

**ECONOMICS 4111 (001)**  
**MONEY & BANKING SYSTEMS**  
**FALL 2008**

**Professor:** Rebecca Neumann  
**Office:** Econ 202  
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**E-mail:** Rebecca.Neumann@colorado.edu  
**Class Time and Location:** T, Th 9:30-10:45 a.m. / EKLC E1B20  
**Office Hours:** T, Th 1:30-3:00 p.m., and by appointment  
**WebPage:** CULearn site

**Course Description:**

In this advanced undergraduate course, we will explore money, financial institutions, and the monetary-financial system in the U.S. economy. Emphasis will be placed on commercial banking, the Federal Reserve System, the demand and supply of financial assets, interest rate determination, and the role of money in various models of the macro economy.

**Attendance:**

Should you choose not to attend a lecture, it is your responsibility to get a copy of the class notes from a classmate (I do not allow students to copy my lecture notes as that would be unfair to those who attend lecture). Some test questions may cover material not in the textbook.

**Course Readings and Requirements:**

Course Prerequisites:  
Econ 3080

There is one required textbook:

- Mishkin, Frederic S., *The Economics of Money, Banking, and Financial Markets*, New York: Pearson Addison-Wesley, 8<sup>th</sup> edition, 2007. (7<sup>th</sup> edition is ok too).

There will also be a number of articles assigned during the term, which you are expected to read and are “fair game” for exams/assignments. These will be made available in class or via the CULearn site.

### **Grades:**

Midterm One	30%
Midterm Two	30%
Final Exam	40%

### **Exams:**

There will be two midterm exams, and a final. Each exam covers approximately one-third of the course material. The final exam will be somewhat longer and may revisit some earlier material. The examinations will consist of definitions, multiple-choice questions, short-answer questions and longer essays/problems.

**No makeup exams will be given.** If you miss an exam, you will receive a zero. There is one exception to this rule. In the event that you miss an exam, the weight of the third exam may be increased only if i.) you are ill and can provide proof (a letter from the student health center) or ii.) you have a **prearranged** excused absence from me.

### **Participation:**

Typically, students perform better on examinations if they practice the skills taught in class. Thus, there will be a number of problem sets to be completed during the course. These problem sets will be posted on the course web page. It is up to you to complete the problem sets. They will not be graded, nor will they be collected on a regular basis. These problems will be discussed in class and students may be asked to provide their answers on the board.

### **Grading Scale:**

<b>Your Score</b>	<b>Grade</b>
93% to 100%	A
90% to 92%	A-
87% to 89%	B+
83% to 86%	B
80% to 82%	B-
77% to 79%	C+
73% to 76%	C
70% to 72%	C-
67% to 69%	D+
63% to 66%	D
60% to 62%	D-
Below 59.5%	F

## **University and Campus Policies**

- A. "If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and <http://www.colorado.edu/disabilityservices>"
- B. "Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. See full details at [http://www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html)"
- C. "Students and faculty each have responsibility for maintaining an appropriate learning environment. Those who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at <http://www.colorado.edu/studentaffairs/judicialaffairs/code.html> - student code"
- D. "The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships apply to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based upon race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the ODH, the above referenced policies and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at <http://www.colorado.edu/odh>"
- E. "All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council ([honor@colorado.edu](mailto:honor@colorado.edu); 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>"

**COURSE OUTLINE:****(subject to change; see CULearn course website for specific topics/dates as we go)**

<b>Topic</b>	<b>Reading (Problem Set)</b>
I. Overview of Money and the Financial System Week 1 – intro to financial sector and money	Mishkin 1-3 (PS 1)
II. Understanding Interest Rates Weeks 2, 3, 4 – present value, bond pricing formulas, real and nominal interest rates	Mishkin 4 (PS 2)
III. Behavior of Interest Rates Weeks 4, 5, 6, 7 – determinants of asset demand, diversification and risk, three interest-rate determination models: saving/investment, loanable funds, liquidity preference	Mishkin 5 and Class Notes (PS 3 and PS 4) Exam One (week 5)
IV. Financial Structure and Commercial Banking Weeks 8, 9 – financial institutions, financial structure, bank balance sheets, banking structure and regulation	Mishkin 9 and Class Notes; Mishkin 8, 10-11 (partial) (PS 5)
V. Central Banking Weeks 10, 11 – federal reserve system, intro to monetary policy tools, Fed independence	Mishkin 12 (PS 6) Exam Two (week 10)
VI. Money Supply Weeks 12, 13 – monetary base, multiple deposit creation, money supply process	Mishkin 13 and 14 (PS 7)
VII. Monetary Policy Week 15 – fiscal versus monetary policy, monetary policy goals, application to present economy	Mishkin 16 (PS 8)
VIII. Foreign Exchange Market Week 16 – money supply and foreign exchange issues	Mishkin 17 and 18 (PS 9)
IX. Monetary Theory If time permits	Mishkin 19 – 25

**Exam One:** Thursday, September 25<sup>th</sup> (week 5)**Exam Two:** Thursday, October 30<sup>th</sup> (week 10)

Semester break: November 24-28 (week 14)

**Final Exam:** Monday, Dec 15<sup>th</sup> 1:30-4:00 p.m.