

Money and Banking  
Spring 2003  
Office: BEH 508 (895-3969)  
Office Hours: MW 3:30 - 5:30 PM

Economics 303  
Mr. Miller

Texts: *The Economics of Money, Banking, and Financial Markets*, sixth edition, by Frederic S. Mishkin; and the *Wall Street Journal*

Class: MW 5:30 - 6:45 PM, CBC C216

**Course Objectives:** This course equips students to analyze how financial markets and financial instruments provide important linkages within the macroeconomic economy. In addition, students learn what monetary policy is and how it is implemented to control the macroeconomy. The topics considered include, but are not limited to, the money, bond (debt), stock (equity), and domestic (foreign) currency markets; the role of adverse selection and moral hazard in determining what types of financial instruments exist and how financial markets and institutions are organized; and the operation of the central bank (Federal Reserve System) in regulating financial institutions and in controlling inflation and unemployment.

**Grades:** **Your grade for the course depends solely on your grades on the quizzes and the examinations, as well as an optional term project.** There will be seven (7) multiple-choice quizzes, two (2) midterm exams, and a final exam. Additionally, a term project provides the student with the opportunity for bonus points. That is, the project is not required, but will lead to extra bonus points. The five (5) highest quiz scores will count toward the semester grade. Each quiz will count as 6% of the course grade (30% total). Quizzes have 12 multiple-choice questions and one short answer question. There are no make-up quizzes. Quizzes are scheduled for the Wednesday of the week. Details for the term project appear on the last page of this course outline. The term project can count for up to 10% of the course grade.

Two closed-book exams are scheduled during regular class time on Wednesday, February 19, 2003 and Wednesday, April 2, 2003, covering lectures and readings up to that point of the course. Exams will be composed of 40 multiple-choice questions, and 1 short-answer question. Each midterm exam will count as 20% of the course grade.

The closed-book final exam is scheduled for Monday, May 12, 2003 from 6:00 to 8:00 PM. The final exam will be comprehensive, with about 50% of the weight given to material covered after the second mid-term exam, and the remainder given to material covered before the first and second midterm exams. The final exam will be comprised of 40 multiple-choice questions and 6 short-answer questions. The final exam will count as 30% of the course grade.

Grades will be assigned based on a curve. That curve, however, will never be more stringent than 90% or better = A, 80% or better = B, 70 % or better = C, 60% or better = D, below 60% = F.

**Attendance/Makeup Policy:** Regular class attendance is strongly recommended. You are responsible for all reading material and all material presented in class. No makeup quizzes will be given. The final exam will serve as the makeup exam for any missed midterm exams. A makeup exam for a missed final exam will be given during the first two weeks of the fall semester. You are responsible for arranging with the Department to take the makeup.

**Course Outline/Reading Assignments:**

<b>Week</b>	<b>Material Covered</b>	<b>Quiz</b>
1	Course Organization, Ch 1	
2	Ch. 2, 3	
3	Ch. 4, 5	Ch. 1, 2, 3
4	Ch. 6	Ch. 4, 5
5	<b>Test 1</b> , Ch. 7, 19 (pp. 483-487)	
6	Ch. 27	
7	Ch. 8, 9	Ch. 7, 19 (pp. 483-487), 27
8	Ch. 10, 11	Ch. 8, 9
9	Ch. 12, 13	
10	<b>Test 2</b> , Ch. 14	
11	Ch. 15, 16	
12	Ch. 17, 18	Ch. 15, 16
13	Ch. 19	Ch. 17, 18
14	Ch. 20	Ch. 19
15	Review	
16	<b>FINAL EXAMINATION</b>	

All chapter references are to Mishkin. You are expected to read the assignment before class.

**Withdrawal:** March 28, 2003 is the last date to withdraw from class.

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**Academic Dishonesty:** Academic dishonesty (e.g., cheating and plagiarism) will not be tolerated. At the instructor's discretion, a student suspected of academic dishonesty may receive an F for the course and be expelled from the class. Additional penalties, up to expulsion from the University, are possible. See page 56 of the Undergraduate Catalog.

**Disabilities:** If you have a documented disability that may require assistance, you will need to contact the Disability Resource Center (DRC) for coordination in your academic accommodations. Disabilities Services is located within Learning Enhancement Services (LES), in the Reynolds Student Services Complex, Suite 137. The phone number is 895-0866 or TDD 895-0652. The e-mail address is [drcssc@ccmail.nevada.edu](mailto:drcssc@ccmail.nevada.edu).

**Term Project: THE PROJECT IS DUE ON OR BEFORE WEDNESDAY, MAY 7. NO LATE PROJECTS ARE ACCEPTED. A PRELIMINARY EVALUATION OF A PART OF THE PROJECT IS DUE ON WEDNESDAY, MARCH 3.**

You will analyze the course of the U.S. monetary policy from February 3 through April 30 as reported in the *Wall Street Journal (WSJ)* (or the *New York Times*). The Mishkin text for my section comes with a *WSJ* subscription.

1. Provide time-series graphs, on a weekly basis, of the 90-day and 1-year Treasury-bill rates, the 2-, 3-, 5-, and 10-year Treasury-note rates, and the 25+-year Treasury bond rate. The weekly averages are reported in the Tuesday *WSJ* under "Key Interest Rates." Provide time-series graphs, on a weekly basis, of the U.S. dollar spot exchange rates versus the Japanese yen and the European Monetary Union euro. These data appear daily under Exchange Rates. Exchange rates should be stated in foreign currency (i.e., yen or euros) per U.S. dollar. Thus, you need to collect the daily data and then use your spreadsheet to convert into average weekly data. Finally, provide a time-series graph, on a weekly basis, of the Standard & Poors 500 stock market index. These data also appear daily in the *WSJ* and you will need to convert the daily data into weekly averages, using your spreadsheet, before plotting the data.
2. Clip articles from the *WSJ* that help explain the developments in U.S. monetary policy. **Please put the date of the article on the clipping.** Underline the key sentence(s) in the article that is (are) most important or relevant. Attach each article to an 8 1/2 x 11 piece of paper. Write a sentence summary below the article (hand written is acceptable, if it is neat). Substantive articles should deal with major aspects of the U.S. monetary policy. **Articles that have been collected will be turned in for a preliminary evaluation on Wednesday, March 3. Failure to meet this deadline means that the project will not be accepted.**

Do not clip articles unless they involve some economic analysis -- e.g., recent monetary policy is inflationary because ... (Since the major purpose is to have you read about U.S. monetary policy on a daily basis, copies of articles, which can be done in an end-of-semester push, are not acceptable.)

3. Finally, write a 2 - 4 page typed double-spaced Op-Ed piece (less than 1,000 words, which is the typical maximum limit on Op-Ed pieces in your local newspaper) that either supports or critiques the conduct of monetary policy over the semester. Samples of my published Op-Ed pieces are posted on WebCT.