

**Professor: M. Akacem**  
**MONEY AND BANKING**  
**ECONOMICS 4111-001: Fall 2007**  
**OFFICE: Econ 115**

**ECON 4111-001 (3). Money and Banking Systems.**  
**Discusses money, financial institutions,**  
**and the monetary-financial system in a modern economy.**

lecture notes found on CULearn are dated. They can still help you but they are not a replacement for class lectures.

### **OBJECTIVE OF THE COURSE:**

First, let me advise you that attendance is mandatory and if you miss class, do so at your own risk. Exams will be drawn from class lectures/discussion as well as text and other sources discussed in class. These will only be announced IN CLASS. Neither the text nor the class notes are replacement for being in class. We will be showing a number of case studies and these audio visual tapes are not and cannot be put on reserve nor can they be lent out. They are equivalent to a lecture. This course has a number of objectives, but one of them is to teach you the fundamentals but then go far beyond them by applying the theory to what is taking place in the U.S. and overseas. The assigned text is your standard source for some of the material covered in class, but sometimes lectures will go beyond the text. You are expected to be prepared for each unit by reading ahead of time and attending regularly. We will try to apply what we know and use a lot of examples from current financial and banking developments in the U.S. and other countries or regions such as the Asian Currency turmoil. Reading of [The Wall Street Journal](#), [The Economist](#) and [The Financial Times](#) is extremely important. I will be assigning specific articles to read for class discussion from one or all of these sources as an assignment for the exam(s). The pace and coverage of topics will be fluid and the lecture format will be interactive, with discussion of topics, issues, articles etc.. and will not recite the text.

### **GUEST LECTURES and case studies:**

Finally, one unique and important aspect of this course is the use of outside speakers as well as the showing of case studies. The dates of these events are tentatively listed in the outline below. Any change will be announced in class. One will be from the Federal Reserve Bank of Kansas City on Bank Examination by a bank examiner from the Examination Department. Another will be from the Securities and Exchange Commission and one from a hedge fund on derivatives. This is conditional on the guest lecturers being able to come to our campus on the dates that they are available. Any material covered during these guest lectures is considered fair game for the following exam.

[Back to the top:](#)

<http://www.barnesandnoble.com/>

[http://www.cheapesttextbooks.com/IM/?gclid=COK65Z2e-YYCFSbuPgod-F\\_WXw](http://www.cheapesttextbooks.com/IM/?gclid=COK65Z2e-YYCFSbuPgod-F_WXw)

To practice using quizzes from your old edition's home page at:

<http://www.awl.com/hubbard> and click on student resources. Remember that the publisher may remove this at anytime. If the old site is still working, you will see a list of chapters and you can click on the chapter that you need. On the left menu, you will see an icon for quizzes. Do as many as you can.

### **Other texts and references that are optional reading for the course:**

Check the different sites of the Federal system listed on the class homepage

- **Running Money" by Andy Kessler, Harper Business, 2004.**
- **"When Genius Failed: The rise and Fall of Long-Term Capital Management" by Roger Lowenstein, Random House, 2000.**
- **"The Smartest Guys in The Room: The Amazing Rise and Scandalous Fall of Enron" by Bethany McLean and Peter Elkind, Fortune 2003.**
- **"Ugly Americans: The True Story of the Ivy League Cowboys who Raided the Asian Markets for Millions" by Ben Mezrich, Morrow 2004.**
- **"The Wall Street Journal Complete Money and Investing Guidebook" by Dave Kansas, (Excellent resource at a reasonable price from a number of On Line places such as Amazon.com)**
- **"Standard and Poor's Guide to Money and Investing" by Virginia Morris and Kenneth Morris (Excellent resource at a reasonable price from a number of On Line places such as Amazon.com)**
- **"Secrets of the Temple: How the Federal Reserve Runs the Country", by William Greider, Simon and Shuster, 1987**
- **"American Finance for the 21st Century" by Robert E. Litan with Jonathan Rauch, The United States Department of the Treasury, November 17, 1997.**
- **"U.S. Monetary Policy and Financial Markets", by Ann-Marie Meulendyke,**



**Tentative Course Outline: The pace and coverage will vary. Outlines are only a rough guide for what we will cover in class:**

|                    |  |  |
|--------------------|--|--|
| <b>Week One:</b>   | <b>Outline One: Introduction: Chapters 1, 2 and 3.</b><br>Current events, <a href="#">The WSJ</a> , <a href="#">The Economist</a> , <a href="#">The Financial Times</a>  |  |
| <b>Week Two:</b>   | <b>Outline 2 : Chapter: 14 and 15 from the main Text and part of 13 (pages 276 to 283).</b><br>Basic T-Accounts for bank balance sheets<br>Current events, <a href="#">The WSJ</a> , <a href="#">The Economist</a> , <a href="#">The Financial Times</a> |  |
| <b>Week Three:</b> | <b>Bond markets, Bond Ratings, and Yield Curves</b><br>Current events, <a href="#">The WSJ</a> , <a href="#">The Economist</a> , <a href="#">The Financial Times</a>   |  |

|                     |   |
|---------------------|---|
|                     | Current events, <a href="#">The WSJ</a> , <a href="#">The Economist</a> , <a href="#">The Financial Times</a>   |
| <b>Week Eight:</b>  | Outline Six: Continued: Chapter 17: The Money Supply Process<br>Current events, <a href="#">The WSJ</a> , <a href="#">The Economist</a> , <a href="#">The Financial Times</a>   |
| <b>Week Nine:</b>   | Outline Seven: Chapter 18 (pages 425 to 430) and Chapter 20: Monetary Base and Budget Deficits, Monetary Policy Tools and the Federal Funds Market. Only part I and II from Outline Seven are assigned for Exam 2. The rest of the Outline is assigned for Exam 3.<br>Case Study 3 & 4: The Wall Street Fix and The Secret History of the Credit Cards<br>Current events, <a href="#">The WSJ</a> , <a href="#">The Economist</a> , <a href="#">The Financial Times</a> |
| <b>Week Ten:</b>    | Finish the case studies.<br>Outline Eight: Goals and Tools of Monetary Policy, Targets and Instruments: Chapter 21. This Outline will be covered in Exam 3.<br>Current events, <a href="#">The WSJ</a> , <a href="#">The Economist</a> , <a href="#">The Financial Times</a>  |
| <b>Week Eleven:</b> | <b>Exam 2: Monday November 5<sup>th</sup>, 2007. Please Be on time. The Exam will not be given once a student leaves. The exam will cover any material, case studies or guest lectures done in class from the last exam until now</b>   |
|                     | Case Study # 5: The Trillion Dollar Debt. The failure of a large hedge fund, LTCM   |

**Week Twelve:** Guest Lecture 3: Mr. Brian Roche on Hedge Funds, Mutual Funds and Mortgage Backed Derivatives. This will depend on Mr. Roche's schedule.

Outline Eleven: Exchange Rates, Capital Flows and the Asian Currency Crisis, Chapters 8 and 22.

Case Study #6: The Crash. A case study on the Asian currency crisis, Russian default, the currency meltdown and the role of the IMF.

Current events, [The WSJ](#), [The Economist](#), [The Financial Times](#)



### **Three Exams:**

The weights on your exams will be 25%, 35% and 40%. The best of the first two exams will carry a 35% weight, the second best 25% and the Final will carry a 40% weight.

### **How do I use the weights to estimate my overall grade?**

**Here is an example:** Let us assume that you received a 70 in the first test, and 82 in the second test and an 87 in the last test. Remember, that you don not know what the last grade is (at least not yet), but you can guess based on your performance. Take 35% of the highest grade from the first two tests: or 82 times 35% which is 28.7 ( $.35 * 82$ ). Take 25% from the second highest grade from the first two tests: or 70 times 25% which is 17.5 ( $70 * .25$ ) and finally 40% of the final or .40 times 87 is 34.8 ( $.40 * 87$ ). You add the 3 numbers [ $28.7 + 17.5 + 34.8 = 81$ ], or a B. You can do this even before you take the first test by simply estimating what grades you may receive and see what overall grade you end up with.

### **INTERNET AND WORLD WIDE WEB SOURCES:**

You will find plenty of sites that are relevant to what we do in class. I particularly want you to visit the various Federal Re