

Economics 4500: Money and Credit (CRN # [18463](#)); Spring Semester, 2009

Class Hours: M, 04:30 pm-07:00 pm

Room: General Classroom Building 303

Instructor	Dr. Carter Doyle
Email	ecocadx@langate.gsu.edu
Office Hours	Tuesday and Thursday 1-3 p.m.
Office	Andrew Young School (14 Marietta Street, NW), Room 49A

***Required Text Book: The Economics of Money, Banking, and Financial Markets by Frederic Mishkin, 8th Edition (Pearson: Addison-Wesley)**

Prerequisites

Economics 2105 or equivalent course (Principles of Macroeconomics) and is strictly adhered to.

Course Description

This course uses an economic framework to discuss the structure of financial markets, financial institutions, and monetary policy. Effort will be made to incorporate current events into class discussions and activities. Specifically, Money and Credit examines basic- and intermediate-level concepts in monetary theory, including asset demand, exchange rates, interest rates and the demand for money. The banking industry, its structure, performance, theory and function in financial markets is also discussed, with an emphasis on the economic analysis of banking industry behavior. Then, an investigation of monetary policy and the Federal Reserve Banking system assesses the place that the Fed occupies in financial markets, with focus on the tools with which the Federal Reserve can moderate or stimulate domestic economic performance.

Learning Outcomes

1. The student will be able to discuss the relationship between financial markets, financial instruments, and financial intermediaries. The student will also be able to discuss the benefits provided by well-functioning financial markets and the role of financial intermediaries in our economy and how rational expectations affect outcomes in financial market behavior.
2. The student will be able to define yield-to-maturity and explain the relationship between the yield-to-maturity and price of a bond.
3. The student will be able to identify relevant supply and demand determinants in bond markets and discuss how they affect yield and price in bond markets.
4. The student will be able to define and give examples of asymmetric information in the context of financial markets, and discuss what financial intermediaries have done to deal with such informational asymmetries.
5. The student will be able to list the basic components of a bank's balance sheet and identify off-balance sheet activities that banks use to generate profit, as well as discuss the general principles of bank management.
6. The student will be able to discuss the structure of and degree of competition within the banking industry, as well as identify no fewer than five important pieces of legislation from the past 100 years that have significantly affected how banks behave.
7. The student will be able to list the functions of a central bank, the main tools and goals of monetary policy, and the structure of the Federal Reserve System.
8. The student will be able to discuss the process of multiple deposit creation, identify factors that mitigate the effectiveness of the process, list the main players involved, and describe how changes in market variables affect the process.

9. The student will be able to identify the components of the money supply and how the Federal Reserve uses targeting strategies to exact changes in the money supply and how those changes can affect aggregate economic performance.

Grading Scale

The new grading policy which allows for +, - for a grade C and above (note: A+ is now used) will be used; which for *this course* is interpreted as follows;

A+	97-100;	A	93-96;	A-	90-92
B+	87-89;	B	83-86;	B-	80-82
C+	77-79;	C	73-76;	C-	70-72
D	60-69				
F	<60				

Exam Policy and In-class activity

There will be two quizzes, two tests, and a final. **There will be NO make-up for exams (except for valid reasons backed by documentation). Valid reasons for missing an exam include a *documented* medical illness that prevents you from taking the exam, a death in your immediate family, or a documented mandatory court date. You must submit official documentation within one week of the missed exam. Failure to do so will result in a *zero* for the missed exam. If I determine your reason and documentation is valid, then the final exam will count in place of the missed exam. You must take the final exam at the university scheduled time; plan accordingly.** See the course schedule for more details on exam times. Review sessions in class will be scheduled, time permitting.

The tests and other assignments are weighted as follows in determining your final grade:

In-Class Activity, 2 Quizzes	(7.5% each)	15%
Tests (I, II)	(25% each)	50%
Final Exam		35%

Attendance Policy

You are expected to attend all class meetings. Since quizzes and exams will be based upon the lectures, missing class may negatively affect your grade. **If you miss class, you are responsible for getting lecture notes from a fellow student.**

Course Schedule

Following is an approximate schedule for the semester. The schedule may be subject to revision as necessary. However, the exam dates listed will not change; only the material covered on each exam will be affected if a deviation is necessary.

Chapters:

- Overview of Financial System (Chapter 2)
- Money (Chapter 3)
- Understanding Interest Rates (Chapter 4)
- Behavior of Interest Rates (Chapter 5)
- Risk and Term Structure (Chapter 6)

Stock markets and Foreign Exchange (Chapters 7 & 17)

Quiz 1, Mon., Feb. 2

Exam 1, Mon., Feb. 9

Financial Structure (Chapter 8)

Mgt of Financial Institutions (Chapter 9)

Structure and Competition (Chapter 10)

Bank Regulation (Chapter 11)

Quiz 2, Mon., Mar. 9

Exam 2, Mon., Mar. 16

Structure of FED (Chapter 12)

Deposit Creation and Money Supply (Chapter 13 and 14)

Tools of Monetary Policy (Chapter 15)

Monetary Policy: Goals and Strategies (Chapter 16)

Transmission Mechanisms (Chapter 23)

Money and Inflation (Chapter 24)

Rational Expectations (Chapter 25)

Comprehensive Final, Monday, May 4 at 5:00 p.m.*

***You must take the final exam at the university scheduled time; plan accordingly.**

****03/02/09 - Last day to Withdraw and received a W for full semester classes.**

Other Issues

Academic Honesty: All students are expected to observe the university policy on academic honesty (i.e. cheating on a test, plagiarizing, etc.). All students are responsible for knowing and adhering to [GSU's Policy on Academic Honesty](#) as published in [On Campus: The Undergraduate Co-Curricular Affairs Handbook](#). You are responsible for familiarizing yourself with and adhering to this policy.

If you require special accommodations for exams (e.g., "time and a half"), you MUST provide documentation from [GSU Disability Services](#) and make arrangements with me PRIOR to the exam dates.

Students who withdraw after the midpoint of each term will not be eligible for a "W" except in cases of hardship. A student who withdraws after the midpoint of the term is assigned a grade of "WF," except in those cases in which (1) hardship status is determined by the [Office of the Dean of Students](#) because of emergency employment, or health reasons, and (2) the student is doing passing work, as determined by the student's instructor(s).

This course syllabus provides a general plan for the course; deviations may be necessary.