

LAST REVIEW: 2009-2010 **NEXT REVIEW:** 2014-2015 **STATUS:** A

COURSE TITLE: MONEY AND BANKING

COMMON COURSE NUMBER: ECO 2220

CREDIT HOURS: 3

CONTACT HOUR BREAKDOWN

(per 16 week term)

CLOCK HOURS:

(Voc. Course ONLY)

Lecture: 48 Lab:

Clinic: Other:

PREREQUISITE(S): ECO 2013

COREQUISITE(S): N/A

PRE/COREQUISITE(S):

COURSE DESCRIPTION *(750 characters, maximum):*

A general survey of the economics of money and banking covering the evolution, nature and functions of money; the nature of banking and its regulation; monetary standards; structure and functions of the Federal Reserve System; monetary policy, monetary theory and the price level; and the role of banking and money in international finance.

General Education Requirements – Associate of Arts Degree (AA), meets Area(s): Area

General Education Requirements – Associate in Science Degree (AS), meets Area(s): Area

General Education Requirements – Associate in Applied Science Degree (AAS), meets Area(s): Area

UNIT TITLES

- 1. History and Evolution of Money**
- 2. The Financial System and Financial Intermediaries**
- 3. Interest Rates**
- 4. Bank Operations, Regulations and Money Creation**
- 5. The Federal Reserve, its Structures and Tools**
- 6. Monetary Policy and Theory**
- 7. International Aspects of Money and Banking**

EVALUATION:

Please provide a brief description (250 characters maximum) that details how students will be evaluated on the course outcomes.

Students will be evaluated in this course through a number of tools selected by the instructor. Among the tools, the instructors may use tests, exams, written papers and reports, class presentations, in-class discussions, online discussion boards, and any other tools as may be appropriate.

**** Complete the following only if course is seeking general education status ****

GENERAL EDUCATION Competencies and Skills*:

Please highlight in green font all Competencies/Skills from the list below that apply to this course. In the box to the right of the Competency/Skill, enter all specific learning outcome numbers (i.e. 1.1, 2.7, 5.12) that apply.

1. Read with critical comprehension	
2. Speak and listen effectively	
3. Write clearly and coherently	
4. Think creatively, logically, critically, and reflectively (analyze, synthesize, apply, and evaluate)	
5. Demonstrate and apply literacy in its various forms: (highlight in green ALL that apply) (1. technological, 2. informational, 3. mathematical, 4. scientific, 5. cultural, 6. historical, 7. aesthetic and/or 8. environmental)	
6. Apply problem solving techniques to real-world experiences	
7. Apply methods of scientific inquiry	
8. Demonstrate an understanding of the physical and biological environment and how it is impacted by human beings	
9. Demonstrate an understanding of and appreciation for human diversities and commonalities	
10. Collaborate with others to achieve common goals.	
11. Research, synthesize and produce original work	
12. Practice ethical behavior	
13. Demonstrate self-direction and self motivation	
14. Assume responsibility for and understand the impact of personal behaviors on self and society	
15. Contribute to the welfare of the community	

* General Education Competencies and Skills endorsed by '05-'06 General Education Task Force

UNITS

Unit 1 History and Evolution of Money

General Outcome:

- 1.0 The student shall be able to describe the concept, evolution, and functions of money.**

Specific Measurable Learning Outcomes:

Upon successful completion of this unit, the student shall be able to:

- 1.1 List and describe the basic functions of money.**
- 1.2 Trace the evolution of money.**
- 1.3 Describe the types of money and payment devices used in the United States.**
- 1.4 Illustrate why saving and lending are important to our economy.**

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Unit 2 The Financial System and Financial Intermediaries

General Outcome:

- 2.0 The student shall be able to compare the role of banks with that of other financial intermediaries and describe the major types of deposit instruments.**

Specific Measurable Learning Outcomes:

Upon successful completion of this unit, the student shall be able to:

- 2.1 Examine the structure of the financial markets and describe the principle financial intermediaries in the United States.**
- 2.2 Identify and compare the roles of the following:**
- 2.2.1 Banks**
 - 2.2.2 Financial intermediaries**
 - 2.2.3 Brokers and dealers**
- 2.3 Distinguish the difference between debt and equity.**
- 2.4 Differentiate between direct and indirect finance.**
- 2.5 Compare the relative importance of the major deposit liabilities of commercial banks.**
- 2.6 Examine the role of banks and other financial intermediaries with respect to payments.**

Unit 3 Interest Rates

General Outcome:

- 3.0 The student shall be able to classify, describe and explain different types of interest rates; how to measure interest rates, yield to maturity and real vs. nominal interest rates; explain the determinants of demand and the liquidity preference framework.**

Specific Measurable Learning Outcomes:

Upon successful completion of this unit, the student shall be able to:

- 3.1 Explain the types of interest rates.**
- 3.2 Describe the measuring of interest rates.**
- 3.3 Describe and compute yield to maturity.**
- 3.4 Describe and compute present value.**
- 3.5 Compare real vs. nominal interest rates.**
- 3.6 Compare interest rates and returns.**
- 3.7 Explain the determinants of asset demand; asset demand theory; and supply and demand in the bond market.**
- 3.8 Describe the liquidity preference framework.**

Unit 4 Bank Operations, Regulation and Money Creation

General Outcome:

- 4.0 The student shall be able to describe banks as a business firm and identify key sources of bank earnings, types of bank loans, and fund-management strategies; to identify the nation's bank regulatory structure and the major principles, laws, and regulations that set the boundaries of the business of banking; to describe how the banking system creates money through the process of multiple deposit creation; and to explain the lending process of a commercial bank and the impact on this process of the Federal Reserve's use of bank reserves to implement monetary policy.**

Specific Measurable Learning Outcomes:

Upon successful completion of this unit, the student shall be able to:

- 4.1 Identify ways that interbank checks are collected in the US banking system and factors that determine a bank's choice of collection options.**
- 4.2 Describe MICR format and other informational check data.**
- 4.3 Explain how banks process and manage check data.**
- 4.4 Distinguish between Federal Reserve float and bank float, indicate how these occur, and explain how uncollected funds differ from available funds.**
- 4.5 List and describe the major wholesale and retail electronic funds transfer systems and services.**
- 4.6 Summarize how increased competition has changed the business orientation of banks, thrifts, and other intermediaries.**
- 4.7 Distinguish between the following accounts:**
- 4.7.1 Demand deposits**
 - 4.7.2 Savings and time deposits**
 - 4.7.3 NOW accounts**
 - 4.7.4 Money market deposit accounts**
- 4.8 Compare the relative importance of the major deposit liabilities of commercial banks.**
- 4.9 Identify changes in banking law and regulations that have significantly affected the nature of bank deposits.**
- 4.10 Explain the major goals of bank regulations.**
- 4.11 Define unit banking and dual banking, and discuss the merits of each.**

- 4.12 Identify the key responsibilities of the federal bank regulatory agencies – the Federal Reserve, Comptroller of the Currency, and the Federal Deposit Insurance Corporation.**
- 4.13 Name the significant changes in banking brought about by federal legislation since the 1980's.**
- 4.14 List major consumer protection regulations and procedures generally followed by bank examiners to determine regulatory compliance with the Community Reinvestment Act.**
- 4.15 Contrast the lending process of a commercial bank with that of other financial intermediaries.**
- 4.16 Explain how the banking system creates money through the process of multiple deposit creation.**
- 4.17 Explain how the economy benefits when consumers place their savings in banks instead of holding cash.**

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Unit 5 The Federal Reserve, its Structure and Tools

General Outcome:

- 5.0 The student shall be able to describe the history, functions, and quasi-governmental structure of the Federal Reserve; to describe how the nation's monetary and fiscal policy tools work; and discuss key factors that affect their use in fighting recession or inflation.**

Specific Measurable Learning Outcomes:

Upon successful completion of this unit, the student shall be able to:

- 5.1 Identify and discuss the major problems with the national money and banking system that led Congress to establish the Federal Reserve.**
- 5.2 Describe the unique structural characteristics of the quasi-governmental Federal Reserve System.**
- 5.3 Explain how the members of the Board of Governors, members of the Federal Open Market Committee, and the directors of the 12 Federal Reserve Banks are selected.**
- 5.4 Cite the major functions of the district Federal Reserve banks.**
- 5.5 Explain the special functions of the Federal Reserve Bank of New York.**
- 5.6 Describe the range of available monetary policy tools.**
- 5.7 Define the discount rate and describe how the discount rate and discount window lending is used as a monetary tool.**
- 5.8 Cite three ways that changing reserve requirement percentages can be used to control the creation of money.**
- 5.9 Explain how open-market operations work and why the Federal Reserve limits its buying and selling of government securities in the open market.**
- 5.10 Describe how banks gain and lose reserves, and how these reserve changes affect bank lending and economic activity.**
- 5.11 Explain how a bank with reserve deficiencies obtains sufficient reserves.**
- 5.12 Explain how federal fund transactions are used by banks to adjust their reserves.**
- 5.13 Differentiate between monetary and fiscal policy.**
- 5.14 Describe how a blend of monetary and fiscal policy might best counter periods of inflation and/or recession.**
- 5.15 Describe and evaluate the role of banks in the implementation of monetary policy.**

Unit 6 Monetary Policy and Theory

General Outcome:

- 6.0 The student shall be able to describe the Federal Reserve’s strategies for implementing monetary policy objectives; and to describe the structure and precept of two bodies of monetary theory – Keynesian and monetarism.**

Specific Measurable Learning Outcomes:

Upon successful completion of this unit, the student shall be able to:

- 6.1 Describe how the Federal Reserve determine monetary policy objectives.**
- 6.2 Cite key measures used as operational (short-term), intermediate, and long-term targets in monetary policy strategies.**
- 6.3 Define “defensive” open-market operations.**
- 6.4 Explain how and why the Federal Reserve plays “defensive” roles.**
- 6.5 Cite the major factors, other than monetary policy, that affect reserves in the banking system.**
- 6.6 Explain how Treasury tax and loan accounts work.**
- 6.7 Identify ways that the asset/liability management strategies adopted by banks affect monetary policy control.**
- 6.8 Identify ways that public actions affect bank reserves and money supply growth.**
- 6.9 Define the quantity theory of money and the Fisher equation of exchange.**
- 6.10 Identify the basic elements of Keynesian income-expenditure theory, the concept of equilibrium, and the fundamental relationships in Keynesian theory.**
- 6.11 Enumerate the basic principles and tenets of monetarism.**
- 6.12 List the key determinants and interrelationships of income, interest rates, investment spending, and output.**
- 6.13 Identify the major differences between Keynesian theory and monetarism.**

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Unit 7 International Aspects of Money and Banking

General Outcome:

- 7.0 The student shall be able to describe the components of the balance-of-payments; the workings of the foreign exchange markets; and identify the principle international payment and credit instruments.**

Specific Measurable Learning Outcomes:

Upon successful completion of this unit, the student shall be able to:

7.1 Define the following balance-of-payment measures:

- 7.1.1 Balance of trade**
- 7.1.2 Balance on current account**
- 7.1.3 Official settlements balance**

7.2 Explain the concepts of international reserve assets, the dollar as vehicle money, and the settling of US balance-of-payments deficits.

7.3 Cite factors that impact US performance in international trade and investment.

7.4 Discuss the merits of proposals to improve the US trade position.

7.5 Explain how foreign exchange markets operate.

7.6 Cite ways that market participants can protect themselves against a change in exchange rates.

7.7 List the key payment and credit instruments used in international trade.