Course Overview: The purpose of this course is to provide to you the tools that are necessary for understand issues in banking and monetary economics relevant for the U.S. economy. Much of the financing of US businesses is provided by loans from banks; the second largest source of finance comes from negotiable certificates, such as bonds. Both bank loans and bonds involve interest rates. The study of interest rates will be a large part of this course. We will look at factors that determine interest rates and how various interest rates are related to one another. We will see that interest rates are determined in part by factors related to money. We will spend a good deal of time studying these factors. We will consider such issues as the functions of money, what actually serves as money, what determines the demand for and supply of money, and the monetary policy of the Federal Reserve.

Readings: The required text for this course is: The economics of money, banking, and financial markets 10e by Fredric Mishkin (Pearson Publisher). This book has an excellent web site; in particular, the student resources section you should find to be very informative. The address is: http://wps.aw.com/bp_mishkin_econmbfm_10/

In addition to the text you will also read articles from journals and magazines for a class presentation and a term paper. You should check the course Sakai site. I will post the syllabus and PowerPoint slides on the Sakai.

This course is very topical. Nearly every day you will be able to find articles of interest for this course in the relevant quality newspapers. Accordingly, a requirement of this course is that you keep in touch with the latest monetary/financial developments in the U.S. economy. You can find such material in the Financial Times (http://www.ft.com/), and the business section of the New York Times (Business and Financial News - New York Times).

Classroom Etiquette: You are expected to be considerate of the other students in this class. Please be in class on time and to remain until class ends. Please do not speak privately to other students. Please do not use your phone during class time.
**Grading:** There will be three tests. The first test is scheduled for 27 September, the second for 30 October, and the third test during the final exam week in December (as per University Final exam schedule. You may not take the third/final exam earlier). In addition to the three exams, you are required to do a class presentation and write a term paper. The two weeks prior to the Thanksgiving break, you will present your term paper in front of the class in a time period of 5 to 10 minutes. Make-ups will not be given unless you have very compelling reasons for missing the regularly scheduled tests. If you have special needs for tests, you should see me by the end of the second week of the semester so that appropriate arrangements can be made.

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<thead>
<tr>
<th>Test Type</th>
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<tr>
<td>1st test</td>
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<td>2nd test</td>
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<td>3rd test</td>
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<td>Class Presentation</td>
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<tr>
<td>Term Paper</td>
<td>20%</td>
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<tr>
<td>Class Attendance</td>
<td>5%</td>
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**Attendance:** Attendance is the responsibility of the student. However, past experience suggests that attendance and careful note taking are important determinants of good performance in class. At random points during the semester, I will take attendance and award points to those who are in attendance that day. The amount of points may vary, with total 5% of your grade. During the exams, you should complete the exam and then leave the classroom.

The grading scale is:

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<thead>
<tr>
<th>Grade</th>
<th>Percent</th>
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<tbody>
<tr>
<td>4.00</td>
<td>95-100</td>
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<tr>
<td>3.75</td>
<td>91-94</td>
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<td>3.50</td>
<td>88-90</td>
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<td>3.25</td>
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<td>1.50</td>
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<td>1.25</td>
<td>61-63</td>
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<td>1.00</td>
<td>51-60</td>
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**Academic Integrity:** A major commitment of the University is “to the intellectual development of the student” (St. Lawrence University Aims and Objectives) which can be achieved only by strict adherence to standards of honesty. At St. Lawrence, all members of the community have a responsibility to see that these standards are maintained. Consequently, St. Lawrence University
students will not engage in acts of academic dishonesty. The University Policy:
1. It is assumed that all work is done by the student unless the instructor/mentor/employer gives specific permission for collaboration.
2. Cheating on examinations and tests consists of knowingly giving or using or attempting to use unauthorized assistance during examinations or tests.
3. Dishonesty in work outside of examinations and tests consists of handing in or presenting as original work which is not original, where originality is required.

The following constitute examples of academic dishonesty:
 a) Plagiarism: Presenting as one’s own work the work of another person--words, ideas, data, evidence, thoughts, information, organizing principles, or style of presentation--without proper attribution. Plagiarism includes paraphrasing or summarizing without acknowledgment by quotation marks, footnotes, endnotes, or other indices of reference (cf. Joseph F. Trimmer, A Guide to MLA Documentation).
 b) Handing in or presenting false reports on any experiment.
 c) Handing in or presenting a book report on a book one has not read.
 d) Falsification of records.
 e) Supplying information to another student knowing that such information will be used in a dishonest way.
 f) Submission of or presentation of work (papers, journal abstracts, oral presentations, etc.) which has received credit in a previous course to satisfy the requirement(s) of a second course without the knowledge and permission of the instructor/supervisor/mentor of the second course.
 g) Knowingly making false statements in support of requests for special consideration or special timing in the fulfillment of course requirements.

More information on academic integrity, including the Academic Honor Council’s Constitution, can be found at: http://www.stlawu.edu/acadaffairs/academic_honor_policy.pdf. Moreover, all students should have a copy of their signed and pledged agreement to this code from their first semester.

For information about academic integrity or the Academic Honor Council issues, contact the Dean’s Office at x5993.

Outline

I INTRODUCTION

Chapter1. Why study monetary and financial economics?

Chapter 2. U.S. monetary system and its history

Chapter3. What is money?

II INTEREST RATES
Chapter 4. Basics of interest rates

Chapter 5. What determines interest rates?

Chapter 6. Risk and term structure of interest rates

III BANKING AND FINANCIAL INSTITUTIONS

Chapter 8. Economics of the U.S. monetary/financial system

Chapter 9. Financial crises

Chapter 10. The banking firm

Chapter 10. Structure of the banking industry

Chapter 11. Banking regulation

Chapter 12. Structure of the banking industry

IV THE FEDERAL RESERVE AND MONETARY POLICY

Chapter 13. The FED and central banking

Chapter 14. The supply of money

Chapter 19. The demand for money

Chapters 15 and 16. Monetary policy

V INTERNATIONAL FINANCE AND MONETARY POLICY

Chapter 17. Foreign exchange market

Chapter 18. The international financial system
Paper: Analysis of a Newspaper or Magazine Article

In this assignment, you will do a short economic analysis of a current money & banking issue described in a newspaper or magazine article. Often the best method of finding a topic is simply looking through recent issues of the *The Economist*, *Newsweek*, or another news magazine, or a newspaper such as *The Wall Street Journal*, *The New York Times*, or *The Chicago Tribune*. Once you have a particular topic in mind, you will be able to use internet sources efficiently to find further information about your topic. It is especially important that you use economic analysis to explain the topic and do not merely describe the content of the article!

The paper should be *six to eight pages* in length, including *a title page, diagrams, tables, and references*. It must be *typed and double spaced*. It should be clearly divided (with section headings) into the following sections.

- **Title Page**: Includes title, name, and date.
- **Introduction**: This section should explain why the topic is important and include a brief summary of the article.
- **Economic Analysis**: This section contains your economic analysis of the article’s content. Typically, the analysis will be graphical (or Table with data) and must be explained in the text.
- **Conclusion**: This section should contain brief summary of the topic and your analysis, plus any discussion or comments that you may have on the topic. (This is the only place for your opinions on the topic.)
- **References**: At the end, cite any resources used in doing your analysis (including the source of your article, any economics textbook you may have consulted, and any internet sources).
- **Article**: Attach a copy of your article(s) to the assignment.

**Paper Due: December 6 (due in class: no exception)**