

Economics 3229: Money, Banking and Financial Markets

Summer 2020

(Read and retain this syllabus. It's a living document, does not represent a written contract and any changes made will be announced on Canvas)

NOTE: All times indicated in the syllabus are Central Time Zone

Course Instructor

Name: Dr. George Chikhladze
 Office: 232 Professional Building (I won't be in my office this summer)
 Office Hours: **10:00 – 11:00 everyday Zoom office hours. Please use the link below to join.**
<https://umsystem.zoom.us/j/94372334211> (All times specified in this course are Central Time Zone)
 Email: chikhladzeg@missouri.edu

Course Overview

Money and banking is an exciting discipline that covers issues of importance in real life. This course provides an overview of the working of the financial and economic system and seeks to provide an understanding of how a financial economy operates. Problems arising from asymmetric information in markets are shown to be of vital importance in appreciating the structure and functioning of the financial system. Research in the areas of money, banking and financial markets is highly active, and deals with issues continuously in the news and the subject of vigorous policy debate. International concerns are also increasingly influencing the direction of discussion on financial economic issues. In the course, emphasis will be given to the role of asymmetric information in financial markets and associated regulatory issues that arise, the fundamentals of interest rates and financial institutions, the money supply process and the conduct of the Federal Reserve, the behavior of exchange rates and the international financial system, and rational expectations and the working of efficient markets.

Course Goals

After completing the entire course, you should be able to:

1. Understand different parts of the financial system, links between different financial institutions and markets and their importance for sustained economic growth.
2. Understand interest rates and relationships between different interest rates, such as, federal funds rate, 10-year Treasury note rate, 30-year mortgage rate.
3. Understand objectives, operation and strategies of Federal Reserve System, the central bank of the United States.
4. Understand exchange rates of different currencies and how foreign exchange markets operate.

Textbook

Hubbard, R. Glenn and O'Brien, Anthony, *Money, Banking and the Financial System*, 3rd edition, (Pearson, 2018). Having this textbook is required and absolutely essential.

Subscription to Wall Street Journal is also required. Wall Street Journal offers student 2-month (length of summer school) subscriptions for \$8 currently. The link to student subscriptions is [WSJ.com/studentoffer](https://www.wsj.com/studentoffer). Subscription includes full digital access including WSJ mobile and tablet app.

Expectations

- What to expect from a technology-enhanced Course – This course is designed to virtually. It is essential that you access the course site Monday through Friday for course announcements, work on assignments, take online quizzes, exams, etc.
- What the instructors and your peers expect from you – By enrolling in this course, you have agreed to contribute to weekly discussions by accessing the discussion board regularly (2-3 times per week). This will require a team effort, with respect and help for each other, as we build a community of learners. We also expect that you will have a foundational understanding of Internet terms and functions. All general class correspondence should be submitted to the relevant Discussion Board forum; only personal or confidential matters should be directed to the instructor in e-mail.
- What to expect from the instructor – Monitor and facilitate class discussions (Monday through Friday), respond to private questions within 24 to 48 hours, provide timely feedback on general discussion board questions, and help to build a learning community.

Panopto Information

You may watch recordings online, or download them for off-line viewing on your computer, smartphone, or media player. These recordings are jointly copyrighted by the Curators of the University of Missouri and your instructor. Posting them to other website, including YouTube, Facebook, or any other site without express, written permission may result in disciplinary action and possible prosecution.

Weekly Schedule

Week	Units	Unit Title	Reading
1	1, 2	Introducing Money and the Financial System Money and Payments System	Chapter 1 (pg. 1-19) Chapter 2 (pg. 24-47)
2	3, 4	Interest rates and Rates of Return Determining Interest Rates	Chapter 3 (pg. 53-83) Chapter 4 (pg. 92-118)
3	5, 6	Risk Structure of Interest Rates Term Structure of Interest Rates (<i>Midterm 1</i>)	Chapter 5 (pg. 139-152) Chapter 5 (pg. 152-167)
4	7, 8	Asymmetric Information Economics of Banking	Chapter 9 (pg. 277-301) Chapter 10 (pg. 306-320, 328-338)
5	9, 10	Shadow Banking System Financial Crises and Financial Regulation	Chapter 11 (pg. 344-783) Chapter 12 (pg. 387-397, 403-421)
6	11, 12	Federal Reserve and Central Banking Money Supply Process (<i>Midterm 2</i>)	Chapter 13 (pg. 429-450) Chapter 14 (pg. 460-486)
7	13, 14	Monetary Policy The Market for Foreign Exchange	Chapter 15 (pg. 494-529) Chapter 8 (pg. 246-271)
8	15	International Financial System (<i>Final Exam</i>)	Chapter 16 (pg. 542-550, 553-73)

Weekly Routine

Every week you should expect to login to the course site no fewer than 2-3 times. Each week the course will have corresponding instructional units (we cover 2 units every week except of the last week) that includes your assigned reading from the textbook, instructor recorded videos, practice assignments, weekly discussion board questions, quizzes and homework. You should complete your readings and review the course notes before working on the quizzes. In addition, every Monday I will assign article(s) reading from a recent Wall Street Journal issue. You are expected to read the article and answer questions that I post on the discussion board. Answering as well as asking questions on the discussion board related to the article will earn you points. Every Monday I will also post homework assignment which will include analytical and calculation based questions.

Weekly Quizzes

This course uses weekly online quizzes to assess your comprehension of the assigned readings. These quizzes will be available every week in the Quizzes area of Canvas every Monday at 10 am until Thursday at 9 p.m. Quizzes are timed and you will have 30 minutes to complete 20 multiple-choice questions. You may take the quiz only once.

- Complete all the assigned readings (textbook, videos, etc.) prior to accessing the online quiz.
- You get to take 8 weekly online quizzes but only highest 7 count, meaning you can drop the lowest one (due technological errors, etc)

Weekly Discussion Question Postings

Every Monday I will post a link to an article(s) from WSJ on the discussion board and ask several questions related to the article. You will need to read an article(s) and participate in the discussion on Canvas. Final postings commenting and reflecting upon comments of your peers should be made no later than 9 pm each Friday - late postings will not be given credit. Our course grader David You will be grading your discussion board postings (as well as homework assignments). If you have questions about the feedback on discussion board postings, please contact him directly. In addition, there will be few questions from these assigned WSJ articles on the exams. Out of 8 weekly discussions board postings, only the highest 7 count.

The following scale assesses the *quality* of your postings and not the quantity.

Weekly Discussion Posting Grading Criteria	Weekly Point Value (5)
<u>Meaningful Ideas</u> : Ideas or answers that directly relate to the question or topic.	4
<u>Message Coherence</u> : Messages that provide new perspectives or new questions, or elaborate and enrich other classmates' responses.	1

Weekly Homework

Every Monday I will post a file under homework assignments that will include several calculation, graph based or analytical questions. You are supposed to download the file, complete the homework and upload back to Canvas by Friday 9:00 PM. You can do it several ways: one way is to download the file, type in your answers, use Microsoft draw tool to draw graphs, save the file and upload it back. Or, you print out the homework and write your answers by hand (you can also just write answers on a piece of paper) and then take a picture of your homework and upload as image file.

- You can share ideas with someone else while working on homework but the final product that you upload must be your own effort. If we discover two identical answer sets submitted by

students, both will receive score of zero for that homework. Further violations will result in reporting to the Office of Provost and failing the class.

- There are 8 homework assignments but only highest 7 count.

Exams

You will need to take 3 exams in this course, two midterms and one final exam. The final exam is comprehensive. All exams are online on Canvas and don't need to be proctored. Exams are open books and open notes. Each midterm contains 40 multiple-choice questions and are timed to 60 minutes. The final exam contains 60 multiple-choice questions and is timed to 90 minutes. You have almost two-day window as indicated below to take the exams, and taking exams before or after the specified window is not allowed.

Midterm 1 – Thu, 06/25 8:00 AM to Fri, 06/26 9:00 PM – Units 1-6

Midterm 2 – Thu, 07/16 8:00 AM to Fri, 07/17 9:00 PM – Units 7-12

Final Exam – Wed, 07/29 8:00 AM to Thu, 07/30 9:00 PM – Units 1-15

Grades

Plus/Minus grades will be determined on the basis of two midterm examinations, a comprehensive final examination, online quizzes, weekly discussion board postings and weekly homework assignments. A maximum of 525 points can be earned in the course. The two midterm examinations will be worth 80 points each, the final will be worth 120 points, each quiz will be worth 20 points, weekly discussion board postings are 5 points each and weekly homework assignments are 10 points each. As far as quizzes, discussion board and homework assignments go, you can drop the lowest. There are no make-up examinations.

First midterm	40 questions, 2 points each, 60 minutes	80
Second midterm	40 questions, 2 points each, 60 minutes	80
Online quizzes	20 questions, 1 points each, 30 minutes	140
Final Exam	60 questions, 2 points each, 90 minutes	120
Discussion board postings	8 discussion board threads, highest 7	35
Homework	8 assignments every week, highest 7	70
Total course points		525

The letter grade is assigned based on the total points you can earn. Here are the typical lower cutoffs:

A	90% (472.5 points) or more
B	80% (420 points) or more
C	70% (367.5 points) or more
D	60% (315 points) or more
F	below 60% (315 points)

Plus/minus grades:

For each letter grade, the bottom and top 3% respectively determine the minus/plus grades. Example: 83% to strictly less than 87% = “B”, and:

80% to strictly less than 83% = “B–”

87% to strictly less than 90% = “B+”

Help Available

If you are having any technical difficulties (e.g. logging in, accessing the discussion board) please e-mail helpdesk@missouri.edu or contact *DoIT Help Desk* at 573-882-5000 (toll-free at 866-241-5619)

ACADEMIC INTEGRITY POLICY

Academic integrity 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 breaches of the academic integrity rules as extremely serious matters. Sanctions for such a breach may include academic sanctions from the instructor, including failing the course for any violation, to disciplinary sanctions ranging from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, collaboration, or any other form of cheating, 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. 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.

STUDENTS WITH DISABILITIES:

If you anticipate barriers related to the format or requirements of this course, if you have emergency medical information to share with me, or if you need to make arrangements in case the building must be evacuated, please let me know as soon as possible.

If disability related accommodations are necessary (for example, a note taker, extended time on exams, captioning), please register with the Office of Disability Services (<http://disabilityservices.missouri.edu>), S5 Memorial Union, 573- 882-4696, and then notify me of your eligibility for reasonable accommodations. For other MU resources for persons with disabilities, click on "Disability Resources" on the MU homepage.

INTELLECTUAL PLURALISM STATEMENT (FROM OFFICE OF THE PROVOST)

The University community welcomes intellectual diversity and respects student rights. Students who have questions or concerns regarding the atmosphere in this class (including respect for diverse opinions) may contact the Departmental Chair or Divisional Director; the Director of the Office of Students Rights and Responsibilities (<http://osrr.missouri.edu/>); or the MU Equity Office (<http://equity.missouri.edu/>), or by email at equity@missouri.edu. All students will have the opportunity to submit an anonymous evaluation of the instructor(s) at the end of the course.

Other Important Dates

- June 24: Last day to drop course without a grade
- July 29: Last day to withdraw from a course