

ECON 3229
Economics of Money, Banking, and Financial Markets
Spring 2012

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Office hours:

Monday: **Professor Klein** 11:15AM -12:30 PM in Professional 229

Tuesday: **Hui** 5:00 – 6:15 PM in Professional 317

Wednesday: **Wendy** 2:30 – 4:45 PM in Professional 317

Thursday: **Hui** 8:30 – 9:45 AM in Professional 317

Friday: **Wendy** 8:15– 9:30 AM in Professional 317

True, governments can reduce the rate of interest in the short run. They can issue additional paper money. They can open the way to credit expansion by the banks. They can thus create an artificial boom and the appearance of prosperity. But such a boom is bound to collapse soon or late and to bring about a depression.

Ludwig von Mises

Omnipotent Government, p. 251

The course: Money and financial markets are all around us. We use money every day and most of us are familiar with banks. Behind the scenes, however, people we never see are making decisions that affect important aspects of our lives. Actions taken by investors in the bond markets can impact how much we can afford to borrow in student loans, what size house we can buy, what return we'll get on our savings, etc. Furthermore, the actions of investors in the stock market buying and selling put (upward or downward) pressure on the price of share price, determining how much money a firm can raise by issuing new shares. Venture capitalists choose to fund some new start-ups and to not fund some others, ultimately deciding which new products we can buy.

In this course, we'll learn about money – what is it exactly and how does it affect the economy? We'll look at how interest rates are determined and what they mean. We'll study financial instruments and financial institutions. We'll try to get a better understanding of how we value assets over time, of how financial markets work, of how riskiness is priced in an asset (as well as what risk is). We'll look at what might explain the recent financial crisis and the deepening recession. We'll do all of this and more, building on the foundation of economic principles and analysis.

Grades: The course grade will be based on weekly online quizzes, two midterm exams, and a comprehensive final exam.

The grades will be calculated as follows.

Online quizzes 15%

1st midterm 25%

2nd midterm 25%

Comprehensive final 35%

There is a possibility of recovering from poor performance on one or both of the midterms. I will discount the weight of the midterm(s) by half and add that weight to that of the final exam. Each student's course grade will be calculated the following four ways:

	As stated above	Discount 1st	Discount 2nd	Discount both
Quizzes	15%	15%	15%	15%
Exam 1	25%	12.5%	25%	12.5%
Exam 2	25%	25%	12.5%	12.5%
Final	35%	47.5%	47.5%	60%

Your grade will be the highest of those four calculations. Note that the weight of a discounted exam is not added to the weight of another midterm exam. Also please note that this will be done for each student *automatically* so that there is no need to inform the instructor of your desire to discount one of the midterms. There is no possibility of discounting the comprehensive final; the lowest the final exam will count is 30% of your course grade.

Plus/minus grading will be used with the usual ten point scale (e.g., 97-100, A+; 93-96, A; 90-92, A-). Note that you earn points toward your course grade **ONLY** by answering questions correctly in your homework, on any pop quizzes in class, and on the exams.

Attendance and Lectures: You are expected to attend all classes. Your attendance *and participation* in class will help you to understand the material better and have better performance on the exams. Lectures cover not only material in the text but also related information and applications.

In case of an unavoidable absence, you are still responsible for all material covered in lectures and anything else you missed (e.g., pop quiz). You should get lecture notes from a classmate as the instructor's lecture notes will not be available to you. It is a good idea to get the phone numbers and/or email addresses of two or more students who live near you.

If you would like to make your notes available for other students to purchase, send an email to me **in the following format:** name, e-mail, price per lecture (for example, Jane Doe, jdoe@email.com, \$3/lecture). This information will be posted on Blackboard under the tab Notes Market. Students wishing to buy notes should make arrangements directly with the seller and pay in cash. My role in this market is limited to providing information on sellers, it does not include an endorsement of any students' notes.

In Economics, each lecture will build on previous lectures so attendance is crucial for your success in the class. Before each class, you should review your notes from the previous class(es). Clear up any misunderstandings of the material quickly so that you don't get too far along having built on a shaky foundation! I will usually open every class with a request for your questions about the material already covered.

You are responsible for everything presented in class, including announcements. I will usually make an announcement or two at the beginning of each class. If you are somebody who is chronically late to class, be sure to get the announcements from classmates as not all of the relevant information makes its way onto Blackboard (hopefully most of it does, but I don't promise).

Online quizzes: Starting with the first week of class, we will have weekly review quizzes on Blackboard. These are intended to give you a reason to review your notes periodically so that you'll be better prepared for the exams.

Please make note of the following policies regarding the quizzes:

- The quizzes will be available from 8:00 a.m. on Saturday until 11:50 p.m. on Monday.
- Each quiz will have five multiple choice questions and shouldn't take any longer than ten minutes to complete. The official time limit on the clock is 20 minutes but really it is 15 minutes to complete the quiz and a 5 minute grace period for you to submit the quiz on time. Quizzes that go over 20 minutes will not be accepted, no exceptions.
- You will be allowed one attempt at each quiz.
- There will be no make-ups for missed quizzes.
- The quizzes are not set up as "force completion," so you must submit the quiz before the time has expired; in other words, when the time runs out, Blackboard will not submit the quiz for you automatically.
- Disregard anything you see that says that the quiz can be saved for later – once you open the quiz, your clock has started and can not be stopped, *even if you log out*. Please do not sit down to the quiz until you can be reasonably certain that you will have at least 15 minutes of uninterrupted time to complete the quiz.
- Make sure that you are using a browser that is compatible with Blackboard. Some versions do not display the quiz properly (e.g., a big time clock covers up the "submit" button). Note that Blackboard users of Internet Explorer 8 must enable the "compatibility view."
- If you are not absolutely certain that your internet connection is reliable, you need to take your quizzes in a computer lab on campus. Quizzes that are not submitted on time for any reason will not be accepted.

Exam dates and policies:

1 st Midterm	Thursday Feb16, 6:30 - 7:30 p.m.
2 nd Midterm	Thursday March 22, 6:30 - 7:30 p.m.
Final exam	Tuesday, May 8, 5:30-7:30 p.m

The location of the exam will be announced in class as soon as it is arranged. Please mark your calendars NOW with those exam dates. If you cannot take the final exam at the scheduled time, you need to drop the class.

Please note that we will not meet for lecture on the last class before a midterm since we have evening exams.

No makeup exams will be given, period. If you miss a midterm with a University-approved excuse (e.g., illness requiring a doctor visit, death in the family, etc.) and can

provide documentation, then the remaining exams will be re-weighted proportionally. Please note that documentation *is* required.

Unexcused absences from a midterm will result in a grade of zero for that midterm.

No make-ups will be allowed on missed homework assignments, quizzes, extra credit, etc. No exceptions.

Please make yourself familiar with the following rules regarding the tests:

- Bring your own pencil and eraser to the exam.
- Students will not be allowed to wear a hat *of any kind* during the exam.
- You must show your student ID to turn in the test.
- No calculators are allowed.
- You will not be allowed to ask any questions during the exam.
- Absolutely nothing other than your exam and pencil may be on your desk during the exam.
- Unless stated otherwise, you will not be tested on anything in the textbook that is not covered in class or on Blackboard. However, all material covered in lectures (whether covered in the textbook or not) is fair game for the exams.

Textbook: R. Glenn Hubbard & Anthony Patrick O'Brien, Money, Banking, and the Financial System, First Edition, Prentice Hall, 2012.

Murray N. Rothbard, The Mystery of Banking available online at <http://mises.org/Books/mysteryofbanking.pdf>.

Please note: the purpose of the readings is to supplement the lecture material. However, I have developed the course independently of the text. Not everything in the course is specifically covered in the readings, and corresponding material often has a different treatment. Therefore, although I have no formal attendance policy, coming to class is very important.

Course Resources: Short articles on current monetary and financial topics and other materials will be posted on Blackboard periodically for class discussion.

Questions: If you have any questions about anything related to the class, please check the Frequently Asked Questions page and the announcements page on Blackboard first. If you can't find your answer there, email your TA for the course. The TA will respond to you within 24 hours. If (s)he cannot answer your question, (s)he will forward your question to me and I will try to get you an answer.

Your last name begins with	your TA is	TA's email is
A thru L	Wendy	zghtc@mail.missouri.edu
M thru Z	Hui	hwbgf@mail.missouri.edu

Please note that these TAs are also available to you in their office hours, happy to help you to understand the material better.

Important Dates to Remember: Please make note of the following dates.

last day to drop a course without a grade:	Monday, February 20
last day to withdraw from a course:	Monday, April 2
Spring Break:	March 26 - 30
Reading day:	Friday May 4
final exam	Tuesday, May 8, 5:30-7:30 p.m.

Student Conduct Policies: Students who are disruptive in class will be reported to the University's Office of Judicial Services. Polite and professional adult behavior will be expected at all times, including in lectures, office hours, and communication by phone, email, or otherwise. If an investigation finds that a student is guilty of violating the Student Code of Conduct, the student may receive university sanctions ranging from a warning to a suspension.

A note on communication: Please keep all correspondence professional with proper grammar and spelling. I realize that most of you were born well into the age of electronic communication, but texting language has no place in business correspondence.

Academic Integrity: Academic honesty is fundamental to the activities and principles of a university. All members of the academic community must be confident that each person's work has been responsibly and honorably acquired, developed, and presented. Any effort to gain an advantage not given to all students is dishonest whether or not the effort is successful. The academic community regards academic dishonesty as an extremely serious matter, with serious consequences that range from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, or collaboration, consult the course instructor.

Academic Dishonesty includes but is not necessarily limited to the following:

- A. Cheating or knowingly assisting another student in committing an act of cheating or other academic dishonesty.
- B. Plagiarism which includes but is not necessarily limited to submitting examinations, themes, reports, drawings, laboratory notes, or other material as one's own work when such work has been prepared by another person or copied from another person.
- C. Unauthorized possession of examinations or reserve library materials, or laboratory materials or experiments, or any other similar actions.
- D. Unauthorized changing of grades or markings on an examination or in an instructor's grade book or such change of any grade report.

Academic Integrity Pledge: *"I strive to uphold the University values of respect, responsibility, discovery, and excellence. On my honor, I pledge that I have neither given nor received unauthorized assistance on this work."* Students are expected to adhere to

this pledge on all graded work whether or not they are explicitly asked in advance to do so.

The University has specific academic dishonesty administrative [procedures](#). Although policy states that cases of academic dishonesty must be reported to the Office of the Provost for possible action, **the instructor may assign a failing grade for the assignment or a failing grade for the course, or may adjust the grade as deemed appropriate** (emphasis mine). The instructor also may require the student to repeat the assignment or to perform additional assignments. In instances where academic integrity is in question, faculty, staff and students should refer to [Article VI of the Faculty Handbook](#). Article VI is also available in the [M-Book](#). Article VI provides further information regarding the process by which violations are handled and sets forth a standard of excellence in our community.

The University's Academic Honesty Policy will be strictly enforced. That means NO cheating will be tolerated. Summary: It's simply not worth it to cheat. It will leave a permanent stain on your record and your integrity will be irreparably damaged.

Disabilities: If you need accommodations because of a disability, if you have emergency medical information to share with me, or if you need special arrangements in case the building must be evacuated, please inform me immediately. Please see me privately after class or at my office.

To request academic accommodations (for example, a note taker or extended time on exams), students must also register with the Office of Disability Services (<http://disabilityservices.missouri.edu>), S5 Memorial Union, 882-4696. It is the campus office responsible for reviewing documentation provided by students requesting academic accommodations, and for accommodations planning in cooperation with students and instructors, as needed and consistent with course requirements. Another resource, MU's Adaptive Computing Technology Center, 884-2828, is available to provide computing assistance to students with disabilities. For other MU resources for students with disabilities, click on "Disability Resources" on the MU homepage.

Intellectual Pluralism: The University community welcomes intellectual diversity and respects student rights. Students who have questions concerning the quality of instruction in this class may address concerns to either the Departmental Chair (David Mandy at MandyD@missouri.edu) or the Director of the [Office of Students Rights and Responsibilities](#) (<http://osrr.missouri.edu/>). All students will have the opportunity to submit an anonymous evaluation of the instructor at the end of the course.