



**College of Business Administration**  
**Department of Economics**  
**Money and Banking**  
**Lecturer: O. Mikhail**  
**ECO 3223-0001**  
**Spring 2005**

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### **Course Outline**

Time : Monday, Wednesday, 9:00 a.m. – 10:15 a.m.  
Location : BA I - 220.  
Office : BA II - 302.  
Office Hours : Monday, Wednesday, Thursday 11:00 a.m. – 12:30 p.m.  
**OR by scheduled appointment.**  
Class Web Page: <http://www.bus.ucf.edu/omikhail/Eco3223/W2005/Eco-3223-w2005.htm>  
E-Mail : omikhail@hotmail.com  
omikhail@bus.ucf.edu  
Phone : 407-823-4258  
Fax : 407-823-3269

### **Course Objective**

How do financial markets influence the allocation of resources in the economy? Why do they affect the level of economic activity? Does the structure of the financial system matter? Which one matters the most: the domestic system or the international financial system and what are the functions and limitations of each? Do financial institutions matter? What kind of [and which] regulations should exist on their behavior – if any? Which monetary policy is ought to be pursued to recover from a recession – if any? How do monetary policies influence the economy, the business cycle and the economic agent well-being? What are the functions and role of money in the economy? In this class, we will attempt to understand the extent, the magnitude and the influence of the financial sector on the economy.

Regardless of your occupation, as long as you are involved in the financial market (as an analyst, a venture capitalist, a financial consultant, or a marketing specialist), and as long as your objective is to reach a profit maximizing and efficient state, your knowledge of the interaction of the macroeconomics and the financial markets will aid, help and [exponentially] improve your forecasts and decision-making process.

We will study the financial markets and the dramatis personae (the cast of players) – the financial institutions – which participate in it? A clear distinction between the money and the capital market

will be developed. Also, we will study the characteristics, history, powers and objectives of the central bank as a powerful financial institution.

Briefly, we will study and focus on the following:

1. Overview of the financial system,
2. Interest rates,
3. Financial institutions,
4. The Central Bank (The Fed), and
5. Monetary policy.

By the end of the class, students should be able to understand and explain the nature and functions of money by comparing the characteristics of a barter economy and a monetary economy. Students should also be able to understand and explain what financial intermediation is and how it improves the performance of the economy. Furthermore, students are expected to understand and explain the principles underlying the determination of interest rates, money supply, money demand and most of all the mechanisms through which monetary policy affects the economy.

Basic knowledge of algebra is required. Students are responsible for *all* materials covered in class that is presented in the textbook, in the study guide and in the lecture notes.

Attendance at lectures is not mandatory but is recommended. **If you are experiencing any difficulty in this class (or any other), please arrange a meeting with me to discuss it.**

### **E-mail Policy, Lecture Notes and Class Web Page**

During weekdays, I should be able to answer your e-mail within 24 hours. All of the PowerPoint class notes are posted at the class web page. It is a good strategy to regularly visit the class web page for announcements. Class announcements are part of your curriculum. I adopt the plus/minus letter grades as outlined on the class web page. **The lecture notes are not substitutes for the textbook; they are a complement to the textbook.**

### **Office Hours**

If my office hours (stated above) conflict with your schedule and you need to meet with me, please let me know [ASAP] so I can arrange a mutually acceptable time to meet.

### **Required Book**

Mishkin, Frederic S. (2004) *The Economics of Money, Banking, and Financial Markets*, 7<sup>th</sup> Edition, Pearson, Addison-Wesley. ISBN: 0-321-12235-6.

Visit the book web page at [www.aw.com/mishkin](http://www.aw.com/mishkin)

## Evaluation (Preliminary)

Aplia Assignments (12 assignments)	30%
Semester-Team Assignments (2 assignments)	20%
Quizzes (3 Quizzes)	20%
Final Exam (Wednesday, April 27, 2005)	30 %

**Note that the FINAL EXAM will be held from 7:00 a.m. to 9:50 a.m.**

I expect you to uphold the guidelines of the Golden Rules, <http://www.ucf.edu/goldenrule>

Only, your best two quizzes and your best 12 assignments will count toward your final grade. No extra-credit assignment is given. No early or make-up exams will be given. The Final Exam is held on Wednesday, April 27 2005 from 7:00 a.m. to 9:50 a.m.

## Finding Monetary Data

Printed format

Subscribe to the National Economic Trends – The Federal Reserve Bank of St. Louis.

<http://research.stlouisfed.org/publications/net/>

Data Retrieval – Electronic format

The Federal Reserve Bank of St. Louis Economic Data - FRED II

<http://research.stlouisfed.org/fred2/>

## Class Structure

The class will be held in an active-discussion framework. Due to the class size and the limited class time, I suggest that students form study groups outside of class to work through the study guide and end-of-chapter problems.

## Assignments

A total of 12 assignments will be posted at <http://econ.aplia.com>. Assignments are due and graded online. The web course fee is \$21.00. To set up your account with **aplia**, please do the following:



The course key is: **X7P2-45T3-CHPB**

### First Time Aplia Users:

1. Connect to <http://econ.aplia.com>
2. Complete the Configuration Test. You **must have JavaScript and Flash 6 or later** to use the site. If you don't, the configuration test will tell you and instructions will follow.
3. Return to the Sign In page and click "Register here."
4. You will be prompted to enter your e-mail address and select a password.
5. You will then be asked to enter your course key (above).
6. You only need to register once. After the registration process is complete, you will not need to enter the course key again.
7. Before entering your course, you will be prompted for payment. There is a 21 day grace period for this course. If your payment has not been received by 01.31.05, you will not be able to access the site until Aplia receives your payment. Please note that you will need to register for your course at least one hour prior to participating in any experiments.
8. You may have an Aplia Payment Code for this course. You will have the option to use this code (which you may have received bundled with a textbook or purchased at the bookstore) when you are prompted for payment. Please remember that once opened, payment codes are not refundable.

### Returning Aplia Users:

1. Connect to <http://econ.aplia.com>
2. Sign in using your usual e-mail address and password.
3. On your home page click the button "Enroll in a New Course."
4. You will be asked to enter your course key (above).
5. Before entering your course, you will be prompted for payment. There is a 21 day grace period for this course. If your payment has not been received by 01.31.05, you will not be able to access the site until Aplia receives your payment. Please note that you will need to register for your course at least one hour prior to participating in any experiments.
6. You may have an Aplia Payment Code for this course. You will have the option to use this code (which you may have received bundled with a textbook or purchased at the bookstore) when you are prompted for payment. Please remember that once opened, payment codes are not refundable.
7. If you want to switch between courses, use the [Switch Course] link at the top of the screen, or use the "My Account" tab, then click on "My Courses."

If you have questions about registering or using the Aplia website, please contact Aplia by clicking the **Aplia Support** link at the bottom of any Aplia page or by e-mailing [support@aplia.com](mailto:support@aplia.com). You will receive a response in one business day.

## Reading List

1/10	Introduction Why Study Money, Banking, and Financial Markets? Teams	Chapter 1
1/12	An Overview of the Financial System What Is Money?	Chapter 2 Chapter 3
1/17	<b>Martin Luther King Jr. Day</b>	
1/19	What Is Money? Assignment 1 is due.	Chapter 3
1/24	Understanding Interest Rates The Behavior of Interest Rates Assignment 2 is due.	Chapter 4 Chapter 5
1/26	The Behavior of Interest Rates	Chapter 5
1/31	An Economic Analysis of Financial Structure Assignment 3 is due.	Chapter 8
2/2	<b>QUIZ I (Chapters: 1-5)</b>	
2/7	Banking and the Management of Banking Institutions Assignment 4 is due.	Chapter 9
2/9	Banking and the Management of Banking Institutions Banking Industry: Structure and Competition	Chapter 9 Chapter 10
2/14	Banking Industry: Structure and Competition Assignment 5 is due.	Chapter 10
2/16	Economic Analysis of Banking Regulation	Chapter 11
2/21	Economic Analysis of Banking Regulation Assignment 6 is due.	Chapter 11
2/23	Nonbank Finance	Chapter 12
2/28	Structure of Central Banks and the Federal Reserve System Assignment 7 is due.	Chapter 14
3/2	<b>QUIZ II (Chapters: 8-12)</b>	
3/7	Structure of Central Banks and the Federal Reserve System Assignment 8 is due.	Chapter 14
3/9	Multiple Deposit Creation and the Money Supply Process	Chapter 15
3/14	<b>Spring Break</b>	
3/16	<b>Spring Break</b>	
3/21	Determinants of the Money Supply Assignment 9 is due.	Chapter 16
3/23	Tools of Monetary Policy	Chapter 17
3/28	Conduct of Monetary Policy: Targets and Goals Assignment 10 is due.	Chapter 18
3/30	The Demand for Money	Chapter 22
4/4	<b>QUIZ III (Chapters: 14-18)</b> Assignment 11 is due.	
4/6	Aggregate Demand and Supply Analysis	Chapter 25
4/11	Aggregate Demand and Supply Analysis	Chapter 25

Assignment 12 is due.

**Team Assignments are due.**

4/13	Transmission Mechanisms of Monetary Policy	Chapter 26
4/18	Transmission Mechanisms of Monetary Policy	Chapter 26
	Money and Inflation	Chapter 27
	Assignment 13 is due.	
4/20	Money and Inflation	Chapter 27
4/25	Review Session	
4/27	<b>FINAL EXAM</b>	

### Academic Dates – Spring 2005

<b>Academic Dates and Deadlines</b>	
Classes Begin	January 10
Late Registration and Add/Drop	January 10-14
Withdrawal Deadline	March 4
Class Schedule and Appointments for Summer 2005/Fall 2005/Spring 2006 Available on MyUCF	March 7
Registration for Summer 2005/Fall 2005/Spring 2006 begins	March 28
Graduate Thesis/Dissertation Defense Deadline	April 4
Founder's Day Honors Convocation	April 13
Graduate Thesis/Dissertation Submission Deadline	April 25
Classes End; Last Day to Remove Incomplete	April 25
Final Examination Period	April 26 - May 2
Grades Available on MyUCF (begins at 9 a.m.)	May 7
Commencement	May 5-7
<b>Spring 2005 Holidays</b>	
Martin Luther King Jr. Day	January 17
Spring Break	March 14-19
<b>Spring 2005 Special Events</b>	
Founder's Day Honors Convocation (Classes still held)	April 13

# THE UCF CREED

*Integrity, scholarship, community, creativity, and excellence are the core values that guide our conduct, performance, and decisions.*

## **Integrity**

*I will practice and defend academic and personal honesty.*

## **Scholarship**

*I will cherish and honor learning as a fundamental purpose of my membership in the UCF community.*

## **Community**

*I will promote an open and supportive campus environment by respecting the rights and contributions of every individual.*

## **Creativity**

*I will use my talents to enrich the human experience.*

## **Excellence**

*I will strive toward the highest standards of performance in any endeavor I undertake.*

<http://pegasus.cc.ucf.edu/~admissio/creed.htm>