

ECON 350-01  
Fall 2009  
MWF 3:30 – 4:30 p.m.  
Science Library 206  
Binghamton University

Kenny Christianson  
office: Library Tower 1013  
office phone: 777-4732  
home phone: 607-277-1566  
email: [kennyc@binghamton.edu](mailto:kennyc@binghamton.edu)  
office hours: MW 12:30 – 2:00

**PREREQUISITE** - Grade of C or better in ECON 162.

**U.S. FINANCIAL SYSTEMS – MARKETS AND INSTITUTIONS  
(a.k.a. MONEY AND BANKING)**

The goal of this course is to increase your understanding and knowledge of the role of the financial system in the United States economy. The recent global financial crisis helps to illustrate the significance of the financial system to the macroeconomy and the relevance of the class to everyday economic events. Primary topics include the role and history of money, the banking system, the Federal Reserve, monetary policy, interest rates, capital flows, corporate accountability, community development, and subprime lending and the credit crisis. The course is divided between lectures, informal discussions, and student group project reports. To analyze and model the role of money in an economy, we will create our own currency, *ClassCash*. *ClassCash* can be used to buy items brought to class, to bid on research topics, to reward class participation, to participate in class bond markets, and for other uses that will be determined throughout the semester. In order to provide a market for *ClassCash*, each of you will be required to buy and sell at least one object in class during the semester. The person with the most *ClassCash* at the end of the semester will receive fifty dollars in real money.

Throughout the term we will explore the following issues:

What is money?

What is the role of money? How does it affect the macroeconomy?

What is the history of money and banking?

How does the financial system operate?

What is capital and why is it important?

What is the function and structure of the current U.S. banking system?

Who gains and who loses from the current U.S. banking system?

Why is the Federal Reserve Board (and Ben Bernanke) so important?

What is monetary policy and how does it work?

What economic models can be used to explain monetary policy?

What is the future of money and banking?

Will mergers lead to an increase in the concentration and centralization of capital? Can community development through local financial institutions succeed?

What are the causes and consequences of the current credit crisis and recession?

How can we make the world a better place?

While most of the course will involve lecture and discussion, three weeks during the semester will be reserved for the presentation of group projects. This semester we will focus on three issues: the current financial crisis and the institutions involved; predatory lending and community banking; and the role of financial institutions in the finance of war. Class presentations will give you the opportunity to share the results of your research with others in the class, rather than just having the professor as the only one to read your work.

**READINGS**

The following books are required for the course:

Frederic S. Mishkin, The Economics of Money, Banking, and Financial Markets, ninth edition, Pearson Addison Wesley

Kenneth Spang, Banking Regulation: Its Purposes, Implementation, and Effects, fifth edition

Board of Governors of the Federal Reserve System, The Federal Reserve System: Purposes & Functions, eighth edition

The first book is available from the bookstore or online. The last three can be ordered, free of charge, from the Federal Reserve. To order, go to

<http://app.ny.frb.org/publications/frame1.cfm>

and follow instructions. The books are not listed by author, but by topic. On the left hand side of the web page is a list of topics. First, click on “Federal Reserve System”. The Board of Governors book is listed on page 3. The Spang book is listed under “Banking System” on page 2. Authors are not listed, just book titles. Try to order the books as soon as possible so that they will be available when needed. Online versions of the books are also available if you do not desire hard copies of the books.

**REQUIREMENTS**

Since this is meant to be a discussion class, class attendance and participation are vital to your success in the course. Each class period covers a significant amount of material, and there will be many interactive exercises and class discussions throughout the semester. In addition, it is imperative to complete the readings as assigned. If not, you will soon be overwhelmed.

Besides class attendance and reading, the requirements for the course include midterm and final examinations, four problem sets, three group reports and presentations, and participation. Groups will be formed within the first two weeks of class. The purpose of the group projects is to increase our knowledge of specific aspects of the financial system, and to enable you to share your work with others.

The grading distribution is as follows:

three group reports	30%
four problem sets	20%
midterm exam	20%
final exam	20%
participation	10%

The participation grade includes both participation in class discussions and in the *ClassCash* simulation.

**OFFICE HOURS**

Office hours are Mondays and Wednesdays from 12:30 – 2:00 and by appointment. Please feel free to drop by or to give me a call if you are having problems with the material, if you need to miss a class, or if you just want to talk. Often a difficulty with an assignment can be resolved with a meaningful question or two. Our purpose here is to learn, and I am willing to help in any way that I can.

**ACADEMIC DISHONESTY**

Any instance of academic dishonesty, such as plagiarism or cheating, will result in an automatic grade of F in the course and referral for judicial action. The highest level of academic integrity is expected of all students at all times.

**ECONOMICS DEPARTMENT POLICY REGARDING  
MAKE-UP FINAL EXAMS**

**ALL** make-up final exams in Economics will be given **Friday, December 18 from 8:00 to 10:00 AM**. Currently all officially scheduled final exams are listed in the BUSI system - check it **NOW** for conflicts. If a conflict exists you may request a make-up exam from the instructor of **ANY** of the conflicting courses. If you choose to request a make-up exam for this course, a sign-up list to request the make-up exam will be available in class after the add/drop deadline – ask the instructor. Students **MUST** make their request for a make-up exam in economics **NO LATER THAN FRIDAY, October 9**.

It is **the student's responsibility** to learn from the instructor if the request has been approved. Only students who are approved may take a make-up final exam. Students who have not requested a make-up exam in an economics course by October 2 will be required to resolve conflicting exams with the instructor in one of their other courses.

Make-up exams are approved **ONLY** for the following conditions:

- Conflicts with the **OFFICIAL** final exam schedule (e.g. exams at the same time or more than two exams within 24 hours).
- **DOCUMENTED** personal illness or family emergency.
- 

**READING LIST AND COURSE OUTLINE****Part I      Introduction**

Aug 31	Introduction to course no reading assigned
Sept 2	Introduction to money and banking readings: Mishkin chapters 1, appendix to 1
Sept 4	film: Frontline, <a href="http://dot.con">dot.con</a>
Sept 7	- NO CLASS (Labor Day) -
Sept 9	The U.S. financial system reading: Mishkin chapter 2
Sept 11	Introduction to the Federal Reserve readings: Federal Reserve chapter 1

**Part II Money, Banking and Interest Rates**

- Sept 14 Money  
readings: Mishkin chapter 3
- Sept 16 History of money  
reading: online class 4
- Sept 18 - no class (Rosh Hashanah) -
- Sept 21 History of banking  
readings: Spong Intro, chapters 1,2; New York Fed chapters 1, 2
- Sept 23 Interest rates  
reading: Mishkin chapter 4
- Sept 25 Interest rates (continued)  
reading: Mishkin chapter 5
- Sept 25 - Assignment One due –
- Sept 28 - no class (Yom Kippur)
- Sept 30 Calculating interest rates and yields  
reading: Mishkin chapter 5
- Oct 2 Models of interest rate determination  
reading: Mishkin chapter 6
- Oct 5-9 Financial Crisis Workshop  
Class presentations
- Oct 9 -FIRST GROUP PAPER DUE-

**Part III Banking Structure and Regulation**

- Oct 12 U.S. financial structure  
readings: Mishkin chapters 8, 9 Spong chapter 3
- Oct 14 Banking management and finances  
reading: Mishkin chapter 10
- Oct 16 Financial management  
reading: New York Fed chapters 3, 4
- Oct 16 - Assignment Two due -
- Oct 19 Banking regulation  
reading: Mishkin chapters 11, 12
- Oct 21 Banking regulation continued  
reading: Spong chapters 4-8  
Films: It's a Wonderful Life, ABC News, The Savings and Loan Crisis
- Oct 23 -- MIDTERM EXAM --
- Oct 26 Central Banks and the Fed  
readings: Mishkin chapter 13
- Oct 28 Money supply process  
readings: Mishkin chapter 14

Oct 30	Tools of monetary policy readings: Mishkin chapter 15
Nov 2 - 6	Predatory lending workshop Class presentations
Nov 6	-- SECOND GROUP PAPER DUE --
<b>Part IV</b>	<b>Monetary Policy and Theory</b>
Nov 9	Monetary strategies readings: Mishkin chapter 16, New York Fed chapters 5, 6
Nov 11	Money policy tactics readings: Mishkin chapter 16
Nov 13	More monetary tools reading: Federal Reserve chapters 2-7
Nov 16	Money demand reading: Mishkin chapter 19
Nov 18	Money demand (continued) reading: Mishkin chapter 19
Nov 20	Monetary policy: IS/LM analysis reading: Mishkin chapter 20
Nov 20	- Assignment Three due -
Nov 23	IS/LM continued reading: Mishkin chapter 21
Nov 25 - 27	- NO CLASS (Thanksgiving) --
Nov 30	Monetary policy: aggregate demand and aggregate supply analysis reading: Mishkin chapter 22
Dec 2	AD/AS continued reading: Mishkin chapter 23
Dec 4	Summary and conclusions
Dec 4	- Assignment Four due -
Dec 7 - 11	Financing war workshop Class presentations
Dec 11	-- FINAL GROUP PAPER DUE --
Dec 14 - 18	- FINAL EXAM TBA-

GOOD LUCK!!!!!!!!!!!!!!  
I HOPE YOU ENJOY THE COURSE!!!!!!!!!!!!!!!!!!!!