

ECONOMICS 330
MONEY AND BANKING
Fall 2008

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Office Hours: 8:30-9:30AM, 11:00-11:30AM, Monday through Friday

COURSE OBJECTIVES/OUTCOMES

Students will gain an understanding of the makings of the U.S. monetary institutions and the money supply process. Students will also understand basic premises of monetary theory and its implications to economic policy decision making.

Upon successful completion of this course, students will be able to understand:

- The functions of money in the U.S. economy
- The nature and determination of interest rates
- The functioning of commercial banks and other financial intermediaries
- The structure of the Federal Reserve System and how it affects the money supply
- The nature and operation of the Fed's tools of monetary policy
- The various approaches to monetary theory

READINGS

- Frederic Mishkin, *The Economics of Money, Banking, and Financial Markets*, 8th Edition, 2007, Addison Wesley.
Edward Gamber and David Hakes, *Study Guide: Economics of Money, Banking, and Financial Markets*, 8th Edition, 2007, Addison Wesley (optional)
- Beth Kobliner, *Get a Financial Life*, 2000, Simon & Schuster (Fireside)
- *The Wall Street Journal*

COURSE GRADE

- Three midterm exams.....300 points
 - Three announced quizzes.....100 points
 - Optional comprehensive final exam.....200 points
- *The comprehensive final exam will be the “makeup” exam for this course. If you miss a quiz or a midterm exam, you can take the final exam as a makeup, and your score will be pro-rated to the missed quiz or midterm exam. The makeup applies to only one missed quiz or exam.

**** The final exam will be given on Wednesday, December 10th at 8:00 AM.**

Approximate Grade Scale

A 92% B+ 86% B- 80% C 72% D+ 64% D- 58%
A- 90% B 82% C+ 76% C- 68% D 60%

*Consistent class attendance and active participation in class discussion, that results in meaningful and substantive contributions, will be considered in borderline grade cases.

PRACTICE QUESTIONS

Students are encouraged to use available practice questions when preparing for course quizzes and exams.

Self-Testing Quiz. Frederic Mishkin provides a self-testing quiz for each chapter of his textbook. Go to his Web site located at www.aw.com/mishkin/. Select The Economics of Money, Banking, and Financial Markets—8th Edition and then select Companion Website, Student Resources, and Multiple-Choice Quiz for each chapter of the text.

Practice Multiple Choice Questions. Refer to my Web Page located at www.cwu.edu/~carbaugh/. Scroll down to Economics 330 and then select Practice Multiple-Choice Questions.

COURSE OUTLINE

Topic*	Mishkin Textbook Chapter	Kobliner's Get A Financial Life Chapter
Why Study Money, Banking, and Financial Markets?	1	
An Overview of the Financial System	2	
What is Money?	3	
Understanding Interest Rates	4	
The Behavior of Interest Rates	5	1, 2, 3
The Risk and Term Structure of Interest Rates	6	
-----TEST #1-----		
The Foreign Exchange Market	17	
The International Financial System	18 (481-486)	
Banking and the Management of Financial Institutions	9	4, 5, 6
Banking Industry: Structure and Competition	10	
Economic Analysis of Banking Regulation	11	
-----TEST #2-----		
Structure of Central Banks and the Federal Reserve System	12	
Multiple Deposit Creation and the Money Supply Process	13	7, 8, 9
Determinants of the Money Supply	14	
Tools of Monetary Policy	15	
What Should Central Banks Do? Goals and Targets	16	
The International Financial System	18 (459-480)	

-----TEST #3-----

*Some topics may have to be eliminated or condensed, as time permits.

COLLEGE OF BUSINESS HONOR CODE

As College of Business students we pledge to uphold these standards of professionalism and conduct ourselves in accordance with them. We will not lie, cheat, or steal, and will not tolerate those who do. Our behavior defines who we are and what we will become. Students will receive a grade of “F” if caught cheating. Also, students are expected to be courteous and respectful during class; this includes remaining quiet while the professor is lecturing. Students who fail to do so will be asked to exit the class.

DISABILITY SUPPORT SERVICES

Students with disabilities who wish to set up academic adjustments in this class should give me a copy of their “Confirmation of Eligibility for Academic Adjustments” from the DSS Office as soon as possible so we can discuss how the approved adjustments will be implemented in this class. Students without this form should contact Disability Support Services Office, Bouillon 205 or dssrecept@cwu.edu, or 963-2171.

So Who is Dr. Bob?

When you take one of my economics courses, on the first day of class I ask you to stand up and meet your fellow students. I feel that we are a community of learners, and getting to know each other is very important. So allow me to tell you a little about my life and how I became your professor.

I was born in the year of death of the famous British economist, John Maynard Keynes (you can look it up if you wish). I proudly remind my fellow economists that this allows me to be the successor of Keynes, and thus all great ideas come from me. However, I can't figure out why they are not overly impressed with my conclusion.....to me, it seems obvious. But I was born without much hair, and I maintain this characteristic even today.

Growing up in Spokane, I came from a family of Mom & Dad and five brothers and sisters. We lived in a modest three-bedroom house with one bathroom and bunk beds for the kids. It was at this time that I first learned about productivity in terms of not tying up the bathroom! Also, I enthusiastically played baseball from little-league through high school. I was a pitcher who threw a fastball about as fast as a change-up (kind of like Jamie Moyer), and I had a pretty good curveball. Being able to hit for a high percentage, I played left field while not pitching. Although baseball was my first love, I also played club hockey, participated in local golf tournaments, and eventually got into running 10K races and even the running leg of the Whiskey Dick Triathlon. As for music, 1950s rock was really fun; looking back in life, I wish that I had learned to play a saxophone so I could have played in a Fifties rock band. However, the folk music of the late 1950s and 1960s had the biggest musical influence on my life, and it still does. Without musical background, my friends and I bought cheap guitars and learned how to play folk songs while listening to Kingston Trio LPs (not CDs)---you may have to ask your grandparents about the Kingston Trio and LPs. One of my friends, Mark Pearson, eventually became the banjo player of the *Brothers Four* folk music group which still makes CDs and plays at concerts worldwide.

By the time I went to Gonzaga University, I was getting very serious about my education, and I enjoyed being challenged by my professors and fellow students. To help finance college, I worked at many part-time jobs---I washed dishes at the student dining hall, pumped gas and performed mechanical work at gas stations, stocked bottles of liquor on the shelves of the Garland Liquor Store, drove a delivery truck for the Spokane Block Co, bailed hay for farmers, and so on. In 1969, I graduated from GU with a bachelor's degree in economics and a minor in philosophy/theology.

While attending Lewis and Clark High School, I thought about becoming a high-school social studies teacher. But along came economics classes at GU, and I found a college major that I was very excited about. During my junior year at GU, one of my professors had to miss two of his principles of economics classes. After my pleading with him, he allowed me to be his substitute teacher, and I gave lectures dealing with supply and demand. A "light bulb" turned on in my head, and I knew what career I wanted to pursue--a college economics professor. But this required my getting a Ph.D. degree in economics. So off I went to Colorado State University where I combined graduate education with a great outdoors environment. I received my Ph.D. in economics in 1974.

My first college teaching job was at South Dakota State University in 1974. This was followed my teaching for ten years at University of Wisconsin--Eau Claire where I learned about the Green Bay Packers, brats, -40 degree winters, and humid summers. I returned to my home state in 1985 to teach at CWU. Two of my more memorable experiences include being "featured" on *Saturday Night Live* in 2000 and lecturing at Oxford University in England in 2004. Also, I root for the Mariners, the Seahawks, GU basketball, and CWU athletics.

Besides teaching at CWU, I am the co-chair of the Economics Department. I am also actively involved in economic research which has resulted my writing three books and numerous journal articles. Many of the topics that I discuss in my courses are ones that I have written about. I have greatly enjoyed my academic career and look forward to being your professor and perhaps mentor. Please drop by my office and say hello when you can. Best wishes!

P.S. Students have mistakenly identified me as driving a Hummer around Ellensburg. Rather than my driving a Hummer, you will usually see me walking or riding a bike to/from my office---but when I do drive, it will likely be in a rapidly deteriorating 1997 Dodge Caravan--- something appropriate for an Economics professor.