Emporia State University  
School of Business  
Department of Accounting and Information Systems  
Money and Banking  
Course Syllabus – Fall 2011

MISSION STATEMENT: The School of Business prepares a diverse student body for successful careers by offering high-quality professional business programs in a student-centered learning environment. As a teaching institution enriched by management practice-related and pedagogical scholarship and service, the School primarily serves undergraduate students while offering strategically-focused graduate programs.

COURSE NUMBER AND TITLE: BC 353 ZA - Money and Banking

CLASS MEETING TIME: Wednesday 6:00 pm – 8:50 pm in the Metro Learning Center

PREREQUISITES: BC 103 and 104 (or equivalent) and junior standing. Students must complete all pre-requisites before registering for BC 353. Failure to complete prerequisites will result in the student being dropped from the class.

INSTRUCTOR: Dipak Ghosh

OFFICE: Cremer Hall 403

OFFICE HOURS: Since I will be coming up to the Metro Learning Center only once a week (every Wednesday) I will not have regular office hours. You are welcome to contact me during my regular office hours of 1:00 pm - 3:00 pm Monday, Wednesday, 10:00 am - 12:00 noon Tuesday, Thursday. You may also contact me at other times by calling me in my office or through email, and if I am not available, I will get back to you as soon as I can. You can set up an appointment to meet with me before class on Wednesday.

TELEPHONE NUMBERS: 620-341-5891 (Office) 620-341-6346 (Fax)

E-MAIL ADDRESS: dghosh@emporia.edu

I will communicate with you via your ESU student email account ONLY. I will NOT send email to non-ESU email accounts. You should only send me email from your ESU student email account. Any email sent from a non-ESU account will be deleted.

All emails sent to me MUST have BC 353 ZA (BC “space” 353 “space” ZA) in the subject line. This is to identify your class. Without this I have no indication which class your email refers to. You must also sign every email. I will not reply to emails that are not signed.

NOTE: This is NOT a course on Banking. You will not learn how individual banks operate, neither will you learn how to get employment at a bank or how to work at a bank. We will discuss the entire banking system, and how it affects the economy.
No personal electronic devices (like cell phones, pagers, or anything else) may be used in class unless authorized by the instructor. Violation of this requirement will be considered disruptive behavior and may result in you being dropped from the class.


Details on the textbook, including the ISBN and some options on buying the book, are available on the class web site on Blackboard. Students who purchased a new textbook should also have received an access kit for MyEconLab. Some of the features of MyEconLab are described in the first two pages of the textbook (just after the title page). Sign up for this and use it regularly. It will help you review the material in the textbook and give you many practice exercises, and should help you improve your grade. If you have any questions please let me know. You should visit www.myeconlab.com for more information.

You may also buy an electronic version of the textbook which is significantly cheaper than the print version. This can be purchased at the following website http://www.mypearsonstore.com/bookstore/product.asp?isbn=0321598903&xid=PSED. You can also buy the textbook and other supplements from this website. You will not be able to sell this electronic book back to the seller at the end of the semester. If you have any questions please let me know.

RECOMMENDED READING: It is strongly recommended that students buy the Study Guide which accompanies the text book (MyEconLab is an online substitute for the printed study guide). Going through the questions in the study guide will let you know if you have understood the material discussed in class, and if there is anything you need to review more intensively. It will also give you an idea of the type of questions you will have to answer in quizzes and exams.

SUPPLEMENTARY MATERIAL:
I have set up a web-site for this course on Blackboard. If you have used Blackboard before, your userid and password will be the same as before. If you have not used Blackboard before, please contact the TCS Helpdesk at 1-877-341-5555, 1-620-341-5555, helpdesk@emporia.edu.

The textbook has its own web-site: a link to which is available from the class web site; click on Student Resources; this section has some useful information and practice assignments that you can work through. All students should visit this site and use the various resources available. The more you practice working on problems, the easier it will be to understand the topics discussed in class.

The website of the Federal Reserve Board is a good source for information about the Federal Reserve System. The address is http://www.federalreserve.gov/. This website will not only give you information about the Federal Reserve System and commercial banking in the U.S., but it also contains links to other information sources (including regional Federal Reserve banks and government sources). You should visit the website and look at the information that is available,
as the information might be useful at some point during the course. You can get a lot of U.S.
macroeconomic data from this website (and from the links available from this site) which will be
useful not only in this course but in other courses too.

You should regularly read national newspapers like New York Times, Washington Post, or the
Wall Street Journal to keep up to date with current economic events relevant to the course. The
Wall Street Journal is probably the most appropriate choice as it has the greatest coverage of
business news (including coverage of the Federal Reserve and commercial banking), but other
national newspapers do have some coverage in their financial sections. All these newspapers also
have websites, where some of the information from the printed version is available free, and you
have to subscribe for the other sections.

I may also distribute additional material during the semester.

**COURSE DESCRIPTION:**

This course examines the theory of money and credit. Particular emphasis is placed upon the role
of banks in money supply expansion and upon the impact of changes in the quantity of money on
other economic aggregates, i.e., national income, employment, and the general level of prices.

**COURSE OBJECTIVES:**

1. To develop an understanding of the roles and functions of money.

2. To develop an overall understanding of financial markets and financial instruments

3. To develop an understanding of the Federal Reserve and how it controls money supply

4. To develop an overall understanding of monetary theory and policy, and how they affect the
economy

5. To develop the ability to use the theory discussed in class to analyze various problems,
including current monetary issues. The analysis will involve the use of graphical and quantitative
techniques

6. By the end of the course students should be able to analyze the implications of monetary
theory on the economy, and be able to express their opinions in a clear and concise manner. A
good answer does not mean writing everything you know about the question, it means being able
express your thoughts in a concise manner, such that anyone who reads the answer can
understand what you are trying to say.
GRADES: Final course grade will be based on:
- Quizzes and homeworks - 30%
- 3 Midterm Exams - 50%
- Comprehensive Final Exam - 20%

There will be no extra credit assignments or exams in this course.

Your lowest quiz score will be dropped. The final exam will be comprehensive.

Quizzes and exams will consist of both multiple choice questions and short-answer (essay-type) questions where students may have to solve a numerical problem or write a brief answer. Grades on the short-answer questions will not only depend on content, but also on how clearly the student has written the answer.

Grades will be based on the following scale:

- A 90% and above
- B 80 - 89%
- C 70 - 79%
- D 60 - 69%
- F below 60%

I will not give a letter grade for each individual exam or quiz; I will compute the letter grades only at the end of the semester. In certain exceptional situations, I may change the grading scale given above. However, I will only make that decision at the end of the semester.

Quizzes will be multiple choice and exams will consist of both multiple choice questions and short-answer (essay-type) questions where students may have to solve a numerical problem or write a brief answer. Grades on the short-answer questions will not only depend on content, but also on how clearly the student has written the answer. A long answer is not necessarily the best answer.

Homeworks may be numerical or subjective (short essay type) questions. They will be handed out in class.

DATES OF THE EXAMS

- First Exam: Wednesday, September 14
- Second Exam: Wednesday, October 12
- Third Exam: Wednesday, November 9
- Comprehensive Final Exam: Wednesday, December 7, 6:00 pm – 8:50 pm.

Dates of the quizzes will be announced in class.

The first three exams will be held during regular class hours on the dates indicated. The final exam will be held on the date and time indicated (which is during the university finals week).
POLICY FOR MAKING UP MISSED EXAMS, QUIZZES AND HOMEWORKS:

Homework assignments are due in class on the announced date (no extensions will be granted). If you are unable to come to class, you still have to turn in the homework on time (absence from class is not an excuse for not turning in an assignment or for turning it in late). If you cannot be in class on the due date, either turn in the homework early, or send it with someone else. Homeworks may be typed or handwritten. **If you turn in an assignment late, you will be penalized a certain number of points, depending on how late you turn it in. I will not accept any homework assignments after I return them in class.**

In general, I allow students to make-up a missed exam/quiz only if they have a medical reason for being absent. I will require that if you miss an exam/quiz you get a note from your doctor stating that you were under his/her care, and thus were unable to be in class on the specified date. If you have any other kind of emergency, family or otherwise, you should meet me before the scheduled date or as soon after as possible. At that time I may require you to produce additional documentation before I allow you to make-up the missed exam/quiz. In any case, whether I allow you to make up a missed exam/quiz or not will depend on your reasons for being absent. You must contact me before the date of the exam/quiz or as soon after than as possible (but definitely before the following class date). **You should not assume that you will automatically be given a make up quiz/exam. No makeup exams/quizzes will be given after I return and discuss them in class.**

Since the date for the final exam is determined by the university, you may take this exam only on the scheduled date. I will not change the date of the final exam. **Please do not make any plans to leave for the holidays before the date of the final exam. I will not give any makeup exams for the final.**

ATTENDANCE POLICY:

**It is very important that you attend class regularly.** We will be discussing applications of theory you have discussed in other classes, therefore active participation in discussions is the best way of becoming familiar with the various issues. If you are absent for any reason, you are responsible for anything which was discussed in class, i.e., you have to get the notes from someone, and be sure that you have read the material that you missed and that you understand it. You are, of course, welcome to come to my office and discuss anything that you don’t understand. You are also responsible for finding out what (if any) announcements were made in any class that you are absent from.

**I do not approve of students coming to class late or leaving class early without prior permission from me. I consider this disruptive behavior, and if it occurs repeatedly, I will ask the registrar to withdraw you from the class.**
ACADEMIC DISHONESTY:

Academic Dishonesty Policy
Faculty Senate Bill 95002

Academic dishonesty, a basis for disciplinary action, includes but is not limited to activities such as cheating and plagiarism (presenting as one's own the intellectual or creative accomplishments of another without giving credit to the source or sources). The faculty member in whose course or under whose tutelage an act of academic dishonesty occurs has the option of failing the student for the academic hours in question. The division chair should be advised of any action taken by the faculty member regarding academic dishonesty.

The faculty member may consent to refer the case to other academic personnel for further action. Divisions, schools, and colleges may have provisions for more severe penalties than are set forth above. Emporia State University may impose penalties for academic dishonesty up to and including expulsion from the university.

The student has the right to appeal the charge of academic dishonesty in accordance with the university's Academic Appeals policy and procedure as set forth in section 9A-04 of the Faculty Handbook. (FSB 95002, passed by Faculty Senate 1/16/96, approved by the President 1/31/96, updated 8/96)

COURSE TOPICS

1. An Overview of the Financial System  Chapter 2
   - Functions of Financial Markets
   - Structure of Financial Markets
   - Financial Market Instruments
   - Internationalization of Financial Markets
   - Functions of Financial Intermediaries
   - Types of Financial Intermediaries
   - Regulation of the Financial System

2. What is Money?  Chapter 3
   - Meaning and Functions of Money
   - Evolution of the Payments System
   - Measuring Money
   - How Reliable Are the Money Data

3. Understanding Interest Rates  Chapter 4
   - Measuring Interest Rates
   - The Distinction Between Interest Rates and Returns
   - The Distinction Between Real and Nominal Interest Rates
4. Behavior of Interest Rates
   Determinants of Asset Demand
   Supply and Demand in the Bond Market
   Changes in Equilibrium Interest Rates
   Supply and Demand in the Market for Money: The Liquidity Preference Framework
   Changes in Equilibrium Interest Rates in the Liquidity Preference Framework

5. Financial Crises and the Subprime Meltdown
   Factors Causing Financial Crises
   Dynamics of Past U.S. Financial Crises
   The Subprime Financial Crisis of 2007-2008
   Global: The Treasury Asset Relief Plan and Government Bailouts
   Dynamics of Financial Crises in Emerging Market Economies
   Global: The Perversion of the Financial Liberalization/Globalization Process

   The Bank Balance Sheet
   Basic Banking
   General Principles of Bank Management
   Managing Credit Risk
   Managing Interest Rate Risk
   Off-Balance Sheet Activities

7. Banking Industry: Structure and Competition
   Historical Development of the Banking System
   Financial Innovation and the Growth of the “Shadow Banking System”
   Structure of U.S. Commercial Banking Industry
   Bank Consolidation and Nationwide Banking
   Separation of Banking and Other Financial Services Industries
   Thrift Industry: Regulation and Structure
   International Banking

8. Central Banks and the Federal Reserve System
   The Price Stability Goal and the Nominal Anchor
   Other Goals of Monetary Policy
   Should Price Stability Be the Primary Goal of Monetary Policy
   Origins of the Federal Reserve System
   Structure of the Federal Reserve System
   How Independent is the Fed
   Structure and Independence of European Central Bank
   Structure and Independence of Other Foreign Central Banks
   Explaining Central Bank Behavior
   Should the Fed Be Independent
9. The Money Supply Process

Three Players in the Money Supply Process
The Fed’s Balance Sheet
Control of the Monetary Base
Multiple Deposit Creation: A Simple Model
Factors that Determine the Money Supply
Overview of the Money Supply Process
The Money Multiplier

10. Tools of Monetary Policy

The Market for Reserves and the Federal Funds Rate
Open Market Operations
Discount Rate Policy
Reserve Requirements
Monetary Policy Tools of the European Central Bank

11. Conduct of Monetary Policy? Strategy and Tactics

Monetary Targeting
Inflation Targeting
Monetary Policy with an Implicit Nominal Anchor
Tactics: Choosing the Policy Instrument
Central Banks’ Response to Asset-Price Bubbles: Lessons from the Subprime Crisis
Fed Policy Procedures: Historical Perspective

12. The International Financial System

Intervention in the Foreign Exchange Market
Balance of Payments
Exchange Rate Regimes in the International Financial System
Capital Controls
The Role of the IMF
International Considerations and Monetary Policy
To Peg or Not to Peg: Exchange Rate Targeting as an Alternative Monetary Policy Strategy

13. Aggregate Demand and Supply Analysis

Aggregate Demand
Aggregate Supply
Equilibrium in the Aggregate Supply and Demand Analysis

14. Money and Inflation

Money and Inflation: Evidence
Meaning of Inflation
Views of Inflation
Origins of Inflationary Monetary Policy
Discretionary/Nondiscretionary Policy Debate
Note: You will be responsible for all material covered in class. Some of the material covered will not be from the text book. You will be responsible for this material too. I may make changes in the syllabus. You will be informed about these changes as and when required.

Each chapter has a number of boxes and applications. Even if we do not discuss all of them in class, you should read all of them as they discuss various practical applications of the theory discussed in the rest of the chapter.

WITHDRAWAL POLICY:
The option of the instructor to initiate student withdrawal for excessive student absences does not apply to this course. Students who wish to drop this class will have to initiate the withdrawal process themselves.

I will initiate withdrawal of a student for disruptive behavior. Example of disruptive behavior include, but are not limited to coming to class late or walking out of class early, talking in class, using cell phones, pagers or other electronic devices in class, etc.

The last day to drop a class with no transcript entry is Tuesday, August 30. The last day to drop a class with an automatic “W” on transcript is Wednesday, October 26. Students will not be allowed to drop the class after this date.

DISABILITY SERVICES:
Emporia State University will make reasonable accommodations for persons with documented disabilities. Students need to contact the Director of Disability Services and the professor as early in the semester as possible to ensure that classroom and academic accommodations are implemented in a timely fashion. All communication between students, the Office of Disability Services, and the professor will be strictly confidential. The Office of Disability Services may be contacted at SE Morse Room 211, 620-341-6637 Voice, 620-341-6646 TTY, or via e-mail disabser@emporia.edu