

ECON 350-01
Spring 2008
MWF 3:30 – 4:30
Science Library 306
Binghamton University

Kenny Christianson
office: Library Tower 1013
office phone: 777-4732
home phone: 607-277-1566
email: kennyc@binghamton.edu
office hours: MW 12:30 – 2:30

U.S. FINANCIAL SYSTEMS – MARKETS AND INSTITUTIONS (a.k.a. MONEY AND BANKING)

The goal of this course is to increase your understanding and knowledge of the role of the financial system in the United States economy. Primary topics include the role and history of money, the banking system, the Federal Reserve, monetary policy, interest rates, capital flows, corporate accountability, community development, and predatory lending. The course is divided between lectures, informal discussions, and student group project reports. To analyze and model the role of money in an economy, we will create our own currency, *ClassCash*. *ClassCash* can be used to buy items brought to class, to bid on research topics, to reward class participation, to participate in class bond markets, and for other uses that will be determined throughout the semester. In order to provide a market for *ClassCash*, each of you will be required to buy and sell at least one object in class during the semester. The person with the most *ClassCash* at the end of the semester will receive fifty dollars in real money.

Throughout the term we will explore the following issues:

What is money?

What is the role of money? How does it affect the macroeconomy?

What is the history of money and banking?

How does the financial system operate?

What is capital and why is it important?

What is the function and structure of the current U.S. banking system?

Who gains and who loses from the current U.S. banking system?

Why is the Federal Reserve Board (and Ben Bernanke) so important?

What is monetary policy and how does it work?

What economic models can be used to explain monetary policy?

What is the future of money and banking?

Will mergers lead to an increase in the concentration and centralization of capital?

Can community development through local financial institutions succeed?

What are the causes and consequences of the current credit crisis?

How can I get rich from all of this?

How does this apply to the community and the university?

How can we make the world a better place?

While most of the course will involve lecture and discussion, three weeks during the semester will be reserved for the presentation of group projects. This semester we will focus on three issues: predatory lending and community banking; corporate accountability and the role of financial regulation, especially in light of the Enron and other corporate scandals; and the role of financial institutions in the finance of war. Class presentations will give you the opportunity to share the results of your research with others in the class, rather than just having the professor as the only one to read your work.

READINGS

The following books are required for the course:

Frederic S. Mishkin, The Economics of Money, Banking, and Financial Markets, eighth edition, Pearson Addison Wesley

Kenneth Spong, Banking Regulation: Its Purposes, Implementation, and Effects, fifth edition

Board of Governors of the Federal Reserve System, The Federal Reserve System: Purposes & Functions, eighth edition

Federal Reserve Bank of New York, Understanding Open Market Operations

The first book is available from the bookstore or online. The last three can be ordered, free of charge, from the Federal Reserve. To order, go to

<http://app.ny.frb.org/publications/frame1.cfm>

and follow instructions. The books are not listed by author, but by topic. On the left hand side of the web page is a list of topics. First, click on “Federal Reserve System”. The Board of Governors book is under “Functions and Operations” (on page 2). The NY Fed book is under “Monetary Policy” (on page 3). The Spong book is listed under “Banking System” on page 2. Authors are not listed, just book titles. Try to order the books as soon as possible so that they will be available when needed.

REQUIREMENTS

Since this is meant to be a discussion class, class attendance and participation are vital to your success in the course. Each class period covers a significant amount of material, and there will be many interactive exercises and class discussions throughout the semester. In addition, it is imperative to complete the readings as assigned. If not, you will soon be overwhelmed.

Besides class attendance and reading, the requirements for the course include midterm and final examinations, four problem sets, three group reports and presentations, and participation. Groups will be formed within the first two weeks of class. The purpose of the group projects is to increase our knowledge of specific aspects of the financial system, and to enable you to share your work with others.

The grading distribution is as follows:

three group reports	30%
four problem sets	20%
midterm exam	20%
final exam	20%
participation	10%

The participation grade includes both participation in class discussions and in the *ClassCash* simulation.

OFFICE HOURS

Office hours are Mondays and Wednesdays from 12:30 – 2:30 p.m. and by appointment. Please feel free to drop by or to give me a call if you are having problems with the material, if you need to miss a class, or if you just want to talk. Often a difficulty with an assignment can be resolved with a meaningful question or two. Our purpose here is to learn, and I am willing to help in any way that I can.

ACADEMIC DISHONESTY

Any instance of academic dishonesty, such as plagiarism or cheating, will result in an automatic grade of F in the course and referral for judicial action. The highest level of academic integrity is expected of all students at all times.

ECONOMICS DEPARTMENT POLICY REGARDING MAKE-UP FINAL EXAMS

ALL make-up final exams in Economics will be given **Friday, May 16 from 2:00 – 4:00 PM**. All officially scheduled final exams will be listed in the BUSI system - check it for conflicts. If a conflict exists you may request a make-up exam from the instructor of **any** of the conflicting courses. If you choose to request a make-up exam for this course, a sign-up list to request the make-up exam will be available in class. Students **MUST** make their request for a make-up exam in economics **NO LATER THAN FRIDAY, February 29**. Students will be notified **IN CLASS** before the drop deadline. It is **the student's responsibility** to learn from the instructor if the request has been approved. Only students who are approved may take a make-up final exam. Students who have not requested a make-up exam in an economics course by February 29 will be required to resolve conflicting exams with the instructor in one of their other courses.

Make-up exams are approved **ONLY** for the following conditions:

- Conflicts with the **OFFICIAL** final exam schedule (e.g. exams at the same time or more than two exams within 24 hours).
- **DOCUMENTED** personal illness or family emergency.

The Final Exam for Econ 350 is scheduled for Monday, May 12 from 4:30 – 6:30 p.m. in LH 009.

READING LIST AND COURSE OUTLINE**Part I Introduction**

- Jan 28 Introduction to course
no reading assigned
- Jan 30 Introduction to money and banking
readings: Mishkin chapters 1, appendix to 1
- Feb 1 film: Frontline, dot.con
- Feb 4 The U.S. financial system
reading: Mishkin chapter 2
- Feb 6 The U.S. financial system (continued)
reading: Mishkin chapter 2
- Feb 8 Introduction to the Federal Reserve
readings: Federal Reserve chapter 1

Part II Money, Banking and Interest Rates

- Feb 11 Money
readings: Mishkin chapter 3
- Feb 13 History of money
reading: online
- Feb 15 History of banking
readings: Spong Intro, chapters 1,2; New York Fed chapters 1, 2
- ASSIGNMENT ONE DUE -
- Feb 18 - 22 Corporate Accountability Workshop
Class presentations
- Feb 22 -FIRST GROUP PAPER DUE-
- Feb 25 Interest rates
reading: Mishkin chapter 4
- Feb 27 Interest rates (continued)
reading: Mishkin chapter 5
- Feb 29 Calculating interest rates and yields
reading: Mishkin chapter 5
- ASSIGNMENT TWO DUE -

- Mar 3 Models of interest rate determination
reading: Mishkin chapter 6
- Mar 5 Yield curves
reading: Mishkin chapter 6
- Mar 7 -- MIDTERM EXAM --
- Part III Banking Structure and Regulation**
- Mar 10 U.S. financial structure
readings: Mishkin chapter 8, Spong chapter 3
- Mar 12 Moral hazard and adverse selection
reading: Mishkin chapter 8
- Mar 14 Banking management and finances
reading: Mishkin chapter 9
- Mar 17 Financial management
reading: New York Fed chapters 3, 4
- Mar 19 Banking regulation
reading: Mishkin chapters 10, 11;
- Mar 21 - 30 -MIDWINTER BREAK-
- Mar 31 Banking regulation continued
reading: Spong chapters 4-8
Films: It's a Wonderful Life, ABC News, The Savings and Loan Crisis
- Apr 2 Central Banks and the Fed
readings: Mishkin chapter 14,
- Apr 4 Money creation
readings: Mishkin chapter 15
- ASSIGNMENT THREE DUE --
- Apr 7 - 11 Predatory lending workshop
Class presentations
- Apr 11 -- SECOND GROUP PAPER DUE --
- Apr 14 Money creation (continued)
readings: Mishkin chapter 16

Part IV	Monetary Policy and Theory
Apr 16	Money supply and monetary tools readings: Mishkin chapter 17, New York Fed chapters 5, 6
April 18 - 21	Passover Break
Apr 23	Money policy targets readings: Mishkin chapter 18
Apr 25	More monetary tools reading: Federal Reserve chapters 2-7
Apr 28	Money demand reading: Mishkin chapter 22
Apr 30	Money demand (continued) reading: Mishkin chapter 22
May 2	Monetary policy: IS/LM analysis reading: Mishkin chapter 23 - ASSIGNMENT FOUR DUE -
May 5 - 9	Financing war workshop Class presentations
May 9	-- FINAL GROUP PAPER DUE --
May 12	- FINAL EXAM - 4:30 – 6:30 p.m. Lecture Hall 009

GOOD LUCK!!!!!!!!!!!!!!
I HOPE YOU ENJOY THE COURSE!!!!!!!!!!!!!!!!!!!!