MONEY & BANKING
Econ 315, Section 001
Spring 2008
TR 12:30 - 1:45 pm
Mitchell Hall #120

PROFESSOR: Dr. Christine Sauer, Econ Bldg. #2005, 277-1963, sauer@unm.edu
Office hours: TR 2:30-4:00 pm or by appointment
Course homepage: http://vista.unm.edu – log in with your UNM net ID

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Office hours: TR 10:00-11:00 am or by appointment

COURSE OVERVIEW & OBJECTIVES: “Money makes the world go around...” – at least according to a song from the musical Cabaret. In this course, we will examine how and to what extent it does. Here are some of the general questions that will be addressed: What is the role of money in the national and global economy? How do financial markets like the bond, money, and other asset markets work? What causes interest rates and asset prices to fluctuate? What are the functions of financial institutions in general and banks in particular? What role does the Fed play in the financial system?

Money and banking is a dynamic and exciting area of study. It is also very timely, given the fallout from the recent crisis in the U.S. subprime mortgage market. To analyze the root causes of this crisis, we need to take into account the dramatic changes in our financial environment over the past 20 years – the deregulation and consolidation of the U.S. banking system, the development of new financial markets and instruments, and the increasing globalization of financial markets. In this course, you will apply different economic models and theories to analyze these important monetary and financial phenomena and investigate their effects on the macroeconomy.

COURSE MATERIALS: The required textbook is Frederic S. Mishkin’s The Economics of Money, Banking, and Financial Markets (8th edition) with CourseCompass published by Pearson/Addison-Wesley. CourseCompass is the portal to MyEconLab, the publisher’s online homework and tutorial program for students that you will use in this class. There are 2 options for purchasing these course materials:

1. You can go to the CourseCompass website (www.coursecompass.com) and purchase access to MyEconLab in CourseCompass plus the eText-version of Mishkin for $60. The eText allows you to print chapters one page at a time.
2. You can go to the UNM bookstore and buy a new copy of the textbook with CourseCompass access for $148.75. If you buy a used copy of the textbook, you also have to purchase the separate access kit for MyEconLab in CourseCompass without the eText from the publisher’s website (www.coursecompass.com) at a cost of $30.

The CourseCompass ID number for this course is: sauer44224.

OTHER MATERIALS: Supplemental course materials will be posted on the course homepage and/or placed on reserve at Parish Library as needed. Links to various internet sources for economists are accessible via my homepage (www.unm.edu/~sauer).

Qualified students with disabilities needing appropriate academic adjustments should contact me as soon as possible to ensure their needs are met in a timely manner. Handouts are available in alternative accessible formats upon request.
PREREQUISITES: Econ 105 and 106.

COURSE REQUIREMENTS: There will be four exams, three take-home problem sets, and twelve online assignments (see course schedule below). Your final course grade is a weighted average of your performance throughout the semester and will be calculated as follows:

- **Exams – best 3 of 4 (300 pts. = 60%)**: If you take all 4 exams, the lowest score will be dropped. Because of this policy, absolutely no make-up exams will be given! The exams will include multiple choice questions and short problems. Except for the final exam, they are formally non-cumulative (although the material builds upon itself).

- **Take-Home Problem Sets – total of 3 (110 pts. = 22%)**: These problem sets will be handed out in class and posted on the course homepage about one week before the due date. Problem sets received after the due date are subject to penalty points. The problems will be similar to those given on the exams. No make-up assignments will be given.

- **MyEconLab in CourseCompass Online Assignments – best 9 of 12 (90 pts. = 18%)**: These assignments must be completed online and will be graded automatically. They will be posted at least one week before the due date. If you submit all 12 assignments, the three lowest scores will be dropped. Note that *MyEconLab* does not accept any submissions after the posted deadline (down to the exact second!), but you can change your answers as many times as you like before the due date.

Picture ID cards are required at all exams. Once an exam has started, students are expected to stay for at least the first 30 minutes. A student coming late to an exam may not be allowed to take it if any other students have already completed the exam and left the classroom. An unexcused absence from an exam will be counted as a failure. Prior notification of the instructor (by e-mail or phone) and a note from a dean or physician are required in case of illness or other serious incapacitating condition.

Cheating on an exam or any assignment is a serious offense that may result in a reduced or failing grade for the work in question and/or for the course as well as notification of the appropriate UNM authorities. Please refer to the university’s academic regulations and procedures for further information.

GRADING POLICY: Fractionalized grading (+ and –) will be used. There are 500 possible semester points. Cutoffs for final grades will be determined by the class distribution of total points at the end of the semester. However, an overall score of 90% (80%, 70%, 50%) will be sufficient but not necessary for a letter grade of A– (B–, C–, D–) in this course.

All students can earn up to 10 bonus points by taking the online quizzes on the publisher’s free companion website [http://wps.aw.com/aw_mishkin_econmbfm_8](http://wps.aw.com/aw_mishkin_econmbfm_8) for any 10 chapters that we cover in class. Detailed instructions will follow in a separate handout. The bonus points you earn will be added to your total semester points, but cannot replace any exam, problem set, or online assignment.

REVIEW SESSIONS & OTHER RESOURCES: Brief in-class reviews will be held prior to each exam. If there is sufficient student interest, extra review sessions will be offered outside the regular class time. Attendance is optional but highly encouraged.

If you are struggling with certain topics or concepts, the online resources offered by *MyEconLab in CourseCompass* and the free companion website [http://wps.aw.com/aw_mishkin_econmbfm_8](http://wps.aw.com/aw_mishkin_econmbfm_8) are a great starting point. One-on-one help is always available from your instructor and the TA during office hours. You can also get free tutoring for this course through the Center for Academic Program Support (CAPS) on the 3rd floor of Zimmerman Library – please visit their website [http://caps.unm.edu](http://caps.unm.edu) or call 277-7205 for more information.
OTHER INFO: Regular class attendance is critical to your doing well in this class since the exams, problem sets, and online assignments draw on material covered in the lectures as well as in the book. You are expected to have read (perhaps quickly) the assigned chapter sections before coming to class. I suggest that you re-read the assigned chapters and go through your notes after each class to solidify your understanding of the topic. You should also take the online sample test for each chapter early on and follow the personalized study plan developed for you by MyEconLab in CourseCompass.

To succeed in this class, you should budget at least 6 hours per week outside of class time to read and re-read the assigned chapters, review and rewrite your notes, work on assignments or other problems, and go through the online tutorials. Rather than trying to memorize the material, you should use and apply the concepts and tools covered in this class. “Learning by doing” is the best way to do so – that’s where the online assignments, sample tests, and tutorials come in. Stay on top of things, review your notes regularly, and bring your questions to class, office hours, or ask them by e-mail. Active class participation is encouraged!

You are also encouraged to follow current macroeconomic and financial events by reading a major newspaper (e.g., Financial Times, Wall Street Journal – go to www.wsj.com/student if you want to subscribe) or a weekly magazine (e.g., The Economist). Feel free to bring up current topics during or after class for discussion.

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COURSE SCHEDULE

Exam Dates:  
- Feb. 26 (Tue) exam #1 (in class)  
- Apr. 8 (Tue) exam #2 (in class)  
- May 6 (Tue) exam #3 (in class)  
- May 15 (Thur) exam #4 (10:00-12:00)

Due Dates for Problem Sets:  
- Feb. 14 (Thur) problem set #1  
- Mar. 27 (Thur) problem set #2  
- Apr. 24 (Thur) problem set #3

Due Dates for Online Assignments:  
- Jan. 28 (Mon) assignment #1  
- Feb. 4 (Mon) assignment #2  
- Feb. 11 (Mon) assignment #3  
- Feb. 18 (Mon) assignment #4  
- Feb. 25 (Mon) assignment #5  
- Mar. 10 (Mon) assignment #6  
- Mar. 24 (Mon) assignment #7  
- Mar. 31 (Mon) assignment #8  
- Apr. 7 (Mon) assignment #9  
- Apr. 21 (Mon) assignment #10  
- Apr. 28 (Mon) assignment #11  
- May 5 (Mon) assignment #12

Deadline for Bonus Point Work: no later than 10 pm on May 4 (Sun)
COURSE OUTLINE & READINGS

1. Introduction and Basic Concepts (weeks 1-2)
   a. Overview of Money, Banking, and Financial Markets Chap. 1, 2
   b. What is Money? Chap. 3

2. Financial Markets and Financial Institutions (weeks 3-9)
   a. Understanding Interest Rates Chap. 4
   b. Behavior of Interest Rates Chap. 5
   c. Economic Analysis of Financial Structure Chap. 8
   d. Banking and Management of Financial Institutions Chap. 9
   e. Banking Industry: Structure, Competition, and Regulation Chap. 10, 11
      (time permitting)

3. Central Banking and Monetary Policy (weeks 10-13)
   a. Structure of Central Banks and the Fed Chap. 12
   b. Multiple Deposit Creation and the Money Supply Process Chap. 13, 14
   c. Monetary Policy: Tools, Goals, and Targets Chap. 15, 16

4. Monetary Theory (weeks 14-16)
   a. Aggregate Demand and Supply Analysis Chap. 22
   b. Rational Expectations: Implications for Economic Policy Chap. 25
   c. Transmission Mechanisms of Monetary Policy (time permitting) Chap. 23
   d. Money and Inflation (time permitting) Chap. 24

IMPORTANT DATES:

Febr. 1 Last day to add courses or change sections
Febr. 15 Last day to change grading option (yellow card)
Febr. 29 Last day to drop course without grade
March 16-23 SPRING BREAK
Apr. 18 Last day to withdraw (WP/WF) without Dean’s approval
May 9 Last day to withdraw (WP/WF) with Dean’s approval