

“Introduction to Money and Banking” (ECON 0280)  
Summer 2014  
Monday/Wednesday 6pm-9.15pm, June 23 – July 30, 2014

### **Instructor’s Information**

Conor Lennon  
Office: Posvar 4911  
Contact: cjl55@pitt.edu  
Office Hours: 5-6pm Monday and Wednesday

### **Course Aims and Overview**

ECON 0280 is a course on the economics of money, banking and financial markets. The course provides students with an introduction to the concept, purpose, history, and evolution of money in the economy. The course will also introduce financial markets, financial institutions, and examine how monetary policy (the decisions of the Federal Reserve) affects the economy. The course will have an applicability focus but will also provide students with a solid theoretical foundation for further study and help prepare you to succeed in the financial and government sectors, among others.

The course will introduce the concept of **money** and **financial assets**. We will then proceed to examine the markets and institutions which have evolved to facilitate trade and to regulate financial assets. First, we will examine the role of **financial markets** in the economy, with particular emphasis on how (and at what price) money is transferred from those who have more than they currently want to those who desire to “borrow” money/financial assets. The course will then turn to a study of how **financial institutions** facilitate these transactions. Lastly, we will examine how **central banking** and **monetary policy** affects the economy, both through day-to-day actions and through the regulatory framework that has been created.

### **Key Skills and Core Concepts**

At the end of this course you will have learned the following key skills that will be an asset to you in the future;

1. You will be able to meaningfully **compare** streams of income and expenses that can occur at different times, are of different amounts, and which might be uncertain in nature. That is, you will be able to quantitatively compare financial assets.
2. You will be able to **explain to others** the difference between various financial assets, why they exist, who might like to buy (and sell) them, and how they contribute to the broader economy.
3. You will **be able to describe the role** of the different types of banks that exist - how the government and the banking system “creates money”, how banks stay in business, and why they sometimes “fail.”
4. You will be able to interpret the policy choices of any central bank, how it affects the prices of financial assets, financial products, financial services, and the interest rate paid on borrowings. Most importantly, you will be able to **illustrate to others how businesses and individuals are affected by monetary policy decisions**.
5. Lastly, for those most interested in future study and/or jobs in the financial sector, or with the Federal Reserve itself, you will be **introduced to the theory** that underpins central banking and monetary policy decisions. This skill is different to skill four in a crucial dimension. Skill 4 will allow you to determine the effects of central bank decisions. Skill 5 will allow you to explain why those decision were made.

## Course Delivery

We will meet twice weekly in Posvar 4900. Lectures will be used for instruction, student presentations, learning activities, and discussion. You are required to read the relevant chapters prior to coming to class. Please refer to the course outline for details.

Due to the intense nature of this course, traditional office hours are always a challenge and may have to be adjusted frequently to accommodate increased demand for meetings.

## Assessment

Learning will be assessed through a combination of tangible in-class participation, homework assignments, chapter summary assignment, a mid-term examination, and a final examination. There will be;

- Six homework assignments, the best five of these will constitute 10% of the final grade. Each of the best five will contribute 2% to your overall grade. These assignments will be due one week from the date they are assigned.
  - Taking time with and really understanding the homework assignment will help you do well on exams as the questions will be similar.
  - Five homework assignments will use MyEconLab. Instructions for accessing the website are provided later in this document.
- A mid-term examination will constitute 25% of the final grade. The exam will be held during the lecture on Wednesday the 9<sup>th</sup> of July. The exam will last 2 hours. The exam will cover only material that we have covered up to the end of class on July 7<sup>th</sup>. The midterm will be a mix of multiple choice and worked problems.
- A **cumulative** final (2 hours) in class on our final class date. The final will be worth 35% of your grade. The final will be a mix of multiple choice and worked problems.
- Weekly chapter summary assignments which will be worth 10% of your grade. You will earn the full 10% for turning in five completed summaries in *on time*. There will be a 2% penalty for missing assignments and 1% for submitting summaries late. If completed and submitted, the summaries are a great way to boost your grade and prepare for exams *simultaneously*. See “reading” section for more information.
- Finally, **participation in learning activities** in the classroom (and by extension attendance) will count for 20% of your final grade. Missing class periods without a valid medical reason or emergency situation will result in forfeit of 2% of your participation points. That is, missing a class would reduce the maximum possible points to 18%. Participation in class activities consists of three components
  - Minute Papers at the end of class
    - Provides feedback to me about what was clear and what was not clear.
  - Media exercises
    - During class we will examine media/news items upon which you will answer questions. This may take the form of a news article or a radio or video clip. These clips will be carefully selected to shed light on class material. The answers given

to the questions on these news items will be graded and form part of your participation points.

- Short written exercises
  - During class I will ask you to take a minute, think about or work through a problem, and share your answer/ideas with class if you are comfortable doing so. Completing the exercises is required.
  - I will examine these exercises – it helps me check that you are actively learning and maintains attendance records.

**NOTE:** Missing more than one class meeting without a valid medical excuse or my explicit permission will automatically result in a failing grade being assigned regardless of performance on exams and other assignments. One class is equal to 3 or more classes in a regular semester. It is not possible to miss two class meetings while still satisfying the requirements of the course.

You are expected to complete assignments and take examinations on the dates specified. Late submissions of work or re-sits of examinations are only acceptable in extreme circumstances, such as serious illness/injury/death in immediate family/jury duty. A health certificate from a doctor or other evidence will be required. If for any such reason you cannot meet a deadline you must inform me (by email if possible) before the deadline. **It is your responsibility to keep me informed of any problems you are having in meeting deadlines.**

Please note that all work submitted for this course must be your own. Students in this course will be expected to comply with the University of Pittsburgh's Policy on Academic Integrity. Any student suspected of violating this obligation for any reason during the semester will be required to participate in the procedural process, initiated at the instructor level, as outlined in the University Guidelines on Academic Integrity. This may include, but is not limited to, the confiscation of the examination of any individual suspected of violating University Policy. Furthermore, no student may bring any unauthorized materials to an exam, including dictionaries and programmable calculators.

If you have a disability that requires special testing accommodations or other classroom modifications, you need to notify both the instructor and Disability Resources and Services no later than the second week of the term. You may be asked to provide documentation of your disability to determine the appropriateness of accommodations. To notify Disability Resources and Services, call (412) 648-7890 (Voice or TTD) to schedule an appointment. The Disability Resources and Services office is located in 140 William Pitt Union on the Oakland campus. If needed please contact the office *as early as possible* in the term.

To ensure the free and open discussion of ideas, students may not record classroom lectures, discussion and/or activities without the advance written permission of the instructor, and any such recording properly approved in advance can be used solely for the student's own private use. Class materials may be protected by copyright. United States copyright law, 17 USC section 101, et seq., in addition to University policy and procedures, prohibit unauthorized duplication or retransmission of course materials. See Library of Congress Copyright Office and the University Copyright Policy.

## Grading Scale

Each graded task associated with this class will be given a score out of 100. Final grades will be calculated by weighting each score according to the weights indicated in the “Assessment” section above and will be rounded to the nearest integer to provide a final percentage score out of 100. These scores will be converted to letter grades as follows:

A range 90-100 – A- = 90-93, A = 94 or above  
B range 80-90 - B- = 80-83, B = 84 to 86, B+ = 87 to 89  
C range 70-80 - C- = 70-73, C = 74 to 76, C+ = 77 to 79  
D range 60-70 - D- = 60-63, D = 64 to 66, D+ = 67 to 69  
F = <60

Incomplete grades will only be awarded in extreme circumstances and with the agreement of the instructor who teaches the class when it is next offered. As noted in the prior section, missing more than 2 classes without a valid excuse (as outlined earlier) will automatically result in a failing grade being assigned.

## Reading

The primary text will be: *Introduction to Money, Banking, and Financial Markets* (10th Edition) by Frederic Mishkin, published by Prentice Hall. You will need to have *access* to this book, and in a pinch the 9<sup>th</sup> edition will suffice. However, we will be using the resources of MyEconLab for homework assignments and you will need to purchase a student access kit (available online and from the campus bookstore) if you do not buy a new copy of the book.

Each Wednesday, you must submit a one-page summary of *one* chapter from that week’s material. For example, in Week 1, we will cover chapters 1 through 4 and perhaps some of Chapter 5. You can choose any one of these five chapters. I will provide a format/template for the chapter summary that you can view on Courseweb (see Course Documents – Week 1). If you stick to that template, you will earn full marks for your chapter summary.

These chapter summaries are crucial in a summer class which is compressed by its nature. I encourage you to view these as a study aid and to partner with others to share your chapter summaries before the midterm and final exams.

I also highly recommend visiting the home pages of a financial newspaper/publication and reading one or two articles to see how what you are learning can help you understand the world around you. Some of the best options are *The Wall Street Journal* ([www.wsj.com](http://www.wsj.com)) and *The Economist* magazine ([www.economist.com](http://www.economist.com)). Occasionally I may ask you to read and be prepared to talk about a specific article in class **if there is a major financial event** that occurs during the term.

Weekly Timetable—Summer 2014 (Monday/Wednesday 6pm, Posvar 4900)

<b>Week</b>	<b>Topic</b>	<b>Chapter Number and Title</b>
<b>Week 1</b>	Introduction to Money	3. What Is Money? 1. Why Study Money, Banking, and Financial Markets? 2. An Overview of the Financial System 4. Understanding Interest Rates
<b>Week 2</b>	Financial Markets	5. The Behavior of Interest Rates 6. The Risk and Term Structure of Interest Rates (optional) 7. The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis 8. Analysis of Financial Structure 9. Financial Crises  Guest Lecture (45 mins) – Topic TBC
<b>Week 3</b>	The Banking System and Financial Institutions	10. Banking and the Management of Financial Institutions 11. Economic Analysis of Financial Regulation (optional) 12. Banking Industry: Structure and Competition  <b>MIDTERM EXAM July 9</b>
<b>Week 4</b>	Introduction to Monetary Policy	13. Central Banks and the Federal Reserve System 14. The Money Supply Process 15. Tools of Monetary Policy
<b>Week 5</b>	Monetary Policy	16. The Conduct of Monetary Policy: Strategy and Tactics 19. Quantity Theory, Inflation, and the Demand for Money 20. The IS Curve (time permitting) 21. Monetary Policy and Aggregate Demand Curves (time permitting) 22. Aggregate Demand and Supply Analysis
<b>Week 6</b>	Monetary Policy	23. Monetary Policy Theory Exam review  <b>FINAL EXAM July 30</b>

## MyEconLab Access

### How to Register and Enroll in Your MyEconLab.com Course

**Textbook:** *Mishkin: The Economics of Money, Banking and Financial Markets, 10/E*

**Course Name:** Econ 0280 Mishkin

**Course ID:** lennon92867

Detailed help can be found at <http://pearsonmylabandmastering.com/students/>. To join your instructor's course, please complete the following **two** steps:

1. Register for MyEconLab
2. Enroll in your instructor's course

#### To register, you will need:

1. A valid e-mail address (please use your pitt.edu email)
2. The access code that came with your MyEconLab Kit or a credit card or Pay Pal account if you wish to purchase access online.
3. The Course ID listed above.

**Please Note:** If you have an Access Kit that came with your book or that you purchased separately, the instructions may be different than what you are reading here. Please disregard those instructions and follow the steps below. The code in your kit is still valid for the version of MyEconLab that your instructor is using.

#### Step 1: Register for MyEconLab

1. Go to [www.myeconlab.com/legacy/login](http://www.myeconlab.com/legacy/login) and click the **Student** button, in the Register section.
2. Enter the Course ID
3. Choose to **register an access code or to buy access.**
4. Follow the instructions to set up your login and password for your course.

#### Step 2: Enroll in your instructor's course

1. Login to MyEconLab at [www.myeconlab.com/legacy/login](http://www.myeconlab.com/legacy/login) with your newly created Login Name and Password.
2. Enter the course ID:

If you purchased access, visit the **Student Center** inside your Instructor's Course for additional purchase options **Note:** If you are taking two MyEconLab courses simultaneously you will need two separate login accounts. **Need Help?** For assistance, please visit

<http://www.myeconlab.com/support>