

**Professor: M. Akacem**  
**MONEY AND BANKING**  
**ECONOMICS 4111-100: Summer 2006: Term A**  
**OFFICE: Econ 10**  
**OFFICE HOURS: M-T: 10:55 a.m. - 11:55 a.m.**  
**Class will meet on MTWRF from 9:15 a.m. to 10:50 a.m.**  
**The Class will meet in Econ 117**  
**Dates: From June 5th to July 7th, 2006**

(Avoid phone messages, see me before or after class or during office hours)

Pls note that I am sharing the office with a colleague and I may not (probably will not) get your phone message. Pls come by during office hours or see me at the end of class.

**ECON 4111-100 (3). Money and Banking Systems.**

Discusses money, financial institutions, and the monetary-financial system in a modern economy.

Prereqs., ECON 1000, or 2010 and 2020.

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**I. IMPORTANT NOTE:** Please read the syllabus carefully. A number of the questions that you may have about the course are answered in it. It also provides you with a good guide to the progress of the course as well as the chapter assignments, exam dates etc... To make the syllabus user friendly, the semester is broken into weeks and unit, each with a topic, chapter number(s) and page. You will also find other relevant information on exams and grading.

## **II. OBJECTIVE OF THE COURSE:**

The main objective of this course is to teach you the fundamentals but then go far beyond them by applying the theory to what is taking place in the U.S. and overseas. The assigned text is your standard source for most of the material covered in class, but sometimes lectures will go beyond the text. You are expected to be prepared for each unit by reading ahead of time. We will try to apply what we know and use a lot of examples from current financial and banking developments in the U.S. and other countries or regions such as the Asian Currency turmoil. Toward this end, reading [The Wall Street Journal](#) is extremely important. Do not wait for me to assign an article via the Forum. In order to get the maximum benefit from this class, I expect you to read it on a daily basis and contribute your feedback via the forum to the whole class. You do not need read the whole paper, only the topics that are of interest to you. Once in a while, I will be making some suggestions for some specific articles to read and ask for your reaction. I will try to keep you informed as to which articles I think are relevant to our class discussion throughout the semester.

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Overall, the course will cover the relevant issues in the money and banking field, with an emphasis on institutions, policy and markets. The course assumes that you are already well versed in Macroeconomics. However, this course is not meant to be a rehash of upper division Macroeconomics. Check the prerequisites for taking this course. Part of the course will be spent discussing banking regulation and its impact on the banking industry. The aftermath of the repealing of the Glass Steagall act (separation of banking and commerce) Did we learn something from the Banking and Savings and Loans crisis ? What are the policy implications for the U.S.' Financial system. The course will also examine the proposals of Market Value Accounting for financial institutions. Should Deposit Insurance be scrapped for example? We will also be discussing the role of monetary policy, and that of the Federal Reserve and their impact on the U.S. banks and the economy in general. Finally, we will cover exchange rates and the Federal Reserve's role in the foreign currency market.

Towards the end of the summer and if time permits, I will try to add a unit on the European Monetary Union and the Asian Currency Crisis. However, depending on the pace, this may be covered earlier. Throughout the course, we will be referring and using not only the main text but also articles from the Board of Governors of the Federal Reserve and the other regional Federal Reserves. Finally, I highly encourage you to visit the different sites of the different Federal Reserve banks. You will be surprised at how much information you will find. It will complement the lecture units nicely with up to date information.

**GUEST LECTURES: These may NOT be arranged for the Summer session given the shortness of the course, but if time allows we may have a few. The paragraph below is only relevant if we are succesful in getting speakers for our summer session:**

Finally, one unique and important aspect of this course is the use of outside speakers. One will be from the Federal Reserve Bank of Kansas City on Bank Examination by a bank examiner from the Examination Department. Another will be from the Securities and Exchange Commission and one from a hedge fund on derivatives. This is conditional on the guest lecturers being able to come to our campus on the dates that I have planned for them. Attendance is MANDATORY and any material covered during these guest lectures is considered fair game for the Final. Two years ago, we were fortunate to have the Vice Chairman of the Federal Reserve address a group from our class with questions and answers at the end (via satellite). In addition to the guest lectures, we will be watching case studies in class dealing with banking issues, the stock market, Dow Jones and the 1929 crash if time permits.

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**III.Main Text:** Money, the Financial System, and the Economy plus MyEconLab Student Access Kit, Fifth Edition, by R. Glenn Hubbard, Addison Wesley, 2005 . Note that during the summer we may not access My Econ Lab but you are free to do so.

Home page where the outlines and the lecture notes as well as the practice exams are:

<http://webct.colorado.edu>

Use you identity key and your password to access the class home page in webct. We will post the first and second exam grades in the grade book. However, due to the time constraint, we will not be able to post the grade for the last exam. We will, however, have the first two exams for you to review at any time during the course while the last exam as well as the grade will be available from us in early Fall.

To practice using quizzes from your text's home page to: <http://www.awl.com/hubbard> and click on student resources. There you will see a list of chapters and you can click on the chapter that you need. On the left menu, you will see an icon for quizzes as well as short essays. You will get instand feedback and the correct answers. You should also do practices test 1 before exam 1, practice test 2 before exam 2 etc...

## **Other texts and references that are optional reading for the course:**

"Secrets of the Temple: How the Federal Reserve Runs the Country", by William Greider, Simon and Shuster, 1987

"American Finance for the 21st Century" by Robert E. Litan with Jonathan Rauch, The United States Department of the Treasury, November 17, 1997.

"U.S. Monetary Policy and Financial Markets", by Ann-Marie Meulendyke, Federal Reserve Bank of New York, 1998 (Chapters 1,2,3,4,9 and 10).

"Using The Wall Street Journal", Fifth Edition, by Michael Lehmann, Irwin 1996 (particularly chapters 4, 11 and 12).

"Liar's Poker", Michael Lewis, Norton, 1989.

"The Money Market", by Marcia Stigum, Dow Jones Irwin 1990 or later editions, Chapter, 9 (The Most Watched Player, The Fed)

"Instruments of The Money Market", by Timothy Cook and Robert LaRoche, (chapters 1 to 3) Federal Reserve Bank of Richmond.

"U.S. Monetary Policy: An Introduction", Federal Reserve Bank of San Francisco, 1995 (will be left on reserve).

"Economics: A Guide for the Financial Markets", by Neil MacKinnon and Paula Neal, IFR books, 1992.

"Stocks for the Long Run", by Jeremy Seigel, Irwin.

When Genius Failed by Roger Lowenstein, an excellent story of what happened to LTCM

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## **IV. READING OF The Wall Street Journal IS A MUST:**

Reading [The Wall Street Journal](#) on a daily basis is as valuable, if not more, than the text. Those of you who want to subscribe need to go this site:

<http://subscribe.wsj.com/summer>

The price is \$11.95 for 8 weeks.

Articles from [The Wall Street Journal](#) that pertain to our class will be discussed in class throughout the semester. One question on the final last semester was from one of these discussions. So be there or if you miss class, stay informed through a friend or a colleague from class. If you cannot afford a subscription to the Journal, you can always have access to it at the campus Library or the public library. Once you subscribe to The Wall Street Journal, you will have access to the Interactive Edition via the Internet. The whole journal will be accessed via the web with your special password (instructions will be sent you by the WSJ on how to access the Internet edition). You will also get access to the following journals and magazines: (as of last semester):

1. The Wall Street Journal (U.S. edition)
1. Barons' Weekly
2. Smart Money magazine
3. The Wall Street Journal Europe
4. The Wall Street Journal Asia (as of last spring, all these were accessible).

## **V. COURSE OUTLINE:**

**By Wednesday June 14th (first test): You should have covered:** outlines 1, 2 and 3, chapters 1, 2, 3, 14 and 15. Lecture units 1,2 and 3. We would have also covered case study 1 and 2, Other People's Money and the Greatest American Bailout. Finally, do practice test One.

**By Tuesday, June 26th (second test):** outlines 4, 5, 6 and parts I and II of outlines 7. Chapters 19, 17, 18 (pp:425 to 430) Lecture units, 4, 5, 6 and parts I and II of lecture unit 7. We would have also covered case study 3 and 4, The History of Credit Card Debt and the Wall Street Fix. If time allows,

we may cover and discuss others. Do practice test Two.

**By July 7th (third exam): you should have covered:** outlines 7 (starting from part III), 8, 9 and 11. Chapters 20, 21, 8 and 22. For outline number 9, only the material covered in it. Booklet on "US monetary Policy: An introduction" Federal reserve bank of San Francisco, found at the following URL:

<http://www.frbsf.org/publications/federalreserve/monetary/MonetaryPolicy.pdf>, page 12-16.

We would also have covered case study 5 and 6, The Trillion Dollar Bet and The Asian Crisis. Do practice test Three.

### Important Note:

Please note that for each test, any material covered in class, such as cased studies, guest lectures, WSJ articles etc..in addition to the list given above is fair game for the test. This can be a WSJ article or a lecture that is on your web site but not listed in the assignments above. This will depend on time but to do well, you need to be there for every class. Guest lectures are also fair game for the tests.

### **VI. GRADING:**

You will have a TOTAL of three (3) EXAMS. Please read the following carefully to avoid unnecessary e-mail traffic. **There are no Make Up exams so plan ahead. A missed exam is an automatic "F" and you will have the remaining weights only. The only exception will be for a well documented medical emergency that is explicitly for that day not a general note from a doctor. The final will have to be taken on the date indicated above. There are NO EXCEPTIONS. Cheating will result in an automatic F for the whole course and will be reported to the university as per the established policy.**

### **Three Exams:**

The weights on your exams will be **25% for the lowest grade out of the three exams, 35% out of the second highest grade out of the three exams and 40% for the highest grade out of the three exams.**

### **How do I use the weights to estimate my overall grade?**

**Remember that you will not know the grade on the last exam, but based on your performance you can guess what you grade you will get and just use the weights. Here is an example: Let us assume that your lowest grade out of the three tests is a 70. Take 25% from that grade (70) or 70 times 25% which is 17.5 ( $70 * .25$ ). Let us assume that your next highest grade is an 82. Next, you take 35% of that grade or 82 times 35% which is 28.7 ( $.35 * 82$ ). Finally, assume that your highest grade is an 87. We take 40% of that or .40 times 87 is 34.8 ( $.40 * 87$ ). You add the 3 numbers [ $17.5 + 28.7 + 34.8 = 81$ ], or a B. The weights work in your favor in that you will do better as you improve your grades.**

### **VII. THE STOCK MARKET GAME:**

**There are a number of stock market games that are offered for free on the web (E trade for example and others). Feel free to try anyone of them and consult with me if you wish about strategy. This is purely optional however, given that we only have 5 weeks (barely), I doubt that you will have enough time to play one of the game.**

**VIII. EXAM DATES and assignments: Mark your calendar: Please note that if you come AFTER a student has finished an exam, you CANNOT take that particular exam.**

**Exam One:** Wednesday June, 14th, 2006 from from 9:15 a.m. to 10: 50 a.m. in the same room as the class. The exam will NOT take the whole class period.

**Assignments for exam one:** outlines 1, 2 and 3, chapters 1, 2, 3, 14 and 15. Lecture units 1,2 and 3. The first test will be Multiple choice. In addition, any material, case studies and guest lectures covered or assigned in class between the first day and exam day. Please be on time because once a student finishes and leaves the classroom, the exam will NOT be given in you are late.

**Exam Two:** Monday June 26th, 2006 from 9:15 to 10: 50 a.m. in the same room as the class.

**Assignments for exam two:** outlines 4, 5, 6 and parts I and II of outlines 7. Chapters 19, 17, 18 (pp:425 to 430). Lecture units, 4, 5, 6 and parts I and II of lecture unit 7. The second test will be Multiple choice. In addition, any material, case studies and guest lectures covered or assigned in class between the first exam and the second exam day. Please be on time because once a student finishes and leaves the classroom, the exam will NOT be given in you are late.

**Exam Three:** Friday July 7th, 2006, from 9:15 to 10: 50 a.m. in the same room. The exam should be done by 10:50 a.m.

**Assignments for exam three:** outlines 7 (starting from part III), 8, 9 and 11. Chapters 20, 21, 8 and 22. For outline number 9, only the material covered in it. Booklet on "US monetary Policy: An introduction" Federal reserve bank of San Francisco, found at the following URL:

<http://www.frbsf.org/publications/federalreserve/monetary/MonetaryPolicy.pdf>, page 12-16. In addition, any material, case studies and guest lectures covered or assigned in class between the second exam and the last exam. Please be on time because once a student finishes and leaves the classroom, the exam will NOT be given in you are late.

The third test will be mutiple choice exam.

Please remember that the pace will be fast and the dates for these exams will not be changed so plan accordingly if you intend to stay in this class.

**IX. OFFICE HOURS:** M-T: 10:55 a.m. - 11:55 a.m., in office 10 and just before class.

**X. INTERNET AND WORLD WIDE WEB SOURCES:**

Check webct's home page for this class. You will find plenty of sites that are relevant to what we do in class. I particularly want you to visit the various Federal Reserves' sites as well as the board of governors where you can read the minutes of the Federal Open Market Committee meetings as well as other reports on the state of the US economy. If you find sites that you think could be helpful and are relevant to what we do, pls do not hesitate to let me have the address. I will be happy to add them.

**XI. Policies:**

Please see the following links for general policies as posted on the Econ web site:

<http://www.colorado.edu/policies/classbehavior.html>

<http://www.colorado.edu/academics/honorcode/>

<http://www.colorado.edu/disabilityservices/>

[http://www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html)

**Religious Holiday and ADA policy: Please see the links above also.**

I will enforce the religious holiday policy as well as the ADA policy for anyone who requires it. I would need to be notified one week in advance if anyone needs special a accommodation together with a letter from the ADA office.

### **Withdrawal**

Check the **Summer 2006 class schedule**. It has the full calendar for the Summer 2006 with all the dates that you need (**drop dates deadlines, refund etc...**). I urge you to take a moment to look at it and note the important dates.

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