

University of Maine, College of Business, Public Policy, and Health
School of Economics

Eco 353: Money, Banking and Financial Markets

Syllabus for Spring 2010

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Office Hrs: MWF: 12:15-1:15 PM and 3:10-4:00 PM.

I am available at some other times also by appointment.

NOTE: Office hours may be changed; if so, there will be a classroom announcement.

CLASS MEETS: MWF, 2:10–3:00 PM, in **North** Stevens Hall, Room 237.

REQUIRED TEXT:

- [1] Money, the Financial System, and the Economy (6th edition), by R. Glenn Hubbard. Addison-Wesley Publishers, 2007.
- [2] The Housing Boom And Bust, by Thomas Sowell, Basic Books, 2009.

RECOMMENDED (but not required):

- [1] The Study Guide, by Julie Dahlquist, available for purchase with the text.
- [2] A one-semester subscription to The Wall Street Journal, sign up in class if you wish.

The Study Guide should be useful to you in learning/reviewing course topics and in preparing for exams. The Wall Street Journal is available to students for either a semester or a year at a significant discount from regular price. Virtually all the issues we discuss in this class are regularly featured in the WSJ, and it is an excellent source of relevant articles, financial tables, and other information. We will refer to articles in it in class often, but it is not going to be a required part of the course.

OFFICIAL COURSE PREREQUISITES: Eco 120 and Eco 121 (Principles of Microeconomics and Principles of Macroeconomics). You should at minimum have taken at least one of these courses.

COURSE OBJECTIVES: This course is intended to provide you with an understanding of the fundamental nature and role of financial markets, with special reference to the U.S. economy. We will examine the origins and significance of money in an economy. We will study the various financial instruments, markets and institutions, and the nature, structure, and regulation of the banking industry. We will develop analyses that enhance your understanding of the factors that influence such key variables as interest rates, the relations between interest rates, the money supply and monetary policy, and the relation between monetary policy and the economy. We will learn how the Federal Reserve (the "Fed") controls the money supply and influences interest rates and credit conditions in its pursuit of low inflation and high output and employment. We will study the recent housing crisis with the goal of better understanding its origins and effects. This is a policy-oriented course, with special attention devoted to the current U.S. financial environment.

QUIZZES AND EXAMINATIONS:

Quiz 1:	January 27, Wednesday
Midterm 1:	February 3, Wednesday
Quiz 2:	February 17, Wednesday
Midterm 2:	February 24, Wednesday
Quiz 3:	March 31, Wednesday
Midterm 3:	April 7, Wednesday
Quiz 4:	April 21, Wednesday
FINAL EXAMINATION:	Date, Time & Location yet to be determined by Umaine.

You must take the Final Exam. Exams will be a combination of multiple choice/true false and short answer questions. The Final Exam will be semi-cumulative, containing questions on all parts of the course, but with relatively more emphasis on material covered after the third midterm. Its format will be similar to the two Midterms, although probably a bit longer.

In addition to exams, there will be three quizzes assigned. Quizzes are short exams, usually containing 10 questions, mainly multiple-choice.

At semester's end, your quiz scores scores will be combined to make an average quiz score. Your lowest quiz score will be dropped. The average of the remaining quizzes (converted to a 100 point scale) will be your quiz average in the class.

EXAMPLE (assuming 2 homeworks):

Q1	Q2	Q3	Q4	Quiz Average	Converted Quiz Average
10	5	7	7	8	80

Quizzes matter in this class and should be taken seriously.

COURSE LEARNING OBJECTIVES:

- \$ Understand the origins of money and its significance in an economy.
- \$\$ Become familiar with the factors that influence interest rates, relations between interest rates, and the relation between interest rates and macroeconomic policy.
- \$\$\$ Understand the various financial instruments, financial markets, and financial institutions crucial to the modern U.S. economy.
- \$\$\$\$ Understand the nature, structure, and regulation of the banking industry.
- \$\$\$\$\$ Learn how the Federal Reserve System controls the money supply and influences interest rates and credit conditions in its pursuit of low inflation and high output and employment.
- \$\$\$\$\$\$ Understand the causes and facts surrounding the recent Housing Crisis in the U.S.

By semester's end, you should be able to demonstrate command of these concepts.

SNOW DAY ETC. POLICY: In the event of a cancelled class due to bad weather or other unforeseen circumstances which causes us to miss a class, I reserve the option of making up the missed lecture or lectures with an evening lecture. I also may re-schedule exams and quizzes under these circumstances.

EXTRA CREDIT: There will be no opportunities to earn extra credit in this course. Your course performance during the semester will determine 100% of your final grade in this class.

GRADES: At the end of the semester I will calculate your **Final Test Score** for the course. Your **Final Test Score** will depend on your exam scores and your quiz scores, as follows. At semester's end your Converted Quiz average will become the equivalent of a fifth Exam. Your final grade for the course will then be calculated according to whichever of the two following methods yields you a **larger** score:

Method 1: Each of your four exams counts 25%, and your quiz average counts 25%.

Method 2: Your Final exam counts 45%, and the highest four scores out of Midterm 1, Midterm 2, Midterm 3, and your quiz average counts 55%. Note that Method 2 drops the lowest of the four scores earned prior to the final exam..

Notice that a student may elect either not to take the quizzes or to miss one of the three Midterm exams **without explicit** penalty. However, failure to take enough quizzes means that all four exams will count toward your final grade. Similarly, failure to take one of the midterm exams means that your Final Exam will automatically count more.

A final grade of 90 or above guarantees the student at least an "A-" in the course, a final grade of 80 or above at least a "B-", etc. A final grade of 60 or above guarantees a passing grade. It is expected that about 15% of the students completing the course will earn a grade of A or A-, about 40% B+, B, or B-, about 30% C+, C, or C-, about 10% D+, D, or D-, and about 5% F.

A WARNING to students on academic probation, varsity athletes, seniors planning to graduate this year, or other students with a special need to receive a particular grade in this course. Under ABSOLUTELY NO circumstances will I give special consideration at the end of the semester due to someone's need for a particular grade.
