



Tiffin University Prague

Course: Money and Banking
Course Code: ECO 420

Instructor: Petar Stankov, M.A.

Office Hours: 30 minutes before and after each class or, best, by an appointment.

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Quadmester Offered: Spring 2010

Catalog Description

An in-depth examination of the role money and financial institutions play in a market economy, focusing on the Federal Reserve System, monetary policy, and current issues in money and banking.

Course Prerequisite(s)

ECO 221: Principles of Macroeconomics

Course Purpose

The major purpose of this course is to reveal how the central banks around the globe can use monetary policy to prevent financial and economic crises like the Great Recession of 2008-2009, and what monetary policy tools they use when crises occur. To be able to understand that, the course will focus on the primary participants in the money and the financial markets, the operations and the goals of these participants, the role of interest rates in the economy and how interest rates are determined. In addition, the course will explain how banks make money and why they fail. Finally, the course will describe the basics of monetary policy and its transmission mechanisms.

Required Readings, Text

Mishkin, Frederic S. (2007). *The Economics of Money, Banking, and Financial Markets*, Eight Edition; earlier editions also fine

Supplemental Readings

- Secchetti, Stephen G. (2006). *Money, Banking and Financial Markets*, First Edition
- The Economist magazine: <http://www.economist.com>

Learning Objectives

Upon completion of this course, students will:

1. Have a good understanding of the major participants in the financial system;
2. Be able to explain how interest rates change, and what the impact of those changes is;
3. Use a snapshot of a bank balance sheet to analyze the current situation within a bank and recommend measures to prevent a crisis in the bank;
4. Know the banking system market structure in the US and in the Czech Republic;
5. Be aware of how monetary policies can affect the economy;
6. Evaluate policy measures taken by various governments and policy authorities around the globe, and explain their success or failure;
7. Consider the reasons and consequences of the latest financial and economic crisis of 2008–2009, and the policy responses to address the crisis.
8. Learn new criteria to be able to tell when a recession is over;
9. Understand the causes and consequences of exchange rate movements.

Content of the Course

The course is structured in four parts:

1. Money, interest rates, and the money market;
2. Financial markets, financial crises and financial institutions;
3. Basic commercial banking;
4. Central banking and monetary policy.

For a more detailed weekly content outline, please refer to the Course Schedule.

Attendance Policy

In accordance with the policies of TIFFIN UNIVERSITY PRAGUE, class attendance is required and classes will start promptly at the scheduled time. Students are expected to be on time to class and to return promptly from breaks. If a student arrives 10 minutes late or leaves 10 minutes early this may constitute a class absence. If a student is absent for more than 2 class sessions in an eleven-week course, the final grade for the course will be lowered 5% for each additional absence.

Academic Honesty

TIFFIN UNIVERSITY PRAGUE has a zero tolerance for plagiarism, cheating and other forms of academic dishonesty. Cheating on exams and quizzes will result in a failing grade for the course. Plagiarism, submitting written assignments that are not your own work, but work copied from, books, articles, internet without citations, papers of classmates and papers prepared by person(s) other than yourself may result in a failing grade for the course. The suspected work will be turned over to the Academic Program Director for evaluation and final decision. See the Tiffin University Ohio Student Handbook and Academic Catalog for more information.

Course Requirements

There will be three *complementary* ways to learn the basics of money and banking: attending lectures and participating in class, doing homeworks and quizzes, and watching educational movies. The more formal one will be the lectures and discussions during the lectures. Each lecture will proceed for about 60 minutes and will be followed by a 15-minute Q&A session. After a short break, students will be required to attend the second part of the lecture which will be followed by the final Q&A session for the week. Any remaining questions will be discussed with the lecturer immediately after the given lecture or immediately before the next one. Alternatively, if the students prefer, they are encouraged to request clarifications by email. All email requests will be addressed by the lecturer either by email or, if deemed important for the class, will be discussed in the beginning of the next lecture. The students may kindly note that the number of requests for clarifications or the number of questions asked by a given student during a Q&A session will not be given a formal credit when the final grade is assigned. However, learning how to express thoughts in a clear way and asking relevant questions makes a better economist and therefore students are encouraged to ask questions, no matter how irrelevant or insignificant they may seem at a first glance. In addition, asking questions and contributing to the discussion will work towards students' participation. **Attendance and participation will form 20% of student's final grade, 10% each.**

The less formal part of the teaching process will consist of educational movies that will be projected on several course topics during the semester in the second part of the appropriate lecture. The movies will last for about 30 minutes and will be followed by a discussion. The discussions will contribute to your participation assessment.

Occasional homeworks will also be given to emphasize some main concepts and exercise some basic relationships that may be asked on the midterm and on the final exam. Once a homework has been assigned at the end of a given lecture, it will be due on the following lecture by all students attending the class. It will also be graded and returned to them one week later. **The homeworks will form 20% of the final grade.** Please note that a homework may be assigned in a form of a class presentation as well.

The concepts exercised in a homework or given in a lecture will be examined regularly in quizzes. **The quizzes will contribute with 20% of your final grade.**

The midterm exam and the final exam will form 20% and 20% of the final grade, respectively.

All exam questions will be given from a material that has been either covered during the lectures, or asked on a quiz, or exercised in a homework. The final exam will be comprehensive, that is, it will cover all the material from the course. The set-up of the final exam may however give more emphasis to the part of the course covered after the midterm exam.

Participation

In accordance with the policies of TIFFIN UNIVERSITY PRAGUE, class attendance is required and classes will start promptly at the scheduled time. Students are expected to be on time to class and to return promptly from breaks. If a student arrives 10 minutes late or leaves 10 minutes early this may constitute a class absence. If a student is absent for more than 2 class sessions in a twelve week course, the final grade for the course will be lowered 5% for each additional absence.

General Requirements

- Late assignments and absence from tests will not be tolerated. In the event of illness or emergency, contact your instructor IN ADVANCE to determine whether special arrangements are possible.
- The University's rules on academic integrity (e.g. cheating, plagiarism, submitting false information) will be strictly enforced. Please familiarize yourself with the STUDENT HONOR CODE in the Tiffin University Ohio Student Handbook and Academic Catalog or ask your instructor for clarification.
- Electronic devices may or may not be used in the classroom as determined by the instructor.

Written Assignment Requirements

A late homework will be penalized with a 20% off the homework's merit. For example, if a homework is good enough for 80 points but is late, the final grade of the homework will be $80 - 0.2 \times 80 = 64$ points.

Unless otherwise stated by your instructor, all written assignments (essays, presentations, research projects, case studies, etc.) are to be written in an academic style using APA formatting. In-line citation with a complete bibliography is preferred.

Written essays/research projects/case studies are to minimally include a cover sheet, table of content and bibliography as separate pages. The main body of the paper should include a header (name of course, term and name of student) and footer (date and page number). The paper should be normal margins (1" on all sides), single-sided, double-spaced, minimum 10 point font, preferably Times New Roman or Garamond.

Presentations should also contain appropriate citations where required as well as footer requirements.

Creativity is to be demonstrated in the content of your paper. Your work should reflect your understanding of the material. An emphasis on synthesis and critical thinking rather than simply "reporting" is expected.

Other Class Policies (Please read carefully)

- 1) Mobile phones can be switched on but their sound MUST be off! Mobile phone usage is NOT allowed during the lecture. If you need to use your phone, please quietly leave the lecture hall.
- 2) Mobile phones are NOT calculators. You will definitely need a calculator on the exam, and your mobile phone will be switched off during the exam. Therefore, bring a calculator for the exam.
- 3) Laptops are allowed in class provided the student takes notes on them, and are not allowed otherwise.
- 4) All emails to the teacher regarding either a class question or a request for an appointment will have the subject: "ECO 420: Money and Banking: a question/request, etc." If you do not address the email in the above way, it risks being considered as spam (unwanted email message) by the email account.
- 5) All appointments will be arranged for on the premises of either Tiffin University or CERGE-EI. All other consultations will be shortly before and after class, for not more than 30 minutes.
- 6) Ideally, all class lecture notes and presentations will be distributed BEFORE each lecture on the class web-site, so that students can print them and take notes on them. Therefore, students are responsible for checking the class-webpage at least once a week, and their emails more often.
- 7) **DURING EXAMS:** Mobile phones and notebooks usage during exams is NOT allowed in any case, and they must be switched off.

Criteria for Determination of Final Grade, including Evaluation Methods

Activity	Percent	Description
Attendance	10	A point for every class attended from the beginning to the end of the class.
Participation	10	A point for every significant contribution to a class discussion.
Quizzes	20	Up to four quizzes exercising concepts used in class. Most of them will be either multiple choice or open-end questions.
Homeworks	20	Up to four homeworks based on practical applications of the concepts covered in class. Most of the questions will be either multiple choice or open-end questions.
Midterm	20	A multiple-choice exam encompassing the material up to and including week 6.
Final	20	An all-encompassing multiple-choice exam.

Good luck!
P.Stankov

Grading Scale

Letter Grade	Percent (%)	Quality Points earned per credit	Generally Accepted Meaning of the Grade
A	91- 100	4.00	Outstanding, distinctive work Better than average; very good work Acceptable, good work Work that is unsatisfactory
B	81 – 90	3.00	
C	71 – 80	2.00	
D	61 – 70	1.00	
F	Below 61	0.00	Work that does not meet minimum standards for passing the course
I*	Incomplete	0.00	A grade will not be given in the course until the incomplete course requirements are met.

*A course grade of incomplete will be given only under very unusual circumstances, and only if the student has completed at least 75% of the assigned work by the last day of class. An incomplete contract must be signed and approved for the grade to be given.

Bibliography (Additional Readings)

- 1) Mankiw, Gregory N. (2007). *Principles of Economics*. 4th Ed. Thomson Southwestern
- 2) Levitt, S. and Dubner, S. (2005). *Freakonomics*. William Morrow
- 3) Harford, T. (2006). *The Undercover Economist*. Oxford University Press US
- 4) Rothbard, M. (2000). *America's Great Depression*. The Ludwig von Mises Institute.

Date Prepared and By Whom Prepared

Dec. 28, 2009 by Petar Stankov

Date Reviewed