Economics 4111, Section 1
Money and Banking
Spring 1992 Syllabus

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Office: Room 12A, Economics Building
Office Hours: Monday and Wednesday 2:00 - 3:30 and by appointment

Goal of the Course

Money and Banking can be approached from many points of view. This course will concentrate on the institutional aspects of money and banking. We will study money, bonds, stocks, banks, the Federal Reserve, the thrift crisis and financial deregulation. All of these different tools and institutions are ways of allowing some people to not spend all they earn and others spending more that they earn. This is important to keep in mind as some of the ways to do this (relatively simple) task are very complex.

Time and Location of the Class

Economics 4111, Section 1, meets Monday, Wednesday and Friday from 4 to 5 p.m., in Room 117 of the Economics Building.

Reading Materials

There are four required reading sources:
3. The daily Wall Street Journal
4. A packet at Kinko's on The Hill at location _______
You may also choose to use the optional study guide,  
*Study Guide to Accompany Money, Banking, And The Financial System*, by  
E.V. Bowden and Judith Holbert Bowden, published by West Publishing  
Company.

**Evaluation**

Your grade in this class will be based on three midterm exams, a  
comprehensive final, (semi)daily homework assignments, three take home  
work sheets and four discussion classes.

Each midterm is worth 16% of your grade, the tentative midterm dates  
are:

- **Midterm I:** Friday February 14, 1992  
- **Midterm II:** Monday March 16, 1992  
- **Midterm III:** Monday April 20, 1992.

The midterms will consist of 10 multiple choice questions and two writing  
questions. The first writing question will be a True, False or Uncertain and  
Explain question. These require you to supply the relevant facts or issues  
surrounding the issue and agree or disagree with my statement. The second  
writing question will be an essay question. On each test, you will be allowed  
to choose the question you wish to answer out of a list of three possible  
questions of each type.

In order to accommodate unforeseen events preventing your  
attendance or to prevent a bad test from hurting your grade, the lowest  
midterm score will be automatically dropped. For this reason **MAKEUP**  
**MIDTERM EXAMS WILL NOT BE GIVEN!!**

If you are dissatisfied with any of your midterm grades you may  
attempt to improve on it. When the test is redistributed, you have one week  
from that date to improve your answers and resubmit it. This can increase  
your midterm grade by up to one half the difference of your original grade.  
For example if you receive a 44 on your first midterm, you may add on to  
your answers and possibly get up to 52.

To earn half the possible credit on any multiple choice questions you  
may have missed, you must determine the correct answer and either explain  
why it is the correct answer or why the other options are wrong. For each  
multiple choice question redone in this manner I will increase your midterm  
grade 1.5 points.
Similarly, you may rewrite any Essay or T, F or U question for up to half the possible credit. For example, if you receive a 12 on a 20 point essay question, rewriting it can earn up to 4 more points on your midterm score.

The final exam, held on Thursday May 7 at 7:30 a.m., is a comprehensive test worth 32% of your final grade. It is essentially two midterm exams at the same time and consists of 20 multiple choice questions and four writing questions (two of each kind).

At the beginning of each Monday and Wednesday class period you will be given a question that you should be able to answer by the end of class. These questions are just like the T, F or U and Essay questions you will see on the exams. To help prepare you for the exams, you are required to write answers to these questions and turn them in at the beginning of the next class. These daily questions will not be accepted late. This way you will know if you understand the material way before you walk into the test. I will read them and know what you (either individually or as a group) understood. You will not receive a grade for each answer, rather if you turn in 20 out of 25 (you can miss 5 for any reason without penalty) you will get 40 points toward your final grade. Missing more than 5 will cost you a proportional amount of points. (For example, if you turn in 17 you will receive 34 points out of the possible 40, since 17 and 34 are 85% of 20 and 40.)

Further, you will be required to turn in 3 worksheets which are worth 20 points each. The tentative distribution dates of these worksheets follow. Each worksheet is due one week from the date of distributions.

- Worksheet 1: Wednesday January 29, 1992
- Worksheet 2: Friday February 28, 1992

There are no make-ups, or rewrites, on the worksheets. However, if you take all 3 midterms, I will automatically use the points from the lowest midterm (which don't count toward your final grade anyway) to give you half the difference between your worksheet score and the 20 point maximum.

There will be four Fridays when discussions will take place. These will start with someone being asked to read the answer they wrote on the question assigned the previous Wednesday. Then each of you is expected to discuss the question, the answer that was read and any related issues. Each
of you will get graded on your participation. The best possible grade on any given comment is a 5 which signifies you demonstrated an exceptional comment. A 4 is an insightful comment, a 3 demonstrates that you understand the question, a 2 will be awarded if you display some misunderstanding of the material, a 1 will be awarded for comments that do not pertain to the subject material and finally if you do not participate or are absent, a 0 will be recorded. The marks of all your comments will be averaged for each discussion and multiplied by 2 to give you a grade from 0 to 10 for each discussion. The total of these discussion points will be added directly to your final grade.

With the exception of daily questions and discussion points, late work will be tolerated, but penalized. For every class period you are late in turning in any assignment 10% of the credit will be subtracted.

Attendance is strongly encouraged as some of the material is only remotely related to the book presentations. If you miss more than one fourth of the class periods preceding any test, you will not have the privilege of rewriting that test.

The total points possible for this course are:

<table>
<thead>
<tr>
<th></th>
<th>Points</th>
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</thead>
<tbody>
<tr>
<td>The best two out of three midterms</td>
<td>120</td>
</tr>
<tr>
<td>Daily homework answers</td>
<td>40</td>
</tr>
<tr>
<td>3 work sheets</td>
<td>60</td>
</tr>
<tr>
<td>4 discussion classes</td>
<td>40</td>
</tr>
<tr>
<td>Final exam</td>
<td>120</td>
</tr>
<tr>
<td>Total</td>
<td>380</td>
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The final grades will be based on the total amount of points you earn over the course of the semester. 91% is an A, 90% is an A-, 89% a B+, 88% is a B, and so on.

**Teaching Philosophy**

I enter each semester with two goals. The first is that each student should have a quality learning and growing experience in my class. The second is that each student should learn as much of the subject as they can or desire.

To meet the first goal I have several plans. Structurally, I have tried to front load the semester. I appreciate that each of you is very busy juggling the demands of other teachers and classes, as well as any work or social commitments you may have. To help accommodate these needs, I
have not assigned any written work over weekends. Further, I have tried to keep tests and projects away from the mid-term time of the semester and the Spring break. Also, there is no fourth worksheet after the third midterm when other end-of-semester demands may be pressing. If you have needs that have not been addressed, I urge to meet with me and work out an equitable solution. I look forward to interacting with each of you this semester!

To meet the second goal I have created the various rewriting and practice safety nets. I do, however, have a bias you should be aware of. I feel the best way to measure mastery is if one can explain the concepts she knows. The most effective method of doing this, though rarely used, is writing answers to questions. I feel strongly about this point--life does not come in a multiple choice format. When you understand a concept you should be able to explain it by defining the terms and models/ideas you need, explain the logical points about the model/idea in question and correctly use the model/idea to make the points that answer the question. This degree of excellence demonstrates your understanding and is correctly deserving of an A mark. Less complete demonstrations of knowledge receive lesser, but still good grades.

**Course Outline**

**Money**

Bowden, Chapters 2, 4 & 5

Articles in the packet

"Neighborhood Financing" WSJ 2-24-89

"Money Data Have Economists in Dither" WSJ 6-28-89

"Have Cheque, Will Travel, 1891" WSJ 1-13-89

"Gold Sets a New Standard, 1900" WSJ 1-30-89

"The Silver Act's Cloudy Lining, 1890" WSJ 1-12-89

"Cashing In on Credit Cards, 1950" WSJ 7-18-89

**Bonds**

Bowden, Chapters 3, 10, 11, & 13

First Midterm
Stocks
Malkiel, Chapters 2-4, 6-10
Bowden, Chapter 14
J.M. Keynes, General Theory, Chapter 12 (on reserve at Norlin)

Articles in the packet
"Stocks Derail, and a Panic Ensues, 1893" WSJ 1-18-89
"Curbs Come to an Outdoor Market, 1908" WSJ 2-17-89
"Mr. Merrill and Mr. Lynch Team Up, 1914" WSJ 3-13-89
"Raining on Florida’s Parade, 1925" WSJ 4-12-89
"A Year That Will Live in Infamy, 1929" WSJ 4-21-89
"How to Survive a Head-on-Crash, 1929" WSJ 4-24-89
"D-Day for the Securities Industry, 1934" WSJ 5-9-89
"Through Merrill, Main Street Met Wall Street" WSJ 4-25-89
"Using 'Dumb Money' as a Market Guide" WSJ 1-17-89
"Two Money Managers Duke It Out In Debate on Stock-Value Theories" WSJ 7-17-89
"Scimed Wins Contest; Fan Sticks With It" WSJ 7-9-90
"For Pros, It’s Business as Usual—Almost" WSJ 8-10-90
"Stock Pickers Take Aim to Defy Recession" WSJ 9-7-90
"Stock Pros Miss Bull’s-Eye in Bear Market" WSJ 10-5-90
"‘Dart’ Stock Pickers Again Beat the Pros" WSJ 11-7-90
"Dartboard Stocks Beat Pros’ Picks Again” WSJ 12-5-90
"Pros Gain Edge On Dart Throwers In Picking Stocks” WSJ 1-10-91
"Picks by the Pros Are More Speculative” WSJ 2-8-91
"Stock-Picking Pros Trounce Industrials” WSJ 3-5-91
"Once Again, Pros Beat Darts in Stock-Picking Contest” WSJ 4-9-91
"Darts Deflate Pros’ Strong Stock Picks” WSJ 5-3-91
"Pros Top Darts in Stock-Picking Contest” WSJ 6-7-91
"Lucky Toss: Darts Outscore Stock Pros” WSJ 7-3-91
"Once Again Darts Make Winning Toss” WSJ 8-8-91
"Lady Luck for Third Month Sticks Pines Into the Pros” WSJ 9-6-91
"Stock Contest Winners Pick Underdogs” WSJ 10-2-91
"Once Again, It's Another Lucky Toss of the Darts" WSJ 11-7-91
"Pro Stock-Pickers Outperform the Darts" WSJ 12-6-91
"Stocks Plummet 508 Amid Panicky Selling" WSJ 10-20-87
"Stock Slide Has Some Analysts Eating Crow" WSJ 10-19-87
"Portfolio Insurance Helps Investors but Hurt Market" WSJ 10-19-87
"Share Prices Plunge Across Asia, Europe As U.S. Decline Stuns Equities Markets" WSJ 10-20-87
"Incredibly High Prices Caused Market Plunge Panel's Chief Says" WSJ 12-11-87
"Monetary Policy Caused the Crash" WSJ 10-22-87

Second Midterm

Banks
Bowden, Chapters 15 (16 & 17 are optional)

Central Banking
Bowden, Chapters 6, 9, 18, 19 & pages 364-375
Articles in the packet
"Panic Button Finally Triggers Reform. 1907" WSJ 2-16-89
"Morgan's Version of Fed Is Revealed, 1912" WSJ 3-6-89
"Banking Is Central to Wilson's Reform, 1913" WSJ 3-8-89
Part of the Credit Column WSJ 3-2-87
"Fed Still Seeks to Push Rates Up, As Economy Signals More Growth" WSJ 1-5-89
"Fed's Goal Is to Cut Inflation to Zero, Greenspan Says" WSJ 3-28-89
"Why Don't We Aim for Zero Inflation?" WSJ 2-9-89
"Fed, Fulfilling Pledge, Advances Funds To Lincoln S&L as Lender of Last Resort" WSJ 4-25-89
Third Midterm

The S&L Crisis
Bowden, Chapters 7 & 8
Article in the packet
"Bush S&L Rescue Plan, Under Scrutiny, Blurs Separation Between FDIC, FSLIC" WSJ 2-24-89
"Dual Banking Faces a Possibly Crippling Blow In Bush’s Plan to Curb State Powers Over S&Ls" WSJ 4-11-89
"House May Seek to Relax Capital Rules In Thrift Bill; Bush Veto Is Threatened" WSJ 4-11-89
"New Agency to Handle Sick S&L’s Assets" WSJ 5-18-89
"Thrift Agency Prepares for Massive Task Even as It Lacks Permanent Office Space" WSJ 8-16-89
"Ten S&L-Crisis ‘Facts’ Discounted” WSJ 11-18-88
"Bush Aide Concedes Official Estimates of Thrift-Rescue Cost May Be Too Low" WSJ 3-3-89
"Thrift Bailout Cost Is Put at $112 Billion In Senator’s Estimate on 30-Year Plan" WSJ 2-23-89
"GAO Puts Cost of S&L Rescue At $285 Billion" WSJ 5-22-89
"Regulators Finish Group of S&L Rescues, As Buyers Take Advantage of Tax Breaks" WSJ 12-29-88
"Are Big S&L Rescues Giveaways to Buyers? Questions Are Growing" WSJ 12-30-88
"Wall Defends Year-End Rush on Sales of Thrifts Against Mounting Criticism" WSJ 1-3-89
"Backing of Notes In S&L Rescues Faces Challenge" WSJ 1-6-89
"FSLIC Funding Belongs Off-Budget" WSJ 3-1-89
"The Lines are Drawn for a Macho Political Battle Over How to Finance the S&L Bailout Package" WSJ 5-12-89
"Home Savings Sues Over Bid To Quit FSLIC" WSJ 8-4-89
"Home Fed Unit’s Bid to Exit FSLIC Fund Clears Bank Board in Step to Conversion" WSJ 8-2-89