Prerequisites: EC131 & EC132; this course is NOT open to students who have taken or concurrently are taking EC361.

A. Textbook:


B. Additional Readings:

2. Wall Street Journal
3. A basic four-function calculator (financial, scientific or programmable calculators as well as cell phones will NOT be allowed.)

C. Exams: (80%)

There will be three exams, two midterms accounting for 50% of your final grade (25% each) and a final exam, which will account for 30%. Since student participation in class discussions is an important input in this course, the remaining 20% will be assigned to student discussion as well as writing assignments (see below.)

"Make-up" exams will not be given for missed scheduled exams. Midterms will be announced in class and the final exam is scheduled for Dec 15th at 9:00 a.m. All students are required to take exams as scheduled. NO early or late exams will be given.

D. Assignments: (10%)

During the semester there will be a number of assignments given which may be an analysis of the economic and statistical releases, a written summary of a section or chapter out of one of the outside readings, a problem to solve or a question to discuss in class. This will account for 10% of your grade. For you to get the full 10% for
assignments, you MUST deliver assignments that are prepared at an exceptional level. Turning in anything else gains you a grade that corresponds to your level of work only. Assignments are due in hard copy only and in the following class automatically, unless mentioned otherwise. Missing class does not waive or extend the deadline for submitting an assignment. ALL projects and assignments MUST be done individually and independently with full respect and abidance of the College’s Academic Integrity Policy and procedures. I strongly urge all of you to review this at: http://www.bc.edu/schools/cas/polisci/integrity.html

E. Class Participation: (10%)

You will be graded on your in class performance which makes 10% of your total grade in two ways as follows: First, your class preparedness is an essential part of your responsibility in this course. This requirement can be satisfied by reading the assigned chapters of your books in advance of my lectures on those topics. Second, you will be graded on your active participation in class discussions. I strongly encourage you to ask questions as your questions will first help clarify issues for you and possibly some of your classmates as well as generate further and more interesting discussions in the classroom. Only your exceptional preparedness and participation in class wins you the 10% of your grade set aside for this. Your presence in class is my absolute and minimum expectation of all of you.

F. Reading Schedule:

I. An Introduction to Money and Banking and Financial Markets - The thrust of the first section is simply to review and discuss money, its role in the economy and financial markets.
Reading assignment: Chapters 1 and 2.

II. Interest rates – In this section we will focus on Fixed Income Instruments and their Analysis, Interest Rates, Understanding Interest Rates, the Behavior of Interest Rates, the Risk and Term Structure of Interest Rates.
Reading assignment: Chapters 3, 4, 5 and 6.

III. The Equity Markets – Our focus here will be on the equity markets and their role in the financial markets. We will review the Theory of Rational Expectations and the Efficient Market Hypothesis.
Reading Assignment: Chapter 7.

IV. Financial Crisis, Banks and Bank Management - In this section we will study banking and the management of financial institutions. We will discuss Asset and Liability Management in Banking, Credit Risk, Management of Interest Rate Risk, Gap and Duration Analysis, Banking Regulation and Nonbank Finance.
Reading Assignment: Chapters 9, 10, 11 and 12.
V. Central Banks and the Federal Reserve System – A detailed presentation of the Central Bank and its day-to-day operations, its behavior, structure and independence is the focus of this section.
Reading Assignment: Chapter 13.

VI. The Money Supply Process – In this section you will give an Introduction to the Money Supply Process and will look into the Process of Deposit Creation.
Reading Assignment: Chapter 14.

VII. Determinants of the Money Supply – A discussion of the Money Supply Model, Reserve Ratio and the Money Multiplier will be the focus of this section.
Reading Assignment: Chapter 14

VIII. The Tools and Conduct of Monetary Policy – Reserve Requirement, Open Market Operations and Discount Rate are discussed in detail in this segment of the course.
Reading Assignment: Chapter 15 and 16.

IX. The Foreign Exchange Market – Determinants of the exchange rate, balance of trade and the role of the Central Bank is examined in this part.
Reading Assignment: Chapter 17 and 18.

X. Demand for Money- Different theories of demand are discussed in this section.
Reading Assignment: Chapter 19.

XI. Money Demand/Supply and Money Market Equilibrium
Reading Assignment: Chapter 20.

XII. Monetary Policy, Fiscal Policy and Policy Effectiveness
Reading Assignment: Chapters 21-24.