

Economics of Money Banking and Financial Markets
13th edition Mishkin Solutions Manual

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Instructor's Resource Manual
for
The Economics of Money,
Banking, and Financial Markets

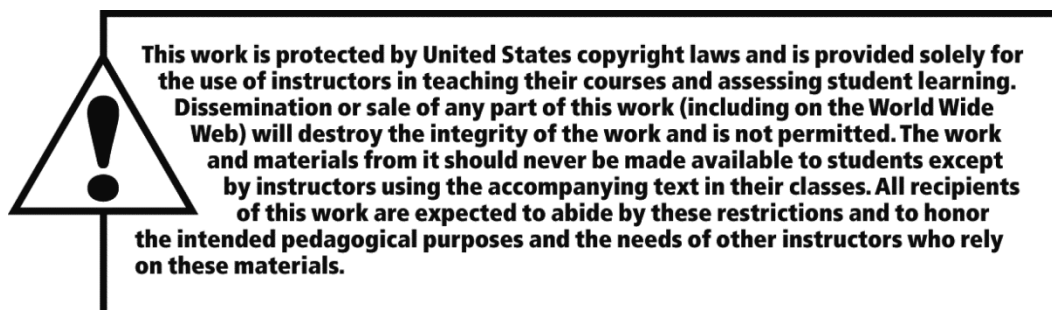
**The Economics of
Money, Banking, and
Financial Markets**

Thirteenth Edition

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PART ONE

How to Use the Instructor's Manual and Other Textbook Ancillaries

Organization of the Instructor's Manual

To help instructors cope with the increased demands for good teaching in recent years, *The Economics of Money, Banking, and Financial Markets*, Thirteenth Edition, includes the most comprehensive package of supplementary materials of any money, banking, and financial markets textbook. As part of these supplemental materials, I have designed the Instructor's Manual to help save you time in preparing class materials, such as class outlines, solutions to homework problems, lecture notes, and overhead transparencies.

This Instructor's Manual is divided into four parts. Part One discusses how to use the Instructor's Manual and the other textbook ancillaries to make your teaching of the money and banking course both more effective and less time-consuming. Part Two contains an overview of all the textbook chapters along with teaching tips that I have found effective. Part Three contains the answers to the end-of-chapter problems for use by the instructor to prepare solution sets for the problems he or she assigns to the students as problem sets. Part Four contains chapter outlines, which can be used either to make slides for use in class or to make handouts for the students.

To obtain any of the available ancillaries, adopters of the text just need to get in touch with their Pearson sales representative, or alternatively they can visit the Instructor's Resource Center at www.pearsonhighered.com.

Alternative Course Outlines

There are many different ways to teach a course on money, banking, and financial markets. For this reason, the material in *The Economics of Money, Banking, and Financial Markets*, Thirteenth Edition, has been arranged with flexibility in mind, so that many teaching styles can be accommodated. The following sections suggest sample outlines for four main approaches to teaching money, banking, and financial markets, showing how the text can be adapted to each approach, as well as to quarter and semester teaching schedules. Note, however, that many variations on these outlines are possible.

◆ Outline for General Money and Banking Course

Core Chapters

Chapter No. Chapter Title

1	Why Study Money, Banking, and Financial Markets?
2	An Overview of the Financial System
3	What Is Money?
4	Understanding Interest Rates
5	The Behavior of Interest Rates
9	Banking and the Management of Financial Institutions
10	Economic Analysis of Financial Regulation
11	Banking Industry: Structure and Competition
12	Financial Crises
13	Central Banks and the Federal Reserve System
15	Tools of Monetary Policy
16	The Conduct of Monetary Policy: Strategy and Tactics
22	Aggregate Demand and Supply Analysis
23	Monetary Policy Theory

For a one-semester course, cover any five of the following optional chapters:

Chapter No. Chapter Title

6	The Risk and Term Structure of Interest Rates
7	The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
8	An Economic Analysis of Financial Structure
14	The Money Supply Process
17	The Foreign Exchange Market
18	The International Financial System
19	Quantity Theory, Inflation, and the Demand for Money
20	The IS Curve
21	The Monetary Policy and Aggregate Demand Curves
24	The Role of Expectations in Monetary Policy
25	Transmission Mechanisms of Monetary Policy

A one-quarter course would probably only include one or two of the optional chapters unless some of the chapters on central banking and the conduct of monetary policy (Chapters 13, 15, and 16) were deleted.

◆ Outline for General Money and Banking Course with an International Emphasis

Core Chapters

Chapter No.	Chapter Title
1	Why Study Money, Banking, and Financial Markets?
2	An Overview of the Financial System
3	What Is Money?
4	Understanding Interest Rates
5	The Behavior of Interest Rates
9	Banking and the Management of Financial Institutions
10	Economic Analysis of Financial Regulation
11	Banking Industry: Structure and Competition
12	Financial Crises
13.	Central Banks and the Federal Reserve System
15	Tools of Monetary Policy
16	The Conduct of Monetary Policy: Strategy and Tactics
17	The Foreign Exchange Market
18	The International Financial System
22	Aggregate Demand and Supply Analysis
23	Monetary Policy Theory

For a one-semester course, cover any three of the following optional chapters:

Chapter No.	Chapter Title
6	The Risk and Term Structure of Interest Rates
7	The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
8	An Economic Analysis of Financial Structure
14	The Money Supply Process
19	Quantity Theory, Inflation, and the Demand for Money
20	The IS Curve
21	The Monetary Policy and Aggregate Demand Curves
24	The Role of Expectations in Monetary Policy
25	Transmission Mechanisms of Monetary Policy

A one-quarter course would probably not include any other chapters unless some of the chapters on central banking and the conduct of monetary policy (Chapters 13, 15, and 16) were deleted.

◆ Outline for Financial Markets and Institutions Course

Core Chapters

Chapter No.	Chapter Title
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1	Why Study Money, Banking, and Financial Markets?
2	An Overview of the Financial System
3	What Is Money?
4	Understanding Interest Rates
5	The Behavior of Interest Rates
6	The Risk and Term Structure of Interest Rates
7	The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
8	An Economic Analysis of Financial Structure
9	Banking and the Management of Financial Institutions
10	Economic Analysis of Financial Regulation
11	Banking Industry: Structure and Competition
12	Financial Crises

For a one-semester course, cover any seven of the following optional chapters:

Chapter No.	Chapter Title
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13	Central Banks and the Federal Reserve System
14	The Money Supply Process
15	Tools of Monetary Policy
16	The Conduct of Monetary Policy: Strategy and Tactics
17	The Foreign Exchange Market
18	The International Financial System
19	Quantity Theory, Inflation, and the Demand for Money
20	The <i>IS</i> Curve
21	The Monetary Policy and Aggregate Demand Curves
22	Aggregate Demand and Supply Analysis
23	Monetary Policy Theory
24	The Role of Expectations in Monetary Policy
25	Transmission Mechanisms of Monetary Policy

A one-quarter course would probably only include one or two of the optional chapters.

◆ Outline for Monetary Theory and Policy Course

Core Chapters

Chapter No.	Chapter Title
1	Why Study Money, Banking, and Financial Markets?
2	An Overview of the Financial System
3	What Is Money?
4	Understanding Interest Rates
5	The Behavior of Interest Rates
13	Central Banks and the Federal Reserve System
14	The Money Supply Process
15	Tools of Monetary Policy
16	The Conduct of Monetary Policy: Strategy and Tactics
19	Quantity Theory, Inflation, and the Demand for Money
20	The <i>IS</i> Curve
21	The Monetary Policy and Aggregate Demand Curves
22.	Aggregate Demand and Supply Analysis
23	Monetary Policy Theory
24	The Role of Expectations in Monetary Policy

For a one-semester course, cover any four of the following optional chapters:

Chapter No.	Chapter Title
6	The Risk and Term Structure of Interest Rates
7	The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
8	An Economic Analysis of Financial Structure
9	Financial Crises
10	Banking and the Management of Financial Institutions
11	Economic Analysis of Financial Regulation
12	Banking Industry: Structure and Competition
17	The Foreign Exchange Market
18	The International Financial System
25	Transmission Mechanisms of Monetary Policy

A one-quarter course would probably only include one or two of the optional chapters.

Overviews of the Textbook Chapters and Teaching Tips

I have been teaching money and banking now for over 40 years. The overviews and teaching tips in Part Two of the Instructor's Manual are intended to share with you some of my experiences in the classroom with teaching the material in the textbook. The overview and teaching tips for each chapter provide a brief description of the contents of the chapter, discuss the novel features of the chapter, indicate what central points need to be transmitted to the student, suggest teaching tips that I have found useful in class, and provide guidance as to what material can easily be skipped in each chapter.

Answers to End-of-Chapter Problems

Part Three of the Instructor's Manual contains the answers to end-of-chapter problems. Some of these questions require students to look up current data, and in these cases no answers are given; however, for the rest of the questions, the answers are quite complete.

Many instructors will use the end-of-chapter questions for homework assignments, as I do. I have found it useful to hand out answers to the questions provided in Part Three to the students as solutions sets after they have completed their assignments; they find them to be an invaluable study aid. Making up these solution sets for reproduction should be quite easy, either by cutting and pasting from Part Three or downloading the files from the Instructor's Resource Center at www.pearsonhighered.com.

PowerPoint Presentation

Also offered in the instructor's supplement package is a PowerPoint Presentation that contains lecture notes and all the textbook's figures and tables. These slides are comprehensive and outline all the major points covered in the text. The lecture notes have been class-tested successfully—they are the ones that I use in class—and they should help other instructors prepare their lectures as they have helped me.

Please note that unless you have access to PowerPoint version 4.0 or higher you will only be able to project the provided images using the viewer that is included; editing or adding material will not be possible unless you have the software program.

To obtain the PowerPoint files, adopters of the text just need to get in touch with their Pearson sales representative, or visit the Instructor's Resource Center at www.pearsonhighered.com to download the available electronic files.

Test Bank

The Test Bank contains over 2,600 multiple-choice questions that are appropriate for use as quiz or test questions. It is provided as a set of Word files in Macintosh and Windows versions, as well as a set of .BOK TestGen files. It can be downloaded from the Instructor's Resource Center at www.pearsonhighered.com. These forms provide alternative methods for the instructor to make up exams.

The Pearson TestGen program offered is a computerized test generator that lets you construct tests by choosing questions from the Test Bank that was prepared specifically for this textbook and your course.

The test construction process involves the use of a simple TestGen screen that you fill in on the computer to choose questions for your test. If desired, test questions can be viewed on the screen, and test questions can be edited, saved, or printed. In addition, you can add questions, which may include graphics.

Program features:

- The Test Bank can include four types of questions: multiple choice, true/false, short answer, and essay.
- A supplementary page attached to each Test Bank question can contain its topic, objective, skill, difficulty, and other user-added information.
- Test questions can be chosen in a variety of ways including manual selection, random selection, choose while viewing, and choose by searching.
- Questions chosen for a test can be viewed and edited without affecting the original versions of the questions in the item bank.
- Test size is limited only by the memory size of the computer and the length of the questions you choose.
- Test questions can be printed in the exact order you specify or grouped and sorted automatically by the program.
- Printer files can be created or modified to take advantage of the capabilities of your printer.

Course Management with MyLab Economics

MyLab Economics delivers rich online content and innovative learning tools to your classroom. Instructors who use MyLab Economics gain access to powerful communication and assessment tools, and their students receive access to the additional learning resources described below.

Students and MyLab Economics

MyLab Economics delivers the content and tools your students need to succeed online. Students whose instructors use MyLab Economics gain access to a variety of study and practice tools that put them in control of their own learning:

- All end-of-chapter questions and applied problems from the text are available in MyLab Economics.
- Applications from the text are provided, along with assignable questions.
- Mini-Lecture Videos provide a step-by-step analysis of all the data and analytic figures included in the text. The videos can be used in class or viewed by students on their own time.
- A Personal Study Plan is created for each individual student based on his or her performance on assigned and sample exercises.
- Instant tutorial feedback is provided for problems and graphing responses to questions.
- Interactive learning aids, such as Help Me Solve This (a step-by-step tutorial), are designed to help the student exactly when he or she needs support.
- News articles are available for classroom and assignment use. Up-to-date news articles and complementary discussion questions are posted weekly to bring today's news into the classroom and course.
- Real-Time Data Analysis Problems allow instructors to assign problems that use up-to-the-minute data. Each RTDA exercise loads the appropriate and most current data from FRED, a comprehensive and up-to-date data set maintained by the Federal Reserve Bank of St. Louis. Exercises are graded based on the particular data used, and feedback is provided.
- An Enhanced Pearson eText is available within the online course materials and offline via iPad and Android apps. The enhanced Pearson eText enables instructors and students to highlight, bookmark, and take notes.
- Auto-graded problems and graphs are available for assignments.

Instructors and MyLab Economics

With MyLab Economics instructors can customize existing content and add their own. They can manage, create, and assign tests to students, choosing from the exercises in the Study Plan as well as from our Test Banks. MyLab Economics also includes advanced tracking features that record students' usage and performance and a Gradebook feature to see students' test results. Please contact your Pearson sales representative to see how MyLab Economics can work for your course.