This course will cover relevant topics in the money and banking field as they relate to economic and financial issues. This will include coverage of banking institutions and their evolution, monetary policy and international banking. Emphasis will be placed on current events which affect the monetary and banking system.

At the present time the banking system is undergoing major reforms which will affect the future development of the banking system. The ramifications and resulting structural changes to the banking system are only beginning to be understood. As a result, students are encouraged to follow the evolution of these matters and participate in class discussions of their importance.

**MAIN TEXT:**  Money, Banking, and the Economy, 4th edition (1990), by Mayer, Duesenberry and Aliber (Norton)

**Optional readings:**

The Wall Street Journal. With regard to domestic and international banking and monetary issues the Wall Street Journal provides one of the most current and educational series of writings available. As this class will cover issues as they develop, the Journal will be the main source of information. Students who have read the Journal will understand and be better able to contribute to the discussions held in class.

**Grading:**

There will be a midterm exam, counting for 50% of the grade and a final which will also count for 50% of the grade. In addition students may write an optional paper for extra credit which covers an important issue of their choice.

Classroom participation in the discussion of current events is highly encouraged. Although not directly counted in the grade, students who participate and contribute may have their final grade improved. For example, a person with an B+ average could be bumped up to an A-. Participation is optional, students who choose not to participate will not be penalized in any way.
Outline

I. Introduction

II. Macroeconomic overview

III. The Financial Structure  Chapters 1-6,8 & 27
   - The Definition and Role of Money  Chapter 1
   - Financial Institutions & asset markets  Chapters 2,3
   - Structure of Interest Rates  Chapter 4
   - Depository Institutions and History  Chapters 5,6,27
   - Federal Reserve Board  Chapter 8

IV. The Supply of Money  Chapters 11,12

V. The Savings and Loan Crisis  Chapters 5,9

VI. International Banking and Debt  Chapter 7,28

VII. Monetary Theory  Chapters 15,16,18,19
   - Demand for Money  Chapter 15
   - IS-LM Model  Chapter 16
   - Monetarist & Keynesian Business Cycle  Chapters 18,19

VIII. Monetary Policy  Chapters 20 through 26
   - Essentials of Monetary Policy  Chapters 20,21,22
   - Effects of Monetary Policy  Chapters 23 - 26

Midterm Examination: Wednesday, June 24

Final Examination: Friday, July 10