



Money and Banking (Fall 2019)
ECON 3303 – 110 (Online) CRN 80129
FIN 3303 – 110 (Online) CRN 80128

Instructor Info:

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Office Hours: By appointment from 9AM to 10AM MWF via Canvas. All other correspondence will be done via email. My response time will be within 48 hours during the work week and by Sunday night for weekend correspondence.

Communication between Instructor and Student:

The best way to reach me is email me at my university email of kevin.lee@tamuct.edu. **Be sure to put FIN 3303 or ECON 3303 in the subject line.**

Course Materials: (Only the textbook is required)

Money and Banking, 3rd edition. By: D. Croushore. ISBN: 9781305590625. Published by Cengage, 2015. New texts are bundled with Aplia, which is an online component that accompanies this text and is explained below. Used texts are NOT bundled with Aplia, as explained below.

Note: APLIA IS OPTIONAL. IT IS NOT REQUIRED. APLIA IS AN ONLINE TOOL CONNECTED WITH THE TEXT. KNOW THIS -- A new text from the campus bookstore comes as a bundled package containing both (1) a new text and (2) an access code for Aplia. If both were bought separately, it would cost more than the bundled package, BUT APLIA IS NOT REQUIRED for this course. A used text is fine and generally available in print form and/or as an online ebook for less than a new text and less than the bundled package. If a student wishes to buy Aplia on its own and not through the bundled package with a new text, it can be purchased directly from the publisher or from other online outlets at an estimated cost of \$105 - \$140. Features in Aplia that a student may want include narration of the text, quizzes, and problems with detailed solutions that provide quick self-grading. Again, Aplia is available, but not required.

Recommended: A financial calculator (BAII plus or BAII plus Professional from Texas Instruments) or a decent scientific calculator or a graphing calculator.

Course Overview and description:

Study the structure and functions of financial markets and financial intermediaries, the behavior and pattern of interest rates, the basic concepts of commercial bank management, the nature of money and the role of the Federal Reserve in its creation, the basic structure of the economy and the impact of monetary actions on this structure.

**Credit for both FIN 3303 and ECON 3303 will not be awarded.
Course Prerequisite is only ECO 2013**

Course Objectives:

Students who successfully complete this course should be able to

1. Discuss the history of money and the importance of money in determining financial and economic outcomes.
2. Describe the various financial institutions that together constitute the money and capital markets.
3. Discuss the structure, the responsibilities, the capabilities, and the limitations of the Federal Reserve and its ability to affect the macroeconomic outcome of our nation's economy.
4. Describe a yield curve and discuss the portion of the term structure of interest rates the Federal Reserve can impact directly.
5. Describe and explain exactly how and why the Federal Reserve acts to influence interest rates.
6. Explain the pros and cons of an independent Central Bank.

Learning Goals by Chapter: See Appendix A at the end of this syllabus.

Course Requirements:

Homework (250 points) – There will be end of chapter homework assignments throughout the semester. All homework assignments combined will be worth 300 points. I will not accept late homework. Let me repeat. I WILL NOT ACCEPT LATE HOMEWORK! (Unless there are some extenuating circumstances but that will be a case by case determination)

Exams (750 points) – You will have 3 unit exams in this class. They will each be worth 250 points. These exams will cover material from the chapters that were covered after the previous exam. There will also be an optional final exam which is comprehensive and will replace your lowest exam score.

Grading:

| | |
|--------------|---|
| 900+ | A |
| 800 – 899.99 | B |
| 700 – 799.99 | C |
| 600 – 699.99 | D |
| 0 – 599.99 | F |

NOTE: Requests for Incomplete Grades: Incompletes will only be given in emergency or other extreme circumstances. Any request for an incomplete grade in this course must be approved by the professor prior to the last week of classes. Requests should be submitted in written form, include a detailed explanation and documentation, and must include an address and/or telephone number where you may be contacted throughout the following semester. There is a university requirement that a substantial portion of the course work must have been completed by the student prior to receiving an incomplete. Also, students will be required to enter into a contract with the professor to finish the course within some set timeframe to be determined by the professor. Students will no longer be able to get an IC after doing 5% of the class and then get an extra semester to complete their work.

ACADEMIC SUPPORT, RESOURCES AND POLICIES

Canvas Support

Use the Canvas Help link, located at the bottom of the left-hand menu, for issues with Canvas. You can select “Chat with Canvas Support,” submit a support request through “Report a Problem,” or call the Canvas support line: 1-844-757-0953.

For issues related to course content and requirements, contact your instructor.

Other Technology Support

For log-in problems, students should contact Help Desk Central.

24 hours a day, 7 days a week:

Email: helpdesk@tamu.edu

Phone: (254) 519-5466

[Web Chat](http://hdc.tamu.edu): [http://hdc.tamu.edu]

Please let the support technician know you are an A&M-Central Texas student.

911 Cellular

Emergency Warning System for Texas A&M University-Central Texas

911Cellular is an emergency notification service that gives Texas A&M University-Central Texas the ability to communicate health and safety emergency information quickly via email, text message, and social media. All students are automatically enrolled in 911Cellular through their myCT email account.

Connect at [911Cellular](https://portal.publicsafetycloud.net/Texas-AM-Central/alert-management) [https://portal.publicsafetycloud.net/Texas-AM-Central/alert-management] to change where you receive your alerts or to opt out. By staying enrolled in 911Cellular, university officials can quickly pass on safety-related information, regardless of your location.

Drop Policy.

If you discover that you need to drop this class, you must complete a [Drop Request Form](https://www.tamuct.edu/registrar/docs/Drop_Request_Form.pdf) [https://www.tamuct.edu/registrar/docs/Drop_Request_Form.pdf].

Professors cannot drop students; this is always the responsibility of the student. The Registrar’s Office will provide a deadline on the Academic Calendar for which the form must be completed, signed and returned. Once you return the signed form to the Registrar’s Office, you must go into Warrior Web and confirm that you are no longer enrolled. If you still show as enrolled, FOLLOW-UP with the Registrar’s Office immediately. You are to attend class until the procedure is complete to avoid penalty for absence. Should you miss the drop deadline or fail to follow the procedure, you will receive an F in the course, which may affect your financial aid and/or VA educational benefits.

Academic Integrity.

Texas A&M University -Central Texas values the integrity of the academic enterprise and strives for the highest standards of academic conduct. A&M-Central Texas expects its students, faculty, and staff to support the adherence to high standards of personal and scholarly conduct to preserve the honor and integrity of the creative community. Academic integrity is defined as a commitment to honesty, trust, fairness, respect, and responsibility. Any deviation by students from this expectation may result in a failing grade for the assignment and potentially a failing grade for the course. Academic misconduct is any act that improperly affects a true and honest evaluation of a student's academic performance and includes, but is not limited to, cheating on an examination or other academic work, plagiarism and improper citation of sources, using another student's work, collusion, and the abuse of resource materials. All academic misconduct concerns will be reported to the university's Office of Student Conduct. Ignorance of the university's standards and expectations is never an excuse to act with a lack of integrity. When in doubt on collaboration, citation, or any issue, please contact your instructor before taking a course of action.

Academic Accommodations.

At Texas A&M University-Central Texas, we value an inclusive learning environment where every student has an equal chance to succeed and has the right to a barrier-free education. The Office of Access and Inclusion is responsible for ensuring that students with a disability receive equal access to the university's programs, services and activities. If you believe you have a disability requiring reasonable accommodations please contact the Office of Access and Inclusion at (254) 501-5831. Any information you provide is private and confidential and will be treated as such.

For more information please visit our [Access & Inclusion](https://www.tamuct.edu/student-affairs/access-inclusion.html) web page [https://www.tamuct.edu/student-affairs/access-inclusion.html].

Important information for Pregnant and/or Parenting Students.

Texas A&M University-Central Texas supports students who are pregnant and/or parenting. In accordance with requirements of Title IX and related guidance from US Department of Education's Office of Civil Rights, the Dean of Student Affairs' Office can assist students who are pregnant and/or parenting in seeking accommodations related to pregnancy and/or parenting. Students should seek out assistance as early in the pregnancy as possible. For more information, please visit the [Student Affairs](https://www.tamuct.edu/student-affairs/index.html) web page [https://www.tamuct.edu/student-affairs/index.html]. Students may also contact the institution's Title IX Coordinator. If you would like to read more about these [requirements and guidelines online](http://www2.ed.gov/about/offices/list/ocr/docs/pregnancy.pdf), please visit the website [http://www2.ed.gov/about/offices/list/ocr/docs/pregnancy.pdf].

Title IX of the Education Amendments Act of 1972 prohibits discrimination on the basis of sex and gender—including pregnancy, parenting, and all related conditions. A&M-Central Texas is able to provide flexible and individualized reasonable accommodation to pregnant and parenting students. All pregnant and parenting students should contact the Associate Dean in the Division of Student Affairs at (254) 501-5909 to seek out assistance. Students may also contact the University's Title IX Coordinator.

Tutoring.

Tutoring is available to all A&M-Central Texas students, both on-campus and online. Subjects tutored on campus include Accounting, Advanced Math, Biology, Finance, Statistics, Mathematics, and Study Skills. Tutors are available at the Tutoring Center in Warrior Hall, Suite 111.

If you have a question regarding tutor schedules, need to schedule a tutoring session, are interested in becoming a tutor, or have any other question, contact Academic Support Programs at (254) 519-5796, or by emailing Dr. DeEadra Albert-Green at deeadra.albertgreen@tamuct.edu.

Chat live with a tutor 24/7 for almost any subject from on your computer! Tutor.com is an online tutoring platform that enables A&M-Central Texas students to log in and receive FREE online tutoring and writing support. This tool provides tutoring in over 40 subject areas. Access Tutor.com through Canvas.

University Writing Center.

Located in Warrior Hall 416, the University Writing Center (UWC) at Texas A&M University–Central Texas (TAMUCT) is a free workspace open to all TAMUCT students from 10:00 a.m.-5:00 p.m. Monday thru Thursday with satellite hours in the University Library Monday thru Thursday from 6:00-9:00 p.m. This semester, the UWC is also offering online only hours from 12:00-3:00 p.m. on Saturdays.

Students may arrange a one-on-one session with a trained and experienced writing tutor by visiting the UWC during normal operating hours (both half-hour and hour sessions are available) or by making an appointment via [WCOonline](https://tamuct.mywconline.com/) at [https://tamuct.mywconline.com/]. In addition, you can email Dr. Bruce Bowles Jr. at bruce.bowles@tamuct.edu for any assistance needed with scheduling.

Tutors are prepared to help writers of all levels and abilities at any stage of the writing process. While tutors will not write, edit, or grade papers, they will assist students in developing more effective composing practices. By providing a practice audience for students' ideas and writing, our tutors highlight the ways in which they read and interpret students' texts, offering guidance and support throughout the various stages of the writing process. In addition, students may work independently in the UWC by checking out a laptop that runs the Microsoft Office suite and connects to WIFI, or by consulting our resources on writing, including all of the relevant style guides. Whether you need help brainstorming ideas, organizing an essay, proofreading, understanding proper citation practices, or just want a quiet place to work, the UWC is here to help!

If you have any questions about the UWC, please do not hesitate to contact Dr. Bruce Bowles Jr. at bruce.bowles@tamuct.edu.

University Library

The University Library provides many services in support of research across campus and at a distance. We offer over 200 electronic databases containing approximately 250,000 eBooks and 82,000 journals, in addition to the 85,000 items in our print collection, which can be mailed to students who live more than 50 miles from campus. Research guides for each subject taught at A&M-Central Texas are available through our website to help students navigate these resources. On campus, the library offers technology including cameras, laptops, microphones, webcams, and digital sound recorders.

Research assistance from a librarian is also available 24 hours a day through our online chat service, and at the reference desk when the library is open. Research sessions can be scheduled for more comprehensive assistance, and may take place on Skype or in-person at the library. Assistance may cover many topics, including how to find articles in peer-reviewed journals, how to cite resources, and how to piece together research for written assignments.

Our 27,000-square-foot facility on the A&M-Central Texas main campus includes student lounges, private study rooms, group work spaces, computer labs, family areas suitable for all ages, and many other features. Services such as interlibrary loan, TexShare, binding, and laminating are available. The library frequently offers workshops, tours, readings, and other events. For more information, please visit our [Library website](http://tamuct.libguides.com/index) [http://tamuct.libguides.com/index].

Course Calendar: This calendar is tentative and may change throughout the semester at the discretion of the professor.

| Week | Date | Topic | Chapters |
|-------------|---------------------|---|-----------------|
| 1 | 8/26 – 8/30 | Money and Role of Banks / The Financial System and the Economy | 1,2 |
| 2 | 9/2 – 9/6 | Money and Payments | 3 |
| 3 | 9/9 – 9/13 | Time Value of Money | 4 |
| 4 | 9/16 – 9/20 | The Term Structure of Interest Rates | 5 |
| 5 | 9/23 – 9/27 | Exam 1 | |
| 6 | 9/30 – 10/4 | Stocks and Other Assets | 7 |
| 7 | 10/7 – 10/11 | How Banks Work | 8 |
| 8 | 10/14 – 10/18 | The Government's Role in Banking | 9 |
| 9 | 10/21 – 10/25 | Economic Growth | 10 |
| 10 | 10/28 – 11/1 | Exam 2 | |
| 11 | 11/4 – 11/8 | The Role of the Federal Reserve System | 15 |
| 12 | 11/11 – 11/15 | The Money Supply | 16 |
| 13 | 11/18 – 11/22 | Monetary Policy / Rules and Objectives of Monetary Policy | 17, 18 |
| 14 | 11/25 – 11/29 | Thanksgiving Break | |
| 15 | 12/2 – 12/6 | Exam 3 | |
| 16 | 12/9 – 12/13 | Comprehensive Final Exam (Optional) | |

APPENDIX A: STUDENT LEARNING GOALS BY MODULE AND BY CHAPTER

MODULE 1

1. Ch 1: Introduction to Money and Banking
 - a. Describe the value of money and banking for everyday life.
 - b. Discuss why government policy is crucial for money and banking.
 - c. List ten surprising facts about money and banking that will be discussed in greater detail in the text.
2. Ch 2: The Financial System and the Economy
 - a. Describe how the financial system matches borrowers and lenders.
 - b. Investigate the role of financial securities.
 - c. Describe the basic workings of financial intermediaries.
 - d. Explain how supply and demand determine the financial system.
 - e. Discuss the consequences of failures of the financial system.
 - f. Describe the major attributes of financial securities that investors care about.
3. Ch 3: Money and Payments
 - a. Describe how money is used in its roles as a medium of exchange, a store of value, a unit of account, and the standard for a deferred payment.
 - b. Discuss the operation of the payments system and different types of money (inside money, outside money, fiat money, commodity money).
 - c. Show how the Federal Reserve counts the money supply and whether such measures are reasonable.
 - d. Illustrate how the demand for money works in a policy application concerning the demand for coins.
4. Ch 4: Present Value
 - a. Discuss the idea of present value and show how the concept can be used in a variety of applications.
 - b. Describe how people use the present-value formula to make decisions.
 - c. Use the concept of present value to look backward at past returns or forward at future returns.
 - d. Apply your knowledge of present value with practical advice on how to negotiate a car lease
5. Ch 5: The Structure of Interest Rates
 - a. Explain the structure of interest rates— why the interest rates on various debt securities differ from each other and what those differences mean.
 - b. Compare interest rates on short-term bonds with those on long-term bonds to see how the relationship between such interest rates reflects economic events.
 - c. Explain why investors care about the time to maturity of bonds and evaluate the implications of differing times to maturity on interest rates.
 - d. Examine the policy question of whether or not we can forecast recessions by examining interest rates, especially the yield curve.

MODULE 2

1. Ch 7; Stocks and Other Assets
 - a. Examine how the stock market works, the major influences on stock prices and returns, and data on stock prices and returns over time since 1875.

- b. Research if investors can follow profitable financial investment strategies.
 - c. Explain how an investor should compare stocks with other financial investments, such as bonds or real estate.
- 2. Ch 8: Goals of Chapter 8: How Banks Work
 - a. Describe how banks operate and their role in the financial system.
 - b. Discuss the key role of information problems that banks face and how they solve such problems.
 - c. Illustrate the balance sheets of banks and how they profit from their activities.
 - d. Discuss how the Fed's payment of interest on reserves beginning in 2008 has dramatically changed banks' balance sheets.
- 3. Ch 9: Goals of Chapter 9: Government's Role in Banking
 - a. Discuss how and why government authorities supervise and regulate bank activities.
 - b. Describe the rules and regulations that govern bank activities.
 - c. Show how the government supervises banks by asking them for information about their activities and telling them when they are not acting properly.
 - d. Discuss how the government decides whether or not banks can merge.
- 4. Ch 10: Economic Growth and Business Cycles
 - a. Analyze both long-run and short-run movements of the economy's output.
 - b. Study the business cycle to analyze how the economy is deviating from its long-run path.
 - c. Show how the economy's growth rate affects a worker's future income.

MODULE 3

- 1. Ch 15: The Federal Reserve System
 - a. Describe how Federal Reserve Banks operate on a daily basis and how they influence monetary policy.
 - b. Examine the Board of Governors and its role in overseeing the Federal Reserve System, as well as the importance of the chairman.
 - c. Discuss the operations of the Federal Open Market Committee (FOMC) and how it determines monetary policy. Evaluate the Fed's independence from government and politicians.
- 2. Ch 16: Monetary Policy
 - a. Show how money is created or destroyed by the actions of the Federal Reserve interacting with banks.
 - b. Look at how a small change in bank reserves supplied by the Fed is multiplied by banks into a much larger change in the economy's total money supply, and how people and banks influence the size of that multiplier.
 - c. Examine the market for reserves to see how the Fed influences the money supply on a day-to-day basis.
 - d. Show how the Fed's payment of interest on reserves affects the market for reserves.
 - e. Discuss nontraditional policy tools that a central bank can use in a liquidity trap.
- 3. Ch 17: Monetary Policy: Goals and Tradeoffs
 - a. Examine how the Fed stabilizes the economy over the course of the business cycle.

- b. Look at the Fed's goals by examining data on output, the unemployment rate, and the inflation rate.
 - c. Develop the Fed's objective function that calculates the loss to the economy when the key variables differ from their ideal levels.
 - d. Show how the Fed attempts to optimize the objective function by using its policy tools.
 - e. Describe the tradeoff the Fed faces between the inflation rate and the unemployment rate.
 - f. Show why that tradeoff differs in the short run and the long run.
4. Ch 18: Rules for Monetary Policy
- a. Examine the economic theory concerning the benefits of having monetary policy determined by rules, rather than discretion.
 - b. Discuss rules based on setting money growth at a particular rate
 - c. Examine more-sophisticated rules that allow monetary policy to respond to the business cycle.
 - d. Describe inflation targeting, a procedure that is not a rule, but which helps reduce discretion by policymakers.
 - e. Analyze the policy issue of why policymakers do not follow rules.