

Professor: M. Akacem
MONEY AND BANKING
ECONOMICS 4111-100: Summer 2010: Term A
OFFICE: Econ 216
Email: akacem@colorado.edu
OFFICE HOURS: M-T: 10:55 a.m. - 11:55 a.m.
The 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 1st to July 2nd, 2010

ECON 4111-100 (3). Money and Banking Systems.
Discusses money, financial institutions, and the monetary-financial system in a modern economy.

Prerequisites: ECON 1000, or 2010 and 2020.

I. Important Note: No lap top use or texting with your cell phones will be allowed in class. All cell phones **MUST** be turned off. There are **NO** exceptions.

II. Objective of the course:

The main objective of this course is the study of financial markets. Given the global financial crisis of the past few years, some time will be devoted to cover it, its implications, and the policy response. The assigned text is your standard source for most of the material covered in class, but very often lectures will go beyond the text given the fast developments in the field. You are expected to be prepared for each lecture/topic by reading ahead of time.

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 and have completed the prerequisites for this class.

Guest Lectures: We will have three guest speakers from the SEC, a hedge fund and the Federal Reserve. Please see below for the dates.

Attendance on a daily basis for both regular and guest lectures is **mandatory** and any material covered is considered fair game for the exams that follow and/or the Final. In addition to the guest lectures, we will be viewing case studies in class dealing with banking issues. Some may be assigned outside of class if we do not have time to view and discuss these in class.

III. Main Text: Money, the Financial System, and the Economy, Fifth Edition, by R. Glenn Hubbard, Addison Wesley, 2005.

Please note that the Bookstore has been asked to **ONLY** get the older edition above. They may or may not have it. You do **NOT** have to buy the latest edition. Save yourself some

money and go on line. You can try Amazon, half.com and a few others as well. The price can be as low as 20 dollars or less. I will also leave a copy on reserve.

If you wish to practice using quizzes from your text's home page to:

http://wps.aw.com/aw_hubbard_moneyfse_5/19/4928/1261732.cw/index.html

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 instant feedback and the correct answers. These do not count towards your grade. They are merely meant to help you prepare and test your knowledge of the material.

IV. Reading of The Wall Street Journal IS highly recommended:

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 \$19.95 for 8 weeks.

Articles from [The Wall Street Journal](#) that pertain to our class will be discussed in class throughout the summer whenever these are relevant. However, regardless whether are assigned or not, you will benefit from reading *The Wall Street Journal* on a daily basis. If you cannot afford a subscription to the Journal, you can always have access to it at the campus Library. Once you subscribe to The Wall Street Journal, you will have access to the On Line 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).

I highly recommend the reading of the following as well:

The Financial Times: <http://www.ft.com>

The Economist: <http://www.economist.com>

Optional Reading:

This reading list is given to my students in case they wish to expand their knowledge beyond the text and the class.

I realize that once something is recommended and/or is optional very few students take a look at it. I have had a number of students read some of the books listed here (even during the summer term) and discussed them with me. I encourage you to do the same.

The Big Short by Michael Lewis, W.W. Norton 2010

This time is different, by Carmen M. Reinhart and Kenneth S. Rogoff, Princeton 2009. A lengthy book on financial crises but an excellent and recent addition to the list.

In Fed we Trust by David Wessel, Crown Business New York, 2009

The Myth of the Rational Market by Justin Fox, Harper Business, 2009

Fool's Gold: How the Bold Dream of a Small Tribe at J.P. Morgan Was Corrupted by Wall Street Greed and Unleashed a Catastrophe by Gillian Tett 2009

Restoring financial stability: How to repair a failed system, by Viral Acharya (Editor), Matthew Richardson (Editor), New York University Stern School of Business Stern John Wiley & Sons, 2009.

House of Cards: A Tale of Hubris and Wretched Excess on Wall Street by William D. Cohan 2009

The Age of Turbulence by Alan Greenspan, Penguin books 2008

When Markets Collide by Mohamed A. El-Erian, McGraw Hill 2008, winner of the Financial Times and Goldman Sachs Business Book of the Year Award 2008

The Ascent of Money: A Financial History of the World by Niall Ferguson 2008

Islam and Mammon: The Economic predicaments of Islamism, by Timur Kuran, Princeton University Press, 2004.

Running Money by Andy Kessler, Harper Business, 2004.

When Genius Failed: The rise and Fall of Long-Term Capital Management by Roger Lowenstein, Random House, 2000.

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

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

Websites worth visiting:

Discussion of the financial crisis by Professor Simon Johnson of MIT

<http://baselinescenario.com/>

The Financial Times discussion on Central Banking and the Money Supply

<http://blogs.ft.com/money-supply/>

The Financial Times Economists' Forum:

<http://blogs.ft.com/economistsforum/>

Federal Reserve Bank of San Francisco: Crisis and Response

<http://www.frbsf.org/econanswers/response.htm>

The Financial crisis: A Timeline of events and policy response

<http://timeline.stlouisfed.org/>

From the Federal Reserve Bank of San Francisco: Ask Dr. Econ

<http://www.frbsf.org/education/activities/drecon/askecon.cfm>

The Financial Times on the European crisis

<http://www.ft.com/indepth/euro-in-crisis>

V. Course Outline: The pace will vary and we may be covering more than one outlines per week.

This outline may change somewhat depending on current financial events that occur in the US and in the Global financial markets. Be in class and stay informed.

June 1st to June 9th:

Introduction, syllabus and start with outline 1 [covers chapters 1,2 and 3]

Continue with outline 1 [same chapters as with the previous day]

Outline 2, Banking regulation, crisis and response then and now [chapters 14 and 15]

Outline 3, Banking crises, Savings and Loans crisis and response
Lecture

Lecture based on the material below:

The US financial crisis. Readings from the Federal Reserve Bank of San Francisco (3 short articles in the link below)

<http://www.frbsf.org/econanswers/crisis.htm>

The Feds' Response. From the same source listed above (3 short articles in the link below)

<http://www.frbsf.org/econanswers/response.htm>

The Road Ahead. From the same source (3 short articles in the link below)

<http://www.frbsf.org/econanswers/ahead.htm>

Inside the Meltdown: Documentary on the US financial crisis and discussion

June 9th: Confirmed: Mr. Greg Carter, Senior Bank Examiner, Federal Reserve Bank of Kansas City, Denver Branch, will speak on bank examination.

Practice test one and Exam One:

Wednesday June 9th: by 11:30 p.m., Practice test one to be taken On Line through CULearn. This is NOT a group test and is to be taken individually by each student without notes, books etc... Make sure that you have a secure connection. Do not exit/leave CULearn or do searches. There are NO make ups or resetting of the practice test.

Thursday June 10th, 2010: Exam One in Class. The exam will cover all of the material reviewed until June 9th.

From June 11th to June 21st:

Outline 4, The Federal Reserve system [chapter 19]

Outline 5, Multiple deposit creation [chapter 17, pages 385 to 398]

Outline 6, The Money Multiplier [chapter 17, pages 398 to 411]

Outline 7, Monetary Base and Budget Deficits, Monetary Policy Tools and the Federal Funds Market [chapters 18 and 20]

Finish outline 7, If times allows we will view The Wall Street Fix

June 18th: confirmed: Mr. Jay Scoggins, Assistant Regional Director, the Securities and Exchange Commission will speak on the SEC and its role in financial markets.

A short Exam Review, Michael Lewis on the US financial crisis (Audio interview BBC if available and sixty minute interview)

Practice test 2 and Exam 2:

June 21st, 2010: by 11:30 p.m. practice test two to be completed on CULearn. The same policy as with practice test one applies.

June 22nd, 2010 Exam 2 in class. The exam will cover material from June 11th to June 21st, outlines 4, 5, 6 and 7 and any outside material and/or readings and/or case studies viewed in class as well as guest lectures if any.

From June 23rd to July 1st:

The Trillion Dollar Bet, to be viewed in class and discussion

June 24th: Confirmed: Bryan Roche guest speaker on Hedge Funds. His Hedge fund, Proprietary Capital, is among the top 100 hedge funds and has just been ranked number 28 out of 9000 in the world by Barron's. See:

<http://online.barrons.com/article/SB124182239611202181.html>

Outline 8, Goals and tools of monetary policy [chapter 21]

*Outline 9, The Euro and the Euro crisis

Outline 10, Currency markets and currency crises [chapters 8 and 22]

Viewing and discussion of the Crash- case study covering currency crises and the role of the IMF, speculators and governments

Lecture and discussion of the following articles: These will be posted on CULearn and can also be found on line.

1. The End by Michael Lewis

<http://www.portfolio.com/news-markets/national-news/portfolio/2008/11/11/The-End-of-Wall-Streets-Boom>

2. Triple-A failure by Roger Lowenstein

http://www.nytimes.com/2008/04/27/magazine/27Credit-t.html?_r=1&pagewanted=print

3. Risk Mismanagement by Joe Nocera

<http://www.nytimes.com/2009/01/04/magazine/04risk-t.html?pagewanted=print>

4. The education of Ben Bernanke by Roger Lowenstein

<http://www.nytimes.com/2008/01/20/magazine/20Ben-Bernanke-t.html?pagewanted=print>

Practice test 3 and Exam 3:

July 1st, 2010: Practice test 3 to be completed on CULearn. The same policy as with practice test one applies.

July 2nd, 2010: Final exam in class. The exam will cover the material from June 23rd to July 1st.

Important Note:

Please note that for each test, any material covered in class, such as case studies, guest lectures, WSJ articles and/or other material in addition to the list given above is fair game. This can be a WSJ article or additional material covered in class. 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. Remember the Final is comprehensive starting from the material assigned for the second exam to the last day of class.

VI. Grading:

You will have a TOTAL of three (3) EXAMS and three practice tests. 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:

Exam One	20%
Exam Two	25%
Exam Three	35%
Practice Tests:	20%

Your overall numerical grade will be: $(\text{exam 1} * .20) + (\text{exam 2} * .25) + (\text{exam 3} * .35) + (\text{average of practice tests} * .20)$

VII. Policies:

Please consult the following links for general policies on classroom behavior, honor code, disability services and religious holiday policies:

<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

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

Withdrawal

Check the summer 2010 class schedule. It has all the dates that you need (drop dates deadlines, refund etc...). I urge you to take a moment to look at it.