The course title of Money and Banking is traditional but a more accurate title would be Financial Intermediaries. Historically, banks, savings and loans and other depository institutions have taken in deposits and loaned out their reserves. With the sweeping changes occurring in this industry the difference between banks and other financial intermediaries is quickly dissipating. Today, banks are involved in mutual funds, often use assets to buy government debt, and are increasingly ignored by corporations for financing. Large businesses increasing rely on the debt and equity markets to raise money, and depend less on the banks.

Financial intermediaries are defined as institutions and markets which link together the needs of lenders and borrowers. This includes stock, bond and international markets, as well as the usual banking system. As a result this course will take a thorough look at each as well as the role of central banks (e.g. the Federal Reserve Board) in regulation and influence of economic conditions.

The student should expect to gain an understanding of the following topics (plus a few more not listed):

1) Business cycles.
2) Stock (equity) markets (for extra credit, students may construct a hypothetical portfolio which utilizes the principles of portfolio theory presented in class).
3) Bond (debt) markets.
4) International currency markets.
5) The effect of currency valuations on domestic and foreign equity and debt markets.
6) The effect of current and expected economic conditions on domestic and foreign equity and debt markets.
7) Interest rates and their determination
8) Banking institutions, history, current and future reforms and the consequences.
9) Regulation and legal environment of the banking system. Savings and loan crisis.
10) Central Banks - policy, goals, influence on economic conditions, as well as their influence on items 1) through 7) above.
11) Selected current events - e.g. U.S. budget settlement and consequences, presidential campaign issues, is a balanced budget an important economic issue.
TEXT: *Money the Financial System and the Economy*, First (or updated) edition (1994-95), by Hubbard (Addison Wesley)

**Recommended Readings**

**The Wall Street Journal.**

**Grading:**
There will be **2 midterm exams**, each counting for **30%** of the grade and a **comprehensive final** which will count for **40%** of the grade. In addition students may construct an optional stock and bond portfolio for extra credit. Details will be provided early in the semester.

Classroom participation in the discussion of course topics and 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 if they have regularly attended class and contributed to the class discussion.

I. Business Cycles

II. The Financial Structure
   - The Definition and Role of Money
   - Financial Institutions

III. Equity and Debt Markets
   - Portfolio Theory
   - Derivatives
   - Market Efficiency

IV. Interest Rates

V. Depository Institutions

VI. International Banking and Exchange Rates

VII. The Fed and Monetary Policy
   - The Money Supply and Money Multiplier
   - The Demand for Money
   - Monetary Policy

Examination #1: Friday, March 1
Examination #2: Monday, April 22
Final Examination: Tuesday, May 14 (7:30 pm)
Spring break: March 25-29; Last day of classes: Monday, May 6