E305
MONEY AND BANKING
Fall 2010

Class meets: Mondays, 6:00 - 8:40 pm, Cavanaugh Hall 225
Instructor: Dr. Mayya Sengupta
E-mail: mvgarbol@indiana.edu (Please use OnCourse email for matters that are not urgent)
Office Hours: TBA

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


Lecture Notes: The notes for each lecture will be posted on OnCourse after the class. Even though these notes cover most of the topics I lecture about, they are not a substitute for your own lecture notes. You are expected to take your own notes in class.

Course Objectives: In this course, you will have the opportunity to explore how money, the banking system, and financial markets interact and affect the economy. The topics of this course fill today's headlines: for example, the behavior of the stock market, banking crises, Federal Reserve policies, and banking legislation. By the end of the semester your ability to digest and interpret economic news will improve, and you will be in a much better position to understand contemporary monetary and financial developments.

Grades: Your grade will be based on a 800 point system. The points will be distributed as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Midterm Exam</td>
<td>240</td>
<td>30%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>320</td>
<td>40%</td>
</tr>
<tr>
<td>Assignments</td>
<td>240</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>800</td>
<td>100%</td>
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The grades will be assigned based on the following scale:

- A+: 97-100%
- B+: 87-89%
- C+: 77-79%
- D+: 67-69%
- A: 93-96%
- B: 83-86%
- C: 73-76%
- D: 63-66%
- A-: 90-92%
- B-: 80-82%
- C-: 70-72%
- D-: 60-62%

F below 60%

Your grade will be rounded to the nearest whole percentage point.

Exams: There will be a midterm exam and a final exam. Exam questions will be based on both lecture material and assigned readings. Practice tests designed to assist you in preparing for exams will be posted on OnCourse.

Use of cell phones, PDAs, laptop computers or other electronic devices is not allowed during exams. You may, however, use a basic calculator.

Homework assignments: The primary purpose of any homework assignment is to give you some practice. However, as you can see, they are counted in your final grade. You will have 8 homework assignments. You can receive up to 30 points for each homework. All assignments will be posted on OnCourse at least one week before the due date. Assignments are expected to be turned in at the beginning of the class period in which they are due.
**OnCourse:** Homework assignments, practice tests, exam answers, lecture notes, important announcements, and grades will be posted on OnCourse:

https://oncourse.iu.edu

**Semester schedule:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>September 6 - Labor Day</td>
<td>No class</td>
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<tr>
<td>October 18 - Fall Break</td>
<td>No class</td>
</tr>
<tr>
<td><strong>October 25, in class</strong></td>
<td><strong>Midterm</strong></td>
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<tr>
<td><strong>December 20, 6:00-8:00 pm</strong></td>
<td><strong>Final</strong></td>
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**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 16.

**Academic misconduct:** Indiana University policies concerning academic misconduct (cheating and plagiarism) are described on page 32 of the IUPUI Campus Bulletin for 2010-2011. Anyone who is caught cheating on an exam will receive a failing grade for the course.

You may work together on homework assignments and I encourage you to do so, however, the final work that you submit should be your own.
COURSE OUTLINE AND READINGS:

Introduction to Monetary Analysis. An Overview of the Financial System
   Text: Chapters 1 (pp. 3-12), 2 (pp. 25-37)

What is Money?
   Text: Chapter 3

Understanding Interest Rates
   Text: Chapter 4

The Behavior of Interest Rates
   Text: Chapter 5

An Economic Analysis of Financial Structure. Financial Intermediation
   Text: Chapters 2 (pp.39-49), 8

Financial Crises and the Subprime Meltdown
   Text: Chapter 9

Banking and the Management of Financial Institutions*
   Text: Chapter 10

Financial Regulation
   Text: Chapter 11

Banking Industry: Structure and Competition
   Text: Chapter 12

Central Banks and the Federal Reserve System
   Text: Chapter 13

The Money Supply Process*
   Text: Chapter 14

The Tools of Monetary Policy
   Text: Chapter 15

The Conduct of Monetary Policy
   Text: Chapter 16

Aggregate Demand and Supply Analysis*
   Text: Chapter 22

Money and Inflation*
   Text: Chapter 24

* We will cover this material time permitting