

ECONOMICS 312 COURSE GUIDE

The Economics of Money and Banking

Text: The Economics of Money, Banking and Financial Markets, 8th Edition –Frederic S. Mishkin

Learning Objectives: Utilizing the tools of economics that the student obtained in previous economics classes, the student will become familiar with the structure of the financial and banking industries within the United States and will learn to apply economic reasoning to said industries in order to better understand the inner workings of the financial markets.

Specific Learning Standards emphasized in this course include:

Critical Thinking -- analyzes information; utilizes logic; recognizes patterns and forms conclusions; recognizes and evaluates assumptions, theses, and support of arguments.

Professional Skills – demonstrates ability to deal with ambiguity and uncertainty.

Global Awareness – emphasis placed on how individual markets and firms should react to the changing global business environment.

Course Specifics: Course prerequisites are ECON 201 and 202. The following indicates the learning objectives in each chapter that should be given the most emphasis in lecture, problem assignments, and testing. Other learning objectives may be covered at the instructor's discretion.

<i>Ch. #</i>	<i>Chapter Title</i>	<i>Learning Objectives to be Emphasized</i>
1	Why study Money, Banking and Financial Markets?	<ul style="list-style-type: none">• In order to give the student an overview of the financial world as well as to present a plan of study for the remainder of the class.
2	An Overview of the Financial System	<ul style="list-style-type: none">• In this chapter, the student will learn the basic terminology and definition on which the rest of the study is based.
3	What is money?	<ul style="list-style-type: none">• History of money.• Characteristics of money.• Functions of money.
4	Understanding Interest Rates	<ul style="list-style-type: none">• Possibly the single most important chapter of the book, it is recommended that extra time be devoted to this topic to ensure students have a firm grasp of the topic material. Those topics include:<ul style="list-style-type: none">• Time value of money• --present value / future value• Calculation of bond prices and interest• Calculation of yield to maturity• How to use the financial calculator in order to solve more complex questions

5	The Behavior of Interest Rates	<ul style="list-style-type: none"> • How the markets helps to set interest rates,
6	The Risk and Term Structure of Interest Rates	<ul style="list-style-type: none"> • Risk and liquidity preferences • Yield curves and their explanations
8 – 11	Part 3 of the text: Financial Institutions	<ul style="list-style-type: none"> • An Economic Analysis of Financial Structure • Banking and firm management • Banking industry structure and competition • Economic analysis of Banking Regulation
12	The Central Bank and the Federal Reserve System	<ul style="list-style-type: none"> • An overview of the structure of the United States central bank, its task and claims
13	Multiple Deposit Creation	<ul style="list-style-type: none"> • The Fractional Reserve system and the simple money multiplier
14	Determinants of the money supply	<ul style="list-style-type: none"> • The complex money multiplier
15	Tools of Monetary policy	<ul style="list-style-type: none"> • How the Federal Reserve interferes with the money supply.
17	The Foreign Exchange Market	<ul style="list-style-type: none"> • How exchange rates are determined and why they are important.
Part 6	An overview of Keynesian Economics	<ul style="list-style-type: none"> • The Demand for Money • ISLM curves in conjunction with monetary and fiscal policy • Aggregate supply and demand • Money and inflation.