Money and Banking – Econ 120  
(CRN 90224)  
Fall 2012  
Professor Shirley Gedeon, PhD

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Office Hours: M/W 10 - 12  
(or by appointment - just send an email request)  
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Required Texts:

1. Frederic Mishkin, *The Economics of Money, Banking, and Financial Markets*, 9th edition. (Available used, new, or as an online book - **but be sure that you purchase the 10th edition**).

Course Requirements:

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<th>% of grade</th>
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<tr>
<td>Midterm I</td>
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<td>Midterm II</td>
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<td>Midterm III</td>
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<td>2 Assigned Essays</td>
<td>15%</td>
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<td>Final Essay on <em>Exorbitant Privilege</em></td>
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Syllabus

**Part I: Financial Markets and Institutions - August 27 - September 21**

How is money defined? What is present value and how are bond prices and yields calculated?  
What is a yield curve and how is it used in the financial services industry? What are derivatives?

Reading Assignment:
1. Mishkin Chs. 2 – 7  
2. Eichengreen, Exorbitant Privilege, Chs. 1 & 2 (Introduction and Emergence)  
2. *Instruments of the Money Market* (Under "Assigned Reading" on left-hand menu)  
   • Commercial Paper  
   • Bankers' Acceptance

Monday, September 10 – In class quiz

**MONDAY, SEPTEMBER 24 – MIDTERM I – In-class exam**

**Part II: Business of Banking and the Banking Crisis of 2007-09 – Sept 26 - October 19**

What are the sources of risk in banking and how do banks manage that risk?  
How do you read a bank's balance sheet and calculate ROA? What are the roots of the financial crisis of 2007-09?
Reading Assignment:
1. Mishkin Chs. 8 – 10
3. Profits and Balance Sheet Developments of Commercial Banks, Federal Reserve (find under “Assigned Readings” on Blackboard)

Video Assignment:
4. Professor Richard Wolff, Capitalism Hits the Fan. (This is a video which you can check out from the UVM media library in the basement of B/H or you can watch it on Youtube)
5. Inside Job (DVD) – UVM media library


Part III: Financial Regulation and Structure of Banking Industry – October 22 - November 2

Reading Assignment:
1. Mishkin, Chs. 11 and 12
3. Eichengreen, Ch. 3 (Dominance)
5. Simon Johnson and James Kwak, 13 Bankers, Chs. 1-4 (under "assigned readings")

MONDAY, NOVEMBER 5 - Midterm II – in class exam

Part IV: Monetary Policy: The Tools and Policies of the Central bank - November 7 – 16

What is the purpose of a central bank? How does the central bank intervene to impact interest rates and economic activity? How does the European Central Bank differ from the US Central Bank? What is the money multiplier and monetary base and how does the central bank conduct monetary policy? How should we judge Bernanke's performance as Chair of the Board of Governors of the Federal Reserve?

Required Reading:
1. Mishkin, Chs. 13 – 16
3. Instruments of the Money Market, Chapters on Discount Window and Federal Funds Market (under “Assigned Readings”)
4. James Lowenstein, "The Villain" Atlantic Monthly (under "Assigned Readings")
5. "Term Asset-Backed Securities" of the Federal Reserve

Video Lectures
Ben Bernanke’s College Lectures (See “Assigned Reading” on Blackboard for link)


- How are exchange rates determined? What can central banks do to affect exchange rates?
- What is the future of the dollar as an international reserve currency?

Reading Assignment:
1. Mishkin, Chs. 17 and 18
2. Barry Eichengreen, *Exorbitant Privilege*, Chs. 4 -7 (Rise of a Rival, Crisis, Today, Tomorrow)

Midterm III: Monday, December 10, 10:30 – 12:30, Stafford Room 101

- Midterm Topics: Mishkin, Chapters 13 - 18 and other assigned reading
- Eichengreen Essay due in class on day of Midterm III. Topic to be assigned by December 1 combining (i) Bernanke college lectures, (ii) Eichengreen and (iii) Hanson, Kashyap, and Stein. ESSAY to be brought to the midterm.

NO EXCEPTIONS. Essay is printed and stapled.

Course Policies

Class Attendance:
Class attendance is mandatory and attendance will be taken at random times throughout the semester. Students who miss more than 3 class periods will receive academic warning letters and be asked to meet with their advisors before being re-admitted to the class.

Etiquette:
1. In class and in email, address me as Professor Gedeon. You may just start off email with "Dear Professor Gedeon".
2. It is your responsibility to introduce yourself to other students in class and to me. I will be teaching 200 students altogether during the fall semester, and while I hope to learn your name, it is your responsibility to keep reminding me.
3. Students will never be belittled or embarrassed by un-supportive or demeaning comments. We all have a right to political, religious, and cultural beliefs and practices. Disabilities come in a variety of forms, and we will extend ourselves to help others who ask for our help.
4. Use my office hours or time before class to talk about anything that concerns you--classes, grades, career options, school problems.

Academic Honesty
One thing that really bothers me is cheating because it make a statement to the world that you cannot be trusted.

Any suspected violations of the Code are taken very seriously and will be forwarded to the Center for Student Ethics & Standards for further intervention.

To read the Code of Academic Integrity and learn more about the Center for Student Ethics and Standards, visit their website at: [http://www.uvm.edu/cses/?Page=ah.html&SM=ahmenu.html](http://www.uvm.edu/cses/?Page=ah.html&SM=ahmenu.html)

Exam Makeups
You may be excused from taking a scheduled exam only if
- you are so ill that the Dean of Students of your college supports your request
- you are playing in such an important athletic event that your coach has contacted me with a request that you be excused
If you are attending a university-sanctioned event such as a debate tournament, pre-olympic tryout, academic competition that the supervising faculty member has contacted me with a request that you be excused.

- Since exams are given during the class period, students will be expected to have no prior work or club conflicts.
- It is the responsibility of the student to schedule a makeup exam.

**Homework/Assigned Essays**

Homework/assigned essays are due on the day assigned and must be submitted via the Homework Drop Box. This is located on the left-hand navigation bar on the Blackboard website. Homework must be submitted as a Word Document (doc or docx). It may be saved as a PDF.

**Homework loses 10 points for each day late,** counting Saturdays, Sundays, and holidays. It is due by 11:59 p.m. on the date assigned. Missing a deadline because of an athletic event, university function, or personal celebration is unacceptable. It is the student's responsibility to plan for such contingencies by completing the assignment early.