



## *Money and Banking*

### SECTION I: Course Overview

**Course Code:** ECN330PRG

**Subject Area(s):** Economics

**Prerequisites:** See Below

**Language of Instruction:** English

**Total Contact Hours:** 45

**Recommended Credits:** 3

### COURSE DESCRIPTION

The course focuses on the connections between money (the Federal Reserve) and financial markets with financial institutions as their main actors (banks, mutual funds, hedge funds, insurance companies, the shadow banking system) in the modern market economy. Upon completion of this course you will have a thorough understanding of the role of money and banks in the broader economy and of the unique role of banks in the financial system.

In this course, you will gain a macroeconomic perspective on capital markets and the banking system by learning how interest rates and exchange rates are determined and manipulated, and how to interpret and predict implications of monetary policy conducted by the Federal Reserve. You will also comprehend financial market inefficiencies (such as asymmetry of information) and notions of behavioral finance. You will analyze the performance of government, markets, and institutions in the context of economic problems. Topics will include unconventional monetary policy tools during financial crises, the future of banking and new developments in the financial system such as cryptocurrencies.

Throughout the course you will have the opportunity to widen your horizons on a chosen topic with a project based on real-life context (country, company, market), such as offshore banking regulations in tax heavens countries, or how banking can benefit from blockchain technology.

## LEARNING OBJECTIVES

Upon successful completion of this course, you will be able to:

- Describe how interest rates, interest rate risk, and expectations of future interest rates affect decisions made by consumers and financial institutions.
- Explain the structure of the Federal Reserve System and the mechanisms in which it controls the money supply.
- Examine possible causes for recent financial crises, potential consequences for the macroeconomy, and monetary policies to counteract or prevent financial crises.
- Analyze monetary policy in the open economy and the foreign exchange market.
- Discuss new developments in the financial system, such as the role of cryptocurrencies in the modern economy.

## PREREQUISITES

Students should have completed a course in Economics or Principles of Macroeconomics.

## SECTION II: Instructor & Course Details

### INSTRUCTOR DETAILS

<b>Name:</b>	TBA
<b>Contact Information:</b>	TBA
<b>Term:</b>	SEMESTER

### ATTENDANCE POLICY

This class will meet once weekly for 150 minutes each time. All students are expected to arrive on time and prepared for the day's class session.

CEA enforces a mandatory attendance policy. You are therefore expected to attend all regularly scheduled class sessions, including any field trips, site visits, guest lectures, etc. that are assigned by the instructor. The table below shows the number of class sessions you may miss before receiving a grade penalty.

ALLOWED ABSENCES – SPRING & FALL SEMESTERS		
Courses Meeting X day(s) Per Week	Allowed Absence(s)	Automatic Failing Grade at X <sup>th</sup> Absence
Courses meeting 1 day(s) per week	1 Absence	4 <sup>th</sup> Absence

For every additional absence beyond the allowed number, your final course grade will drop down to the subsequent letter grade (ex: A+ to A). As a student, you should understand that the grade penalties will apply if you are marked absent due to tardiness or leaving class early. In the table below, you will find the grade penalty associated with each excessive absence up to and including automatic course failure.

ATTENDANCE DOCKING PENALTIES				
Absence	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Penalty	No Penalty	0.5 Grade Docked	1 Grade Docked	Automatic Failure
HIGHEST POSSIBLE GRADE AFTER ATTENDANCE PENALTIES				
Grade	A+	A	A-	F

CEA does not distinguish between excused and unexcused absences. As such, no documentation is required for missing class. Similarly, excessive absences, and the grade penalty associated with each, will not be excused even if you are able to provide documentation that shows the absence was beyond your control. You should therefore only miss class when truly needed as illness or other unavoidable factors may force you to miss a class session later on in the term.

## GRADING & ASSESSMENT

The instructor will assess your progress towards the above-listed learning objectives by using the forms of assessment below. Each of these assessments is weighted and will count towards your final grade. The following section (Assessment Overview) will provide further details for each.

<b>Class Participation</b>	<b>10%</b>
<b>Problem Sets</b>	<b>20%</b>
<b>Midterm Exam</b>	<b>20%</b>
<b>Final Exam</b>	<b>20%</b>
<b>Research Project</b>	<b>30%</b>

The instructor will calculate your course grades using the CEA Grading Scale shown below. As a CEA student, you should understand that credit transfer decisions—including earned grades for courses taken abroad—are ultimately made by the home institution.

CEA GRADING SCALE			
Letter Grade	Numerical Grade	Percentage Range	Quality Points
A+	9.70 – 10.0	97.0 – 100%	4.00
A	9.40 – 9.69	94.0 – 96.9%	4.00
A-	9.00 – 9.39	90.0 – 93.9%	3.70
B+	8.70 – 8.99	87.0 – 89.9%	3.30
B	8.40 – 8.69	84.0 – 86.9%	3.00
B-	8.00 – 8.39	80.0 – 83.9%	2.70
C+	7.70 – 7.99	77.0 – 79.9%	2.30
C	7.40 – 7.69	74.0 – 76.9%	2.00
C-	7.00 – 7.39	70.0 – 73.9%	1.70
D	6.00 – 6.99	60.0 – 69.9%	1.00

F	0.00 – 5.99	0.00 – 59.9%	0.00
W	Withdrawal	N/A	0.00
INC	Incomplete	N/A	0.00

## ASSESSMENT OVERVIEW

This section provides a brief description of each form of assessment listed above. Your course instructor will provide further details and instructions during class time.

**Class Participation (10%):** Student participation is mandatory for all courses taken at a CEA Study Center. The instructor will use the rubric below when determining your participation grade. All students should understand that attendance and punctuality are expected and will not count positively toward the participation grade.

CLASS PARTICIPATION GRADING RUBRIC	
Student Participation Level	Grade
You make major & original contributions that spark discussion, offering critical comments clearly based on readings, research, & theoretical course topics.	<b>A+</b> (10.0 – 9.70)
You make significant contributions that demonstrate insight as well as knowledge of required readings & independent research.	<b>A/A-</b> (9.69 – 9.00)
You participate voluntarily and make useful contributions that are usually based upon some reflection and familiarity with required readings.	<b>B+/B</b> (8.99 – 8.40)
You make voluntary but infrequent comments that generally reiterate the basic points of the required readings.	<b>B-/C+</b> (8.39 – 7.70)
You make limited comments only when prompted and do not initiate debate or show a clear awareness of the importance of the readings.	<b>C/C-</b> (7.69 – 7.00)
You very rarely make comments and resist engagement with the subject. You are not prepared for class and/or discussion of course readings.	<b>D</b> (6.99 – 6.00)
You make irrelevant and tangential comments disruptive to class discussion. You are consistently unprepared for class and/or discussion of the course readings.	<b>F</b> (5.99 – 0.00)

**Problem Sets (20%):** There will be 4 equally weighted problem sets throughout the term. They will be based off of class activities and lectures. The problem sets will be either prepared by the instructor or will consist of solving short *MyLab* online quizzes and assignments. Access to *MyLab* is granted with the purchase of the required textbook listed below. Problem sets are due at the beginning of class on the date specified. Students are encouraged to work in small groups but each student must complete their own work and be prepared to explain the steps used to arrive at their answer.

**Midterm Exam (20%):** The midterm exam will cover all concepts from the first half of the term. There will be multiple choice questions, short-answer questions, and an essay-response question. The midterm will be closed-book and closed-notes, calculators are allowed, but no smart personal devices are allowed.

**Final Exam (20%):** The final exam will cover all concepts from the second half of the term. There will be multiple choice questions, short-answer questions, and an essay-response question. The final exam will be closed-book and closed-notes, calculators are allowed, but no smart personal devices are allowed.

**Research Project (30%):** In groups of 3-4 students, a research project will be conducted to illustrate a specific topic in a real-life context (country, company, market). For the project, students will review recent and relevant literature in the field, analyze financial or macroeconomic data and deliver an evidence-based argument for their opinion. They will submit a written report of this research and will lead a class discussion on the topic. In order to lead effective class discussion, student groups should come prepared with questions to stimulate conversation as well as resources and aids that can be used during the discussion. Students are expected to incorporate knowledge gained from class and assignments, however a substantial portion of the presentation should be dedicated to independent research. The thesis statement of the project needs to be approved by the course instructor prior to the commencement of the research work. Projects will be presented during the final week of classes in the form of a visual display (via PowerPoint, an infographic, or any other instructor-approved method) so that the class audience can follow along during the presentation.

## EXPERIENTIAL LEARNING ACTIVITIES (AICAP)

CEA courses are designed to include a variety of experiential learning activities that will take you out of the classroom and allow you to explore your local, host city, as well as bring the local community into the classroom. These activities may include field studies, guest lectures and/or activities offered through our Academically Integrated Cultural Activities Program (AICAP).

- **Field Study:** Prague Stock Exchange.
- **Guest Lecture:** Investment banker, broker, financial analyst, an actuary from a local financial institution or a crypto trader.

## REQUIRED READINGS

Reading assignments for this course will come from the required text(s) and/or the selected reading(s) listed below. All required readings—whether assigned from the text or assigned as a selected reading—must be completed according to the due date assigned by the course instructor.

- I. REQUIRED TEXT(S):** You may purchase the required text(s) prior to departure or upon program arrival. The required text(s) are listed below:

Mishkin, Frederic S. *The Economics of Money, Banking and Financial Markets* (12th Edition). Pearson, 2018, (744 pages).

- II. SELECTED READING(S):** The selected readings for this course are listed below. You will not need to purchase these readings; the instructor will provide these selected readings to you in class (either in paper or electronic format).

Current news in monetary policy, economics and finance from Bloomberg, CNBC, The Economist and The Wall Street Journal.

## RECOMMENDED READINGS

The recommended reading(s) and/or text(s) for this course are below. These recommended readings are not mandatory, but they will assist you with research and understanding course content.

Hubbard, G., and O'Brien, P. *Money, Banking, and the Financial System* (3<sup>rd</sup> Edition). 2017.

Williamson, S. D. *Macroeconomics* (6<sup>th</sup> edition), Pearson, 2018.

## SELECTED FILMS

The selected videos for this course are listed below. You can find access to these via the online Moodle CEA Classroom or by borrowing them from the CEA Media Library.

### Required Films

*Too Big to Fail* (2011). Director: Curtis Hanson.

*The Last Days of Lehman Brothers* (2009). Director: Michael Samuels.

*Enron: The Smartest Guys in the Room* (2005). Director: Alex Gibney.

*Money as Debt* (2006). Director: Paul Grignon.

### Recommended Films

*The Big Short* (2016). Director: Adam McKay.

*Margin Call* (2011). Director: J.C. Chandor.

## ADDITIONAL RESOURCES

In order to ensure you success abroad, CEA has provided the academic resources listed below. In addition to these resources, each CEA Study Center provides students with a physical library and study areas for group work. The Academic Affairs Office at each CEA Study Center also compiles a bank of detailed information regarding libraries, documentation centers, research institutes, and archival materials located in the host city.

- **UNH Online Library:** As a CEA student, you will be given access to the online library of CEA's School of Record, the University of New Haven (UNH). You can use this online library to access databases and additional resources while performing research abroad. You may access the UNH online library [here](#) or through your MyCEA Account. You must comply with [UNH Policies](#) regarding library usage.
- **CEAClassroom – Moodle:** CEA instructors use Moodle, an interactive virtual learning environment. This web-based platform provides you with constant and direct access to the course syllabus, daily schedule of class lectures and assignments, non-textbook required readings, and additional resources. Moodle includes the normal array of forums, up-loadable and downloadable databases, wikis, and related academic support designed for helping you achieve the learning objectives listed in this syllabus. The ceaClassroom website is located here: <https://www.ceaClassroom.com/>

During the first week of class, CEA academic staff and/or faculty will provide you with your Moodle credentials. They will also help you navigate through the many functions and resources Moodle provides. While you may print a hard copy version of the syllabus, you should always check Moodle for the most up-to-date information regarding this course. The instructor will use Moodle to make announcements and updates to the course and/or syllabus. It is your responsibility to ensure that you have access to all Moodle materials and that you monitor Moodle on a daily basis in case there are any changes made to course assignments or scheduling.

- **Online Reference & Research Tools:** The course instructor has identified the resources below to assist you with understanding course topics. You are encouraged to explore these and other avenues of research including the databases available via the UNH online library.

***MyLab* platform for the Mishkin textbook**

<https://www.pearsonmylabandmastering.com/global/myeconlab/>

**Case studies for the Mishkin textbook**

[Minicase 1](#): Interest Rates, Bond Yields, and Duration

[Minicase 2](#): Calculating the Gains from Portfolio Diversification

[Minicase 3](#): The Behaviour of Interest Rates

[Minicase 4](#): Yield Curve Hypotheses and the Effects of Economic Events

[Minicase 5](#): Adaptive Expectations, Rational Expectations, Optimal Forecast, January Effect

[Minicase 6](#): Determining the Effects of Changes in Exchange Rates, Purchasing Power Parity

[Minicase 7](#): Bank Performance Analysis

[Minicase 8](#): Calculating and Comparing Gap, Duration, and Risk Management Alternatives

**PowerPoint slides for the Mishkin textbook**

[http://www.pearsoned.ca/highered/divisions/text/mishkin\\_2/ppt.html](http://www.pearsoned.ca/highered/divisions/text/mishkin_2/ppt.html)

**COURSE CALENDAR**  
*Money and Banking*

SESSION	TOPICS	ACTIVITY	READINGS & ASSIGNMENTS
1	<p style="text-align: center;"><b>Course Introduction:</b> Review Syllabus, Classroom Policies, Mini Cases</p> <p style="text-align: center;"><b>An Overview of the Financial System:</b> Financial markets, financial intermediaries, regulation</p>	<p>Course Overview</p> <p>Lecture &amp; Discussion</p>	Mishkin, Ch. 1 and 2 (pp. 3-43)
2	<p style="text-align: center;"><b>Interest Rates:</b> Time value of money, the structure of interest rates, determination of equilibrium interest rates, departure from equilibrium</p>	<p>Lecture</p> <p>Work on exercises</p> <p>Case studies</p>	<p>Mishkin, Ch. 4 and 5 (pp. 61-119)</p> <p>Minicase 1: Interest rates, bond yields, and duration</p> <p>Minicase 3: The behavior of interest rates</p>
3	<p style="text-align: center;"><b>Interest Rates:</b> The risk and term structure</p>	<p>Lecture &amp; Discussion</p> <p>Case studies</p>	<p>Mishkin, Ch. 6 (pp. 120-140)</p> <p>Minicase 2: Calculating the gains from portfolio diversification</p> <p>Minicase 4: Yield curve hypotheses and the effects of economics events</p>
4	<p style="text-align: center;"><b>Financial Markets:</b> Stock markets, rational expectations, efficient markets</p>	<p>Lecture</p> <p>Work on Exercises</p> <p>Case study</p>	<p>Mishkin, Ch. 7 (pp. 141-166)</p> <p>Minicase 5: Adaptive expectations, rational expectations, optimal forecast, January effect</p> <p><b>*Due: Problem Set 1</b></p>
5	<p style="text-align: center;"><b>Economic Analysis of Financial Structure:</b> Transaction costs, asymmetric information, behavioral finance (noise trading, bubbles)</p> <p style="text-align: center;"><b>Financial Crisis &amp; Financial Regulation</b></p>	<p>Lecture</p>	<p><b>Readings:</b> Mishkin, Ch. 8 (pp. 169-200) Mishkin, Ch. 11 (pp. 260-286)</p> <p><b>Assigned Films:</b> Too Big to Fail The Last Days of Lehman Brothers</p>



6	<b>Banking and the Economy</b>	Lecture & Discussion Case studies	Mishkin, Ch. 9 and 10 (pp. 201-259) Minicase 7: Bank performance analysis Minicase 8: Calculating and comparing gap, duration, and risk management alternatives
7	<b>Non-bank Financial Institutions:</b> Mutual funds, hedge funds, pension funds, insurance, and the shadow banking system  <b>Financial Derivatives:</b> Hedging, futures, forward, swaps, options	Lecture & Discussion	<b>Readings:</b> Mishkin, Ch. 12 (pp. 287-308) Mishkin, Ch. 13 (pp. 309-332)  <b>Assigned Film:</b> Enron: The Smartest Guys in the Room  <b>*Due: Problem Set 2</b>
8	<b>MIDTERM EXAM</b>		
9	<b>Money:</b> The role of money, evolution of the payments system	Lecture & Discussion	Mishkin, Ch. 3 (pp. 44-58)
10	<b>The Federal Reserve System &amp; Banking</b>	Lecture & Discussion	Mishkin, Ch. 14 (pp 335.-356)
11	<b>Money Supply Process</b>	Lecture & Discussion Work on exercises	<b>Reading:</b> Mishkin, Ch. 15 and 16 (pp 357.-392)  <b>Assigned Film:</b> Money as Debt  <b>*Due: Problem Set 3</b>
12	<b>Monetary Policy:</b> Tools of monetary policy, transmission mechanism	Lecture & Discussion Work on exercises	Mishkin, Ch. 17 (pp. 393-410)

13	<b>Evaluation of Monetary Policy</b>	Lecture & Discussion	Mishkin, Ch. 18 (pp. 411-432)
14	<b>Open Economy &amp; International Finance:</b> Balance of payments, foreign exchange market, exchange rate determination, IMF	Lecture & Discussion Case study Guest Lecture	Mishkin, Ch. 19 and 20 (pp. 435-486) Minicase 6: Determining the effects of changes in exchange rates, purchasing power parity <b>*Due: Problem Set 4</b>
15	<b>PROJECT PRESENTATION</b> <b>FINAL EXAM</b>		

## SECTION III: CEA ACADEMIC POLICIES

The policies listed in this section outline general expectations for CEA students. You should carefully review these policies to ensure success in your courses and during your time abroad. Furthermore, as a participant in the CEA program, you are expected to review and understand all CEA Student Policies, including the academic policies outlined on our website. CEA reserves the right to change, update, revise, or amend existing policies and/or procedures at any time. For the most up to date policies, please review the policies on our website.

Class & Instructor Policies can be found [here](#)

General Academic Policies can be found [here](#)