E305
Money and Banking
Fall 2009
(Day Section: 15422)

Instructor:  Steven Russell   (Please call me “Steve”)
Professor of Economics, IUPUI, since 1993

Office:  523 Cavanaugh Hall
Phone:  278-7214
Fax:  274-0097   (Department fax machine)
E-mail:  shrusse@iupui.edu

Office hours:  MW 1:15-2:30 p.m., M 4:15-5:30 p.m. or by appointment

You can leave messages for me on the voice mail system or by calling or visiting the Economics department office, which is located in 516 Cavanaugh Hall (274-4756). Faculty mailboxes are on the right as you enter the office. E-mail is the most reliable way to contact me if I am not in my office. If you leave me a voice mail message then it will be converted into a .wav file and sent to my e-mail.

E-mail note: I read my regular IUPUI email (see address above) much more regularly than my OnCourse e-mail. So if you need to reach me in a hurry, it’s best to use regular e-mail. Unfortunately, my IUPUI e-mail account gets overloaded very quickly if people send me files with attachments. So if you are attaching a file to a message, please use OnCourse e-mail.

Prerequisites:  E201 (Introduction to Microeconomics)
              E202 (Introduction to Macroeconomics)

I will assume everyone is familiar with some basic material from these courses (e.g., supply and demand, inflation and price indexes).

Class meets:  MW 10:30-11:45 a.m., BS 3014
              First meeting: Wednesday, August 26
              Last meeting: Monday, December 14

Main text:  Money, Banking, and Financial Markets, 2nd Edition
            by Steven Cecchetti

Supplements:  Study Guide to the main text, prepared by James Fackler
              Lecture notes and other materials (definitions, reference notes for assignments, quiz and assignment solutions, etc.) available via OnCourse.
The main text and the study guide are available in the campus bookstore in the basement of Cavanaugh Hall.

The study guide is designed to help you understand the material presented in the text. It will be particularly useful in this course because you will be asked to do a good deal of independent reading from the text – that is, you will be responsible for a lot of material from the text that will not be covered in the lectures.

The lecture notes cover most of the topics I will lecture about. While you are likely to find these notes very helpful for understanding the lectures, you should not think of them as a substitute for your own lecture notes. The principal reason for this is that even when the notes cover a topic I lecture about, my lecture may include some material that is not included in the notes. In addition, towards the end of the session I may lecture about some topics that are not covered in the lecture notes.

**Quizzes:**

There will be twelve quizzes – almost one per week. Each quiz will have two parts, given on different days. The first part of each quiz will consist of eight multiple-choice questions. These questions will be based entirely on material from the textbook and the study guide: they may not be connected to any material from my lectures or my OnCourse lecture notes. Normally, I will give the first part of a quiz on a Monday. The only exception is the very first quiz: I will give the first part of that quiz on Wednesday, September 2.

The second part of each quiz will consist of three multiple-choice questions plus two written-answer questions: short essay and/or short answers. These questions will be based entirely on material from my lectures and my OnCourse lecture notes: they may not be connected to any material from the textbook or the study guide. You will choose one of these two questions. If you are not satisfied with your answer to the question you chose in class then you may answer the other question at home and e-mail, fax or carry it to me by noon on the Friday after the quiz. You can get up to two-thirds credit (16 points out of 24) on this take-home answer. However, I will not give you credit for a take-home answer unless you made a good-faith effort on the question you chose in class.

I will give the second part of each quiz on a Wednesday: normally, the Wednesday after I give the first part. There will be two exceptions: for the first quiz and the eleventh quiz (whose first part is on the Monday before Thanksgiving), I will give the second part of the quiz on the Wednesday of the following week.

I will announce the date of each quiz, and the material covered on the quiz, at least one week in advance.

**Exams:**

There will be a midterm exam and a final exam. Both exams will consist mostly of multiple-choice questions, and the final exam probably will be all multiple-choice. There will be no questions based on the textbook or the study guide: all the questions will be based on my lectures, my OnCourse lecture notes and definition lists, and the assignments. There will be a few computational questions in multiple-choice format. The midterm exam is tentatively scheduled for Monday, October 26. The final exam is scheduled for Monday, December 21, from 10:30-12:30 p.m. The final exam will be partly comprehensive, although questions from the second half of the course will be emphasized, and all the computational questions will come from the second half of the course.
Make-ups:
I am reluctant to give make-up quizzes, or parts of quizzes, but I will do so if there is a very good reason. Requests to make up the midterm exam or the final exam should be made well before the exam date.

Assignments:
There will be 5-7 homework assignments. These assignments will require you to use formulas presented in class to do calculations and solve numerical problems. The materials I will put up on OnCourse include reference notes that will help you with most of the assignments. These notes include definitions of symbols, formulas, and numerical examples. You will be given at least a week to complete each assignment. The due dates will be announced in class and via OnCourse. I will accept late assignments only under exceptional circumstances.

It is important to understand that you may not receive full credit for your assignment answers – even if the answers are correct – unless you show your work carefully. In addition, when you need to round off numerical values you should use the “rounding rules” that I will describe in class.

Note: Your quizzes and assignments may be graded by a teaching assistant. To ensure that you get maximum credit for your work you should write out your answers as clearly as possible. Assignment answers and take-home quiz answers should be printed or (preferably) typed.

Grading:
The final grade will be based on total points scored on exams, assignments, and quizzes, appropriately weighted. Individual exams and quizzes will not be letter graded, but I will report the distribution of the scores.

The weights of the various course components in the final grade will be approximately:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignments</td>
<td>1/6</td>
</tr>
<tr>
<td>Quizzes</td>
<td>1/2</td>
</tr>
<tr>
<td>Exams</td>
<td>1/3</td>
</tr>
</tbody>
</table>

Notice that half your grade will depend on your performance on the weekly quizzes. Another way to describe the implications of this weighting scheme is that two-thirds of your grade will be based on your performance in “daily work” (assignments and quizzes) and one-third will be based on your performance on the exams. It’s also worth emphasizing that almost one-quarter of your grade will depend on your grasp of the material from the textbook and the study guide, as measured by your performance on the first parts of the quizzes.

[More about grading on the next page.]
The final grades will be “curved” based on the distribution of total point scores. I will base the final letter grade assignments on a scale that is adapted from the Economics department’s grade-allocation guidelines:

- **A** 10-20 %
- **B** 30-40
- **C** 35-45
- **D** 5-15
- **F** 0- 5

(The total, of course, must add up to 100%.) Typically, roughly half the students who finish the course get A’s or B’s and roughly 10 percent get D’s or F’s.

**Incompletes and withdrawals:**

I will give incompletes only to students who have legitimate reasons for their inability to complete the course work and have reasonable prospects of passing the course. I will not sign withdrawal forms after the university's official withdrawal deadline, which is **November 17**.

**Academic misconduct:**

Indiana University policies concerning academic misconduct (cheating and plagiarism) are described on page 35 of the IUPUI Campus Bulletin for 2008-2010.

Anyone who I catch cheating on an exam or a quiz will receive a failing grade for the course.

I don’t object to – and, in fact, I encourage – collaboration on the assignments. My only qualification is that each student should write out his or her own answer sheet for each assignment. I won’t accept several machine-made copies of the same set of solutions.
Important Note:  
How this Course is Organized

Any introductory level course in a subject like money and banking has to try to accomplish two goals that are not really very consistent with each other. One of these goals is to give the students a general introduction to a large number of basic concepts and issues that are associated with the various different aspects of the subject. The other goal is to give the students a through introduction to a few key concepts and issues that are critical to understanding the subject and are likely to come up again and again, either in more advanced courses that are related to the subject or in practical situations (on the job, etc.).

My personal style as an instructor is best suited to accomplishing the second goal. I am most comfortable and effective when I can select a relatively small number of topics and cover them thoroughly. On the other hand, money and banking is an area in which there are a large number of concepts and issues that introductory students may need to be introduced to and given some information about.

My approach to this problem is to rely on a textbook to accomplish the first goal – that is, to give the students a general introduction to a broad range of concepts and issues – and to use my lectures to accomplish the second goal. This approach has a couple of important implications for students in the course. First, you will have to get used to doing independent reading from the text – that is, you will have to read and absorb material from the textbook that I may never talk about in my lectures. If you do not read the assigned material in the textbook carefully then you are likely to do very poorly on the first parts of the weekly quizzes, which collectively account for almost 25 percent of your grade.

Second, it will be very important for you to attend class regularly and to take good notes on the lectures. The reason this is so important is that much of the material covered in the lectures is either not covered in the text at all or is covered in much less detail than I will cover it in my lectures. If you miss a lot of class meetings and/or do not take good notes on the lectures then you are likely to do poorly on the second parts of the weekly quizzes, and also on the exams.

I have taken several steps to try to reduce the burden my approach places on my students. First, I have chosen a textbook that is relatively easy to read and understand. The chapters in the Cecchetti textbook are relatively short, and the author adopts a conversational style that does not emphasize side issues or technical details. I think it is the most clearly written money and banking text available. In addition, the textbook is accompanied by a study guide that most students should find very helpful.

Second, I have provided additional materials, mostly via OnCourse, to back up my lectures. They include elaborate lecture notes that present a pretty complete description of the material I will cover in my lectures. These notes are organized in paragraphs with complete sentences, and they present careful explanations of most of the terms, concepts and formulas that appear in the relevant lectures. The OnCourse materials also include lists of definitions of terms used in my lectures and reference notes to help you with the homework assignments.