(Mishkin)
Malkiel, chpt. 5-9
The Theory of Rational Expectations and Efficient Markets;
chpt. 25(Mishkin)
Understanding Interest Rates; chpt. 4(Mishkin)
A Simple Approach to Portfolio Choice: The Theory of
Asset Demand; chpt. 5(Mishkin)
The Risk & Term Structure of Interest Rates;
chpt.7(Mishkin)

Section II.
Banking & Financial Institutions
Bank Management; chpt. 8(Mishkin)
The Banking Industry; chpt. 9(Mishkin)
Nonbank Financial Institutions; chpt. 10(Mishkin)
Financial Innovation; chpt. 11(Mishkin)
Money Supply Process
Multiple Deposit Creation: Introduction; chpt. 12(Mishkin)
Determinants of the Money Supply; chpt. 13(Mishkin)
appendix chpt. 13.
Explaining Depositor & Bank Behavior; The Complete Money
Supply Model; chpt. 14(Mishkin) Optional!

Section III.
The Federal Reserve and Monetary Policy
Understanding Movements of the Monetary Base;
chpt. 16(Mishkin)
Tools of Monetary Policy; chpt. 17(Mishkin)
The Conduct of Monetary Policy: Targets & Goals;
chpt. 18(Mishkin)

Section IV.
Monetary Theory
Money Demand; chpt. 19(Mishkin)
The Keynesian Framework: ISLM; chpt. 20, 21 (Mishkin)
Aggregate Demand and Aggregate Supply; chpt 22(Mishkin)
Money & Inflation; chpt. 24(Mishkin)
Rational Expectations:Implications For Policy;
chpt. 26(Mishkin)

Section V. International Economics & Banking Activity
Foreign Exchange Markets; chpt. 28 (Mishkin)
International Financial System; chpt. 29 (Mishkin)