



FENG CHIA UNIVERSITY

Money and Banking

INSU495, Summer 2019 (May 13 - Jun 14)

Instructor and Course Information

Lecturer: Dr. Yi Zheng

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Contact hour: 60 (50 minutes each)

Credit: 4

Office hours: 2 hours per week

Course Description

This course covers monetary policy, banking and bank regulation, and the functioning of financial markets and institutions. We examine the interconnections between these elements in an open world economy where goods and capital move freely across borders. Major attention will be given to banking and financial crises, their origins and resolution, looking both at the US and other countries. We look at financial structure, financial development and financial crises, with special emphasis on the recent subprime crisis. In addition, we will cover the economics of bank management, along with the effects of the behavior of individual financial institutions on the financial system as a whole and on the economy as a whole.

The course will also cover the theory and practice of monetary policy using the Federal Reserve Bank of the US as our main example. We will cover issues of central bank independence, goals of monetary policy, control of the money supply and tools used by central banks, and issues of tactics and strategy. Consideration will also be given to monetary policy in conditions of deep recession and deflation, quantitative easing and unconventional monetary policy instruments in the most recent crisis.

Discussion of money demand and the transmission mechanism is also presented while looking at debates on these crucial issues for central banks.

Required Text

The Economics of Money, Banking and Financial Markets, Frederic Mishkin, (The Pearson Series in Economics), 11th Edition (2015). ISBN-13: 978-0133836790

Course Hours

The course has 25 sessions in total.

Grading Policy

Your semester grade will be based on homework and exams.

Homework:	Five Assignments	5% * 5 = 25%
Mid-term Exams:	Two Exams	20% * 2 = 40%
<u>Final Exam (Comprehensive):</u>	<u>One Final</u>	<u>35%</u>
TOTAL		100%

Homework:

There will be **FIVE HOMEWORK ASSIGNMENTS** during the semester. For each homework assignment, there will be 20 “True” or “False” or “Multiple Choice” questions. I will post each homework assignment on the online learning system. Each assignment accounts for 5% of your semester grade. Therefore, this part accounts for 25% of your semester grade.

Exams:

There will be **TWO MID-TERM EXAMS** in this course. Each midterm exam is

worth 20% of your semester grade. Totally, this part accounts for 40% of your semester grade. **ONE FINAL EXAM** will be scheduled in the end of the semester. The final exam is both cumulative and comprehensive. This part will be worth 35% of your semester grade.

Grading System of FCU

Letter Grade	Score
A	80-100
B	70-79
C	60-69
D	50-59
E	Below 50

Course Schedule

Date	Topics	HWK	Exams
I (05/13-05/17)	Why Study Money, Banking, and Financial Markets? (CH 1) An Overview of the Financial System (CH 2) What is Money? (CH 3)	HWK 1	
II (05/20-05/24)	The Meaning of Interest Rates (CH 4) The Behavior of Interest Rates (CH 5) The Risk and Term Structure of Interest Rates (CH 6)	HWK 2	Exam 1 (CH 1 to CH 6)
III (05/27-05/31)	An Economic Analysis of Financial Structure (CH 8) Banking and the Management of Financial Institutions (CH 9) Economic Analysis of Financial Regulation (CH 10) Banking Industry: Structure and Competition (CH 11)	HWK 3	
IV (06/03-06/07)	Central Banks and the Federal Reserve System (CH 13) The Money Supply Process (CH 14) Tools of Monetary Policy (CH 15) The Conduct of Monetary Policy: Strategy and Tactics (CH 16)	HWK 4	Exam 2 (CH 8 to CH 16)
V (06/10-06/14)	Quantity Theory, Inflation, and the Demand for Money (CH 19) The IS Curve (CH 20) The Monetary Policy & Aggregate Demand (CH 21)	HWK 5	Final (Cumulative)

Academic Honesty

Feng Chia University defines academic misconduct as any act by a student that misrepresents the students' own academic work or that compromises the academic work of another scholastic misconduct. This includes (but is not limited to) cheating

on assignments or examinations; plagiarizing, i.e. misrepresenting as one's own work any work done by another; submitting the same paper, or substantially similar papers, to meet the requirements of more than one course without the approval and consent of the instructors concerned; sabotaging another's work within these general definitions.

However, instructors determine what constitutes academic misconduct in the courses they teach. Students found guilty of academic misconduct in any portion of the academic work face penalties ranging from lowering of their course grade to awarding a grade of E for the entire course.