THE ECONOMICS OF Money, Banking & Financial Markets

BUSINESSSCHOOL EDITION

Second Edition

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PART 1 Introduction 1

CHAPTER 1
Why Study Money, Banking, and Financial Markets? 3

APPENDIX TO CHAPTER 1
Defining Aggregate Output, Income, the Price Level, and the Inflation Rate 21

CHAPTER 2
An Overview of the Financial System 25

Financial Markets 67

CHAPTER 4
Understanding Interest Rates 69

CHAPTER 5
The Behavior of Interest Rates 91

CHAPTER 6
The Risk and Term Structure of Interest Rates 123

PART 3 Financial Institutions 167

CHAPTER 10

Banking and the Management of Financial Institutions 219

J

i;

CHAPTER 15
Conflicts of Interest in the Financial-Industry 359

CHAPTER 18

Tools of Monetary Policy 439

CHAPTER 19
The Conduct of Monetary Policy: Strategy and Tactics 461

PART 6 Monetary Theory 563

CHAPTER 22
The Demand for Money 565

CHAPTER 23
Aggregate Demand and Supply Analysis 585

CHAPTER 24
Transmission Mechanisms of Monetary Policy: The Evidence 607

Money Market - The money market is a wholesale debt market for low-risk, highly-liquid, short-term instrument. Funds are available in this market for periods ranging from a single day up to a year. This market is dominated mostly by government,banks and financial institutions. Capital Market - The capital market is designed to finance the long-term investments. The transactions taking place in this market will be for periods over a year. Chapter 1ï¼šWhy Study Money, Banking and Financial Markets? financial marketsâ€"markets in which funds are transferred from people who have an excess of available funds to people who have a shortage. A security (also called a financial instrument) is a claim on the issuerâ€™s future income or assets (any financial claim or piece of property that is subject to ownership). A bond is a debt security that promises to make periodic payments for a specified period of time.Â Banks are financial institutions that accept deposits and make loans. The term banks includes firms such as commercial banks, savings and loan associations, mutual savings banks, and credit unions. However, banks are not the only important financial institutions. To understand crises, students need to understand financial markets, banks, monetary policy, and the overall economyâ€"all the major subjects of this book. By illuminating the topic of financial crises, Chapter 18 shows students the payoff from a course on money, banking, and financial markets. ALTERNATE USES OF THIS BOOK Although this book contains just 18 chapters, there is more than enough material for a money and banking course.Â Instructors can assign and xi Money, Banking, and Financial Markets EconPortalâ€™s Assignment Center will allow instructors to select their preferred policies for scheduling, maximum attempts, time limitations, feedback, and more! A wizard will guide instructors through the creation of assignments. A money market is a financial market where financial instruments with high liquidity and a short maturity period are traded. The money market is used by its participants to carry out lending or borrowing activities through short term financial instruments which have a maturity period of less than a year. A money market consists of the following institutions â€". Commercial bank. Central Bank.Â Commercial banks and other financial institutions give their surplus funds to small banks, it may be taken for a day or even few hours. Capital Market. Capital market is one of the most significant aspect of the finance industry. It consists of financial institutions like IDBI, ICICI, LIC etc. A Capital market may be broadly defined as a financial market for trading of long term financial assets.