

**BOSTON COLLEGE**  
**Department of Economics**

**Economics 261.01**  
**Money and Banking**  
**Dr. Hossein S. Kazemi**  
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**Spring 2009**  
**Office: Adm Bldg 480C**  
**Office Hours: Tues.**  
**T&Th 4:15-5:15**  
**and by appointment**

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

**A. Textbook:**

Frederic S. Mishkin, The Economics of Money, Banking and Financial Markets, 7<sup>th</sup> Ed, Addison-Wesley, Reading, Massachusetts 2004.

**B. Additional Readings:**

1. The Board of Governors of the Federal System, the Federal Reserve System: Purposes of Functions, Washington, DC.
2. Wall Street Journal

**C. Exams: (80%)**

There will be three exams, two mid-terms 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 exception case of a reasonable and valid excuse which is submitted to me promptly. These excuses are subject to my approval, and I may require substantiation. For approved excuses, a make-up exam will be scheduled at the time of the final exam. Mid-terms will be announced in class and the final is scheduled for Tuesday May 5th 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. Assignments are due 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:

[//www.bc.edu/offices/stserv/academic/resources/policy/#integrity](http://www.bc.edu/offices/stserv/academic/resources/policy/#integrity)

### **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.

### **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. 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. Financial Derivatives – Our focus in this portion of the course will be on Hedging, Speculation, Interest Rate Forward Contracts and Interest Arbitrage.

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 15.

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 16

VIII. The Federal Reserve and the Conduct of Monetary Policy - Structure of the Federal Reserve System is covered in this section.

Reading Assignment: Chapter 14.

IX. The Tools of Monetary Policy – Reserve Requirement, Open Market Operations and Discount Rate are discussed in detail in this segment of the course.

Reading Assignment: Chapter 17.

X. Conduct of Monetary Policy - Goals and Targets of Monetary Policy are covered here.

Reading Assignment: Chapter 18.