



**College of Business Administration
Department of Economics
Seminar in Money and Banking
Lecturer: O. Mikhail
ECO 6226-0001
Summer 2001**

Course Outline

Time : MW 18:00-20:50.
Location : CL1 318.
Office : BA 360 – Phone: 407-823-4258.
Office Hours : MW 16:00 –17:15.
E-Mail : omikhail@hotmail.com / omikhail@bus.ucf.edu
Wed Page : <http://www.bus.ucf.edu/omikhail>

Objectives:

The class covers the mechanics of the financial markets in Canada and the U.S.; we will start with a dramatis personae (the cast of players) – the financial institutions – which participate in it? For each type of financial institution we will study its structure, power, functions and its regulations. Then interest will shift to the instruments used and finally 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.

We will address the principles of monetary theory and policy, the nature, the functions and role of money in the economy. We focus on the interest rate determination, and the theories of money supply and money demand.

By the end of the class, students should be able to understand the mechanics (suppliers, demanders and instruments of funds) of the financial markets in Canada and the U.S., the interest rates structure and relationship to the exchange rates, the role of the central bank in these markets and finally how all together influence the economy.

Evaluation:

Assignments-Readings	15%
Term Paper	30%
Exam: Financial Institutions	25%
Final Exam	30%

Required Book:

Handa, Jagdish. (2000) *Monetary Economics*. Routledge, London & New York. ISBN 0-415-19926-3.

Package:

Boules, T. Handa, J. and Mikhail, O. (2000) *Financial Institutions in Canada and the United States*. <http://www.bus.ucf.edu/omikhail/Eco6226/FI-book.pdf>

Supplementary Texts: (Optional)

Burton, Maureen. and Lombra, Ray. (1999) *The Financial System and the Economy: Principles of Money and Banking*. Thomson Learning Publishing. ISBN 0324004397

Fabozzi, Frank J., Modigliani, Franco., Ferri, Michael G. and Donnelly, Paul. (Eds) (1997) *Foundations of Financial Markets and Institutions*. ISBN 0136860567

Hubbard, Glenn R. (2000) *Money, the Financial System, and the Economy*. Third Edition, Addison Wesley Longman. ISBN 0-201-47381-X

Hubbard, Glenn R. (Ed.) (1991) *Financial Markets and Financial Crises*. University of Chicago Press. ISBN 0226355888

Kidwell, David. and Blackwell, W. David. (1999) *Financial Institutions, Markets, and Money*. Dryden Press. ISBN 0030257417

Kolb, Robert W. and Rodriguez, Ricardo J. (1996) *Financial Institutions and Markets*. Second Edition, Blackwell Publishers, Inc.

Mishkin, Frederic. (2001) *The Economics of Money, Banking, and Financial Markets*. Sixth Edition, Addison Wesley Longman. ISBN 0-321-06273-6

Mishkin, Frederic. and Eakins, Stanley G. (1999) *Financial Markets and Institutions*. Addison Wesley Educational Publishers, Inc. ISBN 0321050649

Rezaee, Zabihollah. (2001) *Financial Institutions: Valuations, Mergers and Acquisitions*. Wiley, John & Sons Inc. ISBN 0471394491

Ritter, Lawrence. Silber, William L. and Udell, Gregory F. (2000) *Principles of Money, Banking, & Financial Markets*. Tenth Edition, Addison Wesley Longman. ISBN 0-321-02020-0

Santomero, Anthony M. and Babbel, David. (1996) *Financial Markets, Instruments, and Institutions*. McGraw-Hill Professional Publishing. ISBN 0256166269

Saunders, Anthony. (1999) *Financial Institutions Management*. McGraw-Hill Higher Education. ISBN 007303259X

Saunders, Anthony. and Cornett, Marcia. (2000) *Financial Markets and Institutions: A Modern Approach*. McGraw-Hill Higher Education. ISBN 0072348925

Shubik, Martin. (1999) *The Theory of Money and Financial Institutions*. Vol. 2, MIT Press. ISBN 0262194287

Reading List:

Banking and Central Banking History

Reading 1

Parthemos, James. (1988) "The Federal Reserve Act of 1913 in the Stream of U.S. Monetary History." *Economic Review*, Federal Reserve Bank of Richmond, pp. 19-28.

Reading 2

Goodfriend, Marvin. (1991) "Money, Credit, Banking, and Payments System Policy." *Economic Review*, Federal Reserve Bank of Richmond, pp. 7-23.

Problems of Commercial Banks and Thrift Institutions

Reading 3

Boyd, John H. and Graham, Stanley L. (1991) "Investigating the Banking Consolidation Trend." *Quarterly Review*, Federal Reserve Bank of Minneapolis, pp. 3-15.

Reading 4

Melloan, George. (1989) "Ponzi Was a Piker Compared to 'Troubled Thrifts'." *Wall Street Journal*, January 10, 1989, p. A19.

Berger, Allen N. Demsetz, Rebecca S. and Strahan, Philip E. (1998) "The Consolidation of the Financial Services Industry: Causes, Consequences, and Implications for the Future." *Finance and Economics Discussion Series*, Federal Reserve Board, Washington, D.C. 1998-46

Federal Reserve Operations

Reading 5

Meulendykle, Ann-Marie. (1990) "A Review of Federal Reserve Policy Targets and Operating Guides in Recent Decades." In Richard G. Davis et al., *Intermediate Targets and Economic Indicators for Monetary Policy*, Federal Reserve Bank of New York, pp. 452-473.

Reading 6

Meulendykle, Ann-Marie. (1992) "Reserve Requirements and the Discount Window in Recent Decades." *Quarterly Review*, Federal Reserve Bank of New York, pp. 25-43.

Reading 7

Schwartz, Anna J. (1992) "The Misuse of the Fed's Discount Window." *Review*, Federal Reserve Bank of St. Louis, pp. 58-69.

Political Economy and the Federal Reserve Policy

Reading 8

Havrilesky, Thomas M. Chappell, Henry. Gildea, John. and McGregor, Rob. (1993) "Congress Threatens the Fed." *Challenge*, pp. 50-57.

Measuring Money and Its Movement

Reading 9

Walter, John R. (1989) "Monetary Aggregates: A User's Guide." *Economic Review*, Federal Reserve Bank of Richmond, pp. 20-28.

Reading 10

Tatom, John. (1990) "The Effects of Financial Innovations on Checkable Deposits, M1 and M2." *Review*, Federal Reserve Bank of St. Louis, pp. 37-53.

Reading 11

Belongia, Michael T. and Chalfant, James A. (1990) "Alternative Measures of Money as Indicators of Inflation: A Survey and Some New Evidence." *Review*, Federal Reserve Bank of St. Louis, pp. 20-33.

Role of Depository Institutions, Insurance and Concentration

Reading 12

Meulendykle, Ann-Marie. (1990) "The Role of Depository Institutions." *In U.S. Monetary Policy and Financial Markets*, Federal Reserve Bank of New York, pp. 48-65.

Reading 13

"The History of U.S. Deposit Insurance." *Business Review*, Federal Reserve Bank of Philadelphia, p. 15.

Reading 14

Isaac, William M. (1993) "Limiting Damage of Deposit Insurance." *Wall Street Journal*, March 4, p. A14.

Reading 15

Rhoades, Stephen A. (1993) "The Herfindahl-Hirschman Index." *Federal Reserve Bulletin*, March, pp. 188-189.

Diamond, Douglas W. and Dybvig, Philip H. (2000) "Bank Runs, Deposit Insurance, and Liquidity." *Quarterly Review*, Federal Reserve Bank of Minneapolis.

Vlaar, Peter J. G. (2000) "Capital requirements and Competition in the Banking Industry." *Working Paper Series*, Research Department, Federal Reserve Bank of Chicago, October, WP-00-18.

Berger, Allen N. and DeYoung, Robert. (2000) "The Effects of Geographic Expansion on Bank Efficiency." *Working Paper Series*, Research Department, Federal Reserve Bank of Chicago, October, WP-00-14.

The Liberalization of Financial Markets: National and International Perspectives. Conference Proceedings, 10th Annual Hyman P. Minsky Conference on Financial Structure. Levy Institute. <http://www.levy.org>

Mechanisms and Policy

Reading 16

Morgan, Donald P. (1992) "Are Bank Loans a Force in Monetary Policy?" *Economic Review*, Federal Reserve Bank of Kansas City, Second Quarter, pp. 31-41.

Reading 17

Friedman, Milton. (1993) "End the Fed's Fine-Tuning." *Wall Street Journal*, September 15, p. A22.

McCallum, Bennett T. (2000) "Theoretical Analysis Regarding a Zero Lower Bound on Nominal Interest Rates." *Working Paper 7677*, National Bureau of Economic Research.

Clouse, James. Henderson, Dale. Orphanides, Athanasios. Small, David. and Tinsley, Peter. (2000) "Monetary Policy when the Nominal Short-Term Interest Rate is Zero." *Finance and Economics Discussion Series*, Federal Reserve Board, Washington, D.C. 2000-51

Nelson, Edward. (2000) "Direct Effects of Base Money on Aggregate Demand: Theory and Evidence." *Working Paper Series No. 122*, Bank of England.

Stock Market and Monetary Policy

Reading 18

Rigobon, Robert. and Sack, Brian. (2001) "Measuring the Reaction of Monetary Policy to the Stock Market." *Finance and Economics Discussion Series*, Federal Reserve Board, Washington, D.C. 2001-14

Reading 19

Bomfim, Antulio N. (2000) "Pre-Announcement Effects, News, and Volatility: Monetary Policy and the Stock Market." *Finance and Economics Discussion Series*, Federal Reserve Board, Washington, D.C. 2000-50.

Financial Institutions

Course package:

<http://www.bus.ucf.edu/omikhail/Eco6226/FI-book.pdf>

Mishkin: Chapters 8, 9, 10, 11, 12 and 13.

Introduction

Handa: Chapters 1 and 2.

Mishkin: Chapter 3.

The Demand for Money and Monetary Aggregates

Handa: Chapters 4, 5, 6, 7, 8 and 9.

Mishkin: Chapter 21.

The Money Supply and Central Banking

Handa: Chapters 10 and 11.

Mishkin: Chapters 14, 15, 16, 17 and 18

The Rates of Interest

Handa: Chapters 20 and 21.

Mishkin: Chapters 4, 5, 6 and 7.

Monetary Growth Theory

Handa: Chapter 26.

Mishkin: Chapter 26.

Important Dates:

May 8	Classes Begin.
May 9 – 11	Late Registration – Add/Drop.
May 28	Memorial Day.
June 1 st	Withdrawal deadline.
July 4 th	Independence Day.
July 9	Classes End.