

Course Name : Money and Banking							
Course Code	Course Type	Regular Semester	Lecture (hours/week)	Seminar (hours/week)	Lab. (hours/week)	Credits	ECTS
EMS 227	N/A	Fall	3.00	1.00	0.00	3.50	5.00
<b>Lecturer</b> Gentjan Gegaj, Msc							
<b>Assistant</b>							
<b>Course language</b> English							
<b>Course level</b> Bachelor							
<b>Description</b>		Money and Banking is a cornerstone of the macro economy and the foundation for the study of financial markets. This course furthers the student's knowledge of the role of money in the economy, the concept of the present value and interest rate determination, as well as the conduct of monetary policy. It provides a comprehensive description of the functioning of modern money and capital markets in a national and international context. It also offers insight into the management, performance, and supervision of financial intermediaries.					
<b>Objectives</b>		By the end of the semester, students should have an in-depth understanding of financial economics concepts as listed below: - Modern monetary theory and its counterintuitive policy prescriptions. - The transmission mechanisms through which monetary policy impacts the macroeconomy. - The relationship between interest rates and asset values. - The impact of monetary policy on a country's international balance of payments. - The International Financial System. - The regulatory environment of the banking system. - Monetary aggregates and their calculation method.					
<b>Core Concepts</b>		Money, interest rates, direct and indirect finance, quantity theory for money, supply and demand in the bond market, portfolio theories, financial crises, central bank and monetary policy conduction, monetary policy objectives, inflation, management and performance of financial institutions.					
Course Outline							
Week	Topic						
1	Introduction to the course. Syllabus presentation. Why Study Money, Banking and Financial Markets? An Overview of the Financial System. Chapter 1 (pg. 50-64) and Chapter 2 (pg. 70-96). Structure of banks and other financial institutions. A general presentation of the financial instruments, financial intermediaries, and the regulation framework of the financial system. What is Money? Chapter 3 (pg. 97-110). This chapter describes the meaning of money, functions of money, and the evolution of the payments system. At the end, it explains monetary aggregates and the methods applied to measure the money in circulation.						
2	The meaning of interest rates. Chapter 4. Before we can go on with the study of money, banking, and financial markets, we must understand exactly what the phrase interest rates means. In this chapter, we see that a concept known as the yield to maturity is the most accurate measure of interest rates; the yield to maturity is what economists mean when they use the term interest rate. We'll discuss how the yield to maturity is measured. We'll also see that a bond's interest rate does not necessarily indicate how good an investment the bond is, because what the bond earns (its rate of return) does not necessarily equal its interest rate. Finally, we'll explore the distinction between real interest rates, which are adjusted for inflation, and nominal interest rates, which are not, based on Fisher equation.						
3	The behavior of interest rates. Chapter 5. Determinants of asset demand; Supply and Demand in the bond market; Changes in equilibrium Interest Rates; Supply and demand in the market for money: The liquidity preference framework; Money and interest rates.						

<b>4</b>	Quantity Theory, Inflation, and the Demand for Money. Chapter 20 (pg. 520-537). Quantity theory of money; Budget deficits and inflation; Keynesian theories of Money Demand; Portfolio theories of money demand. What is the relationship between interest rates and money demand?
<b>5</b>	Banking and the Management of Financial Institutions. Chapter 9 (pg. 236-263). Students will work with a bank's balance sheet and then they will focus on the general principles of bank management. Managing credit risk; Long-term customer relationships; Loan commitments.
<b>6</b>	Banking Industry: Structure and Competition. Chapter 11 (pg. 283-313). Historical development of the banking system; Financial innovation; Structure of the U.S. commercial banking industry; Separation of banking and other financial service industries; International banking.
<b>7</b>	Financial Crises in Advanced Economies. Chapter 12 (pg. 315-341). This chapter explains the dynamics of financial crises in advanced markets. How can policy makers intervene in such circumstances; Stabilizing the Global Financial System: Long-Term Responses. From The Great Depression to the Financial Crises of 2007-2009. Financial Crises in Emerging Market Economies. Chapter 13 (pg. 342-364). This chapter emphasizes the distinctions between financial crises in advanced and emerging markets.
<b>8</b>	Midterm.
<b>9</b>	Central Banks. Chapter 14 (pg. 366-383). Origins of central banking system; Variations in the functions and structures of central banks; Structure of central banks of larger economies; Central banks independence. In this chapter students will learn about central banking systems, why is it important and how do central banks distinguish between each other. The Money Supply Process. Chapter 15 (pg. 384-408). Three players in the money supply process; Control of the Monetary base; Multiple Deposit Creation; Factors that determine the money supply; The money multiplier. This chapter introduces students to the mechanism the central bank utilizes to control the money supply. What is the role of money supply in monetary policy?
<b>10</b>	Tools of Monetary Policy. Chapter 16 (pg. 409-434). The market for reserves and the federal funds rate; Conventional Monetary Policy Tools; Monetary policy tools of the European Central Banks.
<b>11</b>	The Foreign Exchange Market. Chapter 18. Foreign exchange market; Exchange rates in the long run; Exchange rates in the short run: A supply and demand analysis; Explaining changes in exchange rates.
<b>12</b>	The International Financial System. Chapter 19. Intervention in the foreign exchange market; Balance of payments; Exchange rate regimes in the international financial system; Capital Controls; The role of IMF; International consideration of monetary policy.
<b>13</b>	Project Evaluation.
<b>14</b>	Transmission Mechanisms of Monetary Policy. Chapter 26. Transmission mechanisms of monetary policy; Lessons for monetary policy.
<b>15</b>	Evaluating Empirical Evidence. Review before the final exam.
<b>16</b>	Final Exam

<b>Prerequisites</b>	The student must attend the course at a minimum rate of 75%.
<b>Literature</b>	<ul style="list-style-type: none"> <li>• Frederic S. Mishkin (2022). The Economics of Money, Banking, and Financial Markets. Pearson, 13th edition.</li> </ul>
<b>References</b>	<ul style="list-style-type: none"> <li>• Admati, A. and Hellwig, M. (2013) The Bankers' New Clothes: What's Wrong with Banking and What to Do about It, Princeton University Press.</li> <li>• Allen, F. and D. Gale (2007), Understanding financial crises, New York: Oxford University Press, especially: Chapter 2: Time, Uncertainty and Liquidity, and Chapter 3: Intermediation and crises.</li> <li>• Howells, P.G.A. and K. Bain; "The Economics of Money, Banking and Finance: a European Text"; (2008); Pearson.</li> <li>• Whildbee and R.L Peterson (2008). Financial Institutions, Markets, and Money (10th Edition), John Wiley &amp; Sons.</li> </ul>
<b>Course Outcome</b>	
<b>1</b>	Demonstrate knowledge and understanding of the nature and role of money and the interest rate.
<b>2</b>	Analyze the role of banks in the economy, evaluate their performance and justify their regulation.
<b>3</b>	Demonstrate knowledge and understanding of central banking and evaluate the conduct of monetary policy.
<b>4</b>	Analyze the money supply process, identify the mechanism through which central bank controls the monetary base.
<b>5</b>	Have the required knowledge and expertise in giving relevant recommendations on conducting monetary theory.

<b>Course Evaluation</b>			
<b>In-term Studies</b>	<b>Quantity</b>	<b>Percentage</b>	
Midterms	1	30	
Quizzes	1	5	
Projects	1	20	
Term Projects	0	0	
Laboratory	0	0	
Class Participation	0	0	
<b>Total in-term evaluation percent</b>		<b>55</b>	
<b>Final exam percent</b>		<b>45</b>	
<b>Total</b>		<b>100</b>	
<b>ECTS Workload (Based on Student Workload)</b>			
<b>Activities</b>	<b>Quantity</b>	<b>Duration (hours)</b>	<b>Total (hours)</b>
Course duration (Including the exam week: 16x Total hours of the course)	16	4	64
Study hours outside the classroom (Preparation, Practice, etc.)	14	3	42
Duties	1	7	7
Midterms	1	5	5
Final Exam	1	5	5
Other	1	2	2
<b>Total Work Load</b>			<b>125</b>
<b>Total Work Load / 25 (hours)</b>			<b>5.00</b>
<b>ECTS</b>			<b>5.00</b>