

Economics 3229, Sec 1: Money, Banking and Financial Markets Summer 2017

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

Course Instructor

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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 15-week subscriptions for \$15. The link to student subscriptions is WSJ.com/studentoffer. Subscription includes full digital access as well as six-day print delivery.

Expectations

- What to expect from a technology-enhanced Course – This course is designed to be 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.

Tegrity Information

MU has implemented the Tegrity Lecture Capture System. This system allows us to record and distribute lectures and other audio and video recordings to you in a secure environment through Blackboard. No material will be shared with individuals outside of your class, or faculty and staff who require access for support or specific academic purposes without express permission.

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 questions and quizzes. You should complete your readings and review the course notes before working on the quizzes. In addition, every Monday I will assign article 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.

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 Blackboard every Monday at 10 am until Thursday at 5 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.
- To ensure Blackboard logs every answer, click the “Save” at the bottom of the page every two or three questions. You must click “Submit” in order to have your quiz graded.

Exams

You will need to take 3 exams in this course, two midterms and one final exam. The final exam is comprehensive. Exams are paper based. Each midterm contains 40 multiple-choice questions and lasts 50 minutes. The final exam contains 80 multiple-choice questions and lasts 100 minutes. The exam dates are specified below. I require exams to be proctored at an approved proctoring location. For instructions on how to take proctored exam please visit [Mizzou Online](#). It’s your responsibility to contact [Mizzou Online](#) in advance (at least 10 business days prior to the first exam date) and make arrangements. Notice, you will have about 9 hour window on a test date to take the exam. All exams are closed notes, closed book. No formula sheets allowed. You are allowed to use calculators but no other electronic devices, including smart phones, can be used.

Midterm 1 – Thursday to Friday, June 22-23 – Units 1-6

Midterm 2 – Thursday to Friday, July 13-14 – Units 7-12

Final Exam – Wednesday to Thursday, July 26-27 – Units 1-15

Weekly Discussion Question Postings

Every Monday I will post a link to an article or articles 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 Blackboard. Your original postings addressing the weekly WSJ discussion questions should be made no later than 5 pm each Wednesday. Final postings commenting and reflecting upon comments of your peers should be made no later than 5 pm each Friday - late postings will not be given credit.

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

Weekly Discussion Posting Grading Criteria	Weekly Point Value (4)
<u>Meaningful Ideas</u> : Ideas or answers that directly relate to the question or topic.	3
<u>Message Coherence</u> : Messages that provide new perspectives or new questions, or elaborate on topic, or elaborate and enrich other classmates' responses.	1

Grades

Plus/Minus grades will be determined on the basis of two midterm examinations, a comprehensive final examination, online quizzes, and weekly discussion board postings. A maximum of 550 points can be earned in the course. The two midterm examinations will be worth 80 points each, the final will be worth 160 points, each quiz will be worth 20 points. There will be 8 quizzes during the semester, although only the best 7 will count to your quiz score. There are no make-up examinations.

First midterm	40 questions, 2 points each	80
Second midterm	40 questions, 2 points each	80
Online quizzes	20 questions, 1 points each	140
Final Exam	80 questions, 2 points each	160
Discussion board postings		60
Total course points		520

The letter grade is assigned based on the total points you can earn:

A	90% (468 points) or more
B	80% (416 points) or more to strictly less than 90% (468 points)
C	70% (364 points) or more to strictly less than 80% (416 points)
D	60% (312 points) or more to strictly less than 70% (364 points)
F	strictly below 60% (312 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

Last day to drop course without grade	June 21
Last day to withdraw from a course	July 26