

Spring 1-25-2019

Money and Banking

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CITY COLLEGE OF NEW YORK
The City University of New York
Department of Economics and business
ECO 32250/ 3GH (54888): Money and Banking
Spring 2019 Syllabus

Instructor: Ahmed Elkhoully

Email: aelkhoully@ccny.cuny.edu

Office hours: Thursdays 6:30 PM – 7:30 PM

Class Meetings: Wednesday 5 PM - 7:30 PM

Overview: The course discusses the importance of money and banking to economic activity on the national and international level. You will learn the definition of money and about the different financial institutions that help circulate money through the system. The course also covers deposit expansion, the evolution of commercial banking, deposit creation, and a detailed study of the Federal Reserve Banking system. The course also includes the relationship between money and banking and Macroeconomic theory and concludes with the importance of money and banking in international trade and finance.

Course Materials and Resources:

- 1) **Text Book:** Money and Banking Published by: Flat World Knowledge, Inc, NY and can be downloaded for free from the following link:

https://my.uopeople.edu/pluginfile.php/57436/mod_book/chapter/37370/book.wrightmoneybanking.optimized.complete.pdf

- 2) **Blackboard:** All course information, announcements, data sets, and so on will be made online via Blackboard.
- 3) **Facebook Page:** The page will provide opportunity for you to ask me questions, discuss about the answer and share the knowledge with classmates. Also I will be posting videos, presentations and bonus-worthy questions on the page. The page can be found on the following link:
<https://www.facebook.com/groups/268230663214768/>

Getting Help: Additional to the FB group, please feel free to e-mail me with any questions you have. Also, I am willing to set up a time to discuss the material by phone (call timing can be scheduled by email).

Grade Distribution: -

2- Midterm Exam: 35%

4- Final Exam: 35%. The final exam is cumulative: It will cover **All** the material we studied up to date.

5- Project 30%. Will mainly be about linking class knowledge with current policy issues.

6- Extra Credits: The main goal of the class is to improve your critical thinking skills using quantitative Economics models and theories. To this end, class discussions are very important and worth points towards your final grade. Also, I will give extra credit assignments that worth certain percentage of your final grade.

Letter Grade	Quality Points	Numerical Grade
A+	4	(97-100)
A	4	(95-96)
A-	3.66	(90-94)
B+	3.33	(87-89)
B	3	(84-86)
B-	2.66	(80-83)
C+	2.33	(77-79)
C	2	(74-76)
C-	1.66	(70-73)
D	1	(60-69)
F	0	(below 60)

Disability Accommodations: If you have a disability that requires accommodation, especially additional time for exams, please bring a copy of your approval letter to my attention as early as possible in the semester so that I can make arrangements.

Attendance policy: Allowable absence during the entire semester is one time.

LEARNING OUTCOMES¹	ASSESSMENT METHODS*
To study the structure and evolution of the banking system in the United States	The student should be able to write a paper on the evolution of the banking system. The student will be tested on the different types of financial institutions and how they operate
To explain the operation of the Federal Reserve Banking system and how it regulates the money supply	The student should be able to write an essay on the tools used by the Fed to regulate the money supply. The student should be able write an essay on the importance of the Federal Funds target rate and how it effects the economy.
To develop an understanding of how the banking system works, how banks operate and manage their assets and liabilities and how they deal with credit risk and interest rate risk.	Essay question and numerical problems on graded exams and in homework assignments on basic banking operations, analysis of the bank balance sheet, usage of T-accounts, the calculations and assessment of the ratios for the bank profitability, liquidity, capital adequacy etc.
To understand how interest rates are measured and explain the distinction between interest rates and returns.	Essay question and numerical problems on graded exams and in homework assignments on how to calculate the present value and yield to maturity for different types of loans and bonds.
To illustrate theories of demand and supply in the bond market, market for money, as well as foreign exchange market.	Essay questions on homework assignment and on graded exams using graphs to analyze the shifts of curves, and explain the results in the bond market as well as in the money market and foreign exchange market.
To understand the importance of money and banking in international trade and finance, and study bank's role and involvement in financing of trade, foreign exchange trading and other transactions.	Essay questions on homework assignment and on graded exams.
To integrate a theoretical understanding with practical problems. Work with real data, such as money supply, inflation, bank balance sheet, exchange rate, balance of payments, and apply theories to real-world problems.	Essay questions on homework assignments where case studies and real data will be used.

COURSE INTENDED LEARNING OUTCOMES/ASSESSMENT METHODS

GENERAL EDUCATION LEARNING OUTCOMES/ASSESSMENT METHODS

LEARNING OUTCOMES	ASSESSMENT METHODS
1. The student should be able to read and understand financial texts and journals.	In order to see if the above objectives have been met, the student should give an oral report, write a paper, or take an examination.
2. The student should be able to use the knowledge learned to make intelligent decisions on financial investments.	In order to see if the above objectives have been met, the student should give an oral report, write a paper, or take an examination.
3. The student should be able to use the various mathematical formulas used in the banking industry to make rational decisions.	In order to see if the above objectives have been met, the student should give an oral report, write a paper, or take an examination.
4. The student should have an understanding of how technology has changed the money and banking industry	In order to see if the above objectives have been met, the student should give an oral report, write a paper, or take an examination.

List of topics

1. Introduction and Overview

- A. Why study money, banking, and financial markets?
- B. What is money? How the banking system works?

2. An Overview of the Financial System

- A. Function of Financial Markets
- B. Structure of Financial Markets
- C. Financial Market Instruments
- D. Financial Intermediaries

3. What is Money?

- A. Meaning of Money
- B. Functions of Money
- C. Measuring Money

4. Understanding Interest Rates

- A. Measuring Interest Rates
- B. Interest Rates and Returns
- C. Real and Nominal Interest Rates

5. The Behavior of Interest Rates, the Risk of Interest Rates

- A. Determinants of Asset Demand
- B. Supply and Demand in the Bond Market
- C. Changes in the Equilibrium Interest Rates
- D. Supply and Demand in the Money Market

6. Tools of Monetary Policy

- A. Conventional Monetary Policy (Open Market Operations, Discount Policy and the Lender of Last Resort, Reserve Requirements, Interest on Reserves)
- B. Unconventional Monetary Policy (Asset Purchases, Quantitative Easing in the US)
- C. Fed Policy Procedures: Historical Perspective

7. The Economic Basis of International Trade

- A. The Relationship between International Trade and Domestic Economic Activity
- B. Bank's Role and Involvement in Financing of Trade and other Transactions

8. Foreign Exchange Market

- A. What are Foreign Exchange Rates?
- B. Fixed vs. Flexible Exchange Rate Regimes
- C. Bank's Involvement in Foreign Exchange Trading
- D. Supply and Demand for Dollar Assets

9. The International Financial System

- A. Central Bank's Intervention in the Foreign Exchange Market
- B. Balance of Payments

10. Monetary Theory

- A. The foundations of Macroeconomics
- B. Quantity Theory of Money
- C. Keynesian Theories of Money Demand
- D. Monetarism vs. Keynesianism