

Economics 3229: Money, Banking and Financial Markets (Sec 2)

Fall 2024

(Read and retain this syllabus. It's a living document, and any changes made will be announced on Canvas)

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

Course Instructor

Class Format: Online
 Credit Hours: 3 hours
 Course Instructor: Dr. George Chikhladze
 Office Hours: **Zoom, by appointment only**
<https://umsystem.zoom.us/j/95336880624>

Email: chikhladzeg@missouri.edu
 Prerequisites: Econ 1014 (ABM 1041) AND Econ 1015 (ABM 1042); or Econ 1000

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*, 4th edition, (Pearson, 2022), ISBN: 9780136893448. Having this textbook is required and essential. This course used auto-access (please see Canvas site for details). Deadline to opt-out auto-access is Sep. 3.

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. 1-21) Chapter 2 (pg. 24-48)
2	3, 4	Interest rates and Rates of Return Determining Interest Rates	Chapter 3 (pg. 54-84) Chapter 4 (pg. 93-119)
3	5, 6	Risk Structure of Interest Rates Term Structure of Interest Rates (<i>Midterm 1</i>)	Chapter 5 (pg. 139-153) Chapter 5 (pg. 153-168)
4	7, 8	Asymmetric Information Economics of Banking	Chapter 9 (pg. 281-305) Chapter 10 (pg. 310-330, 333-343)
5	9, 10	Shadow Banking System Financial Crises and Financial Regulation	Chapter 11 (pg. 349-384) Chapter 12 (pg. 391-399, 407-426)
6	11, 12	Federal Reserve and Central Banking Money Supply Process (<i>Midterm 2</i>)	Chapter 13 (pg. 434-460) Chapter 14 (pg. 467-494)
7	13, 14	Monetary Policy The Market for Foreign Exchange	Chapter 15 (pg. 503-531) Chapter 8 (pg. 249-271)
8	15	International Financial System (<i>Final Exam</i>)	Chapter 16 (pg. 555-563, 567-87)

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, 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(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.

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 Friday at 11:59 p.m. Quizzes are timed and you will have 35 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 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 11:59 pm each Friday - late postings will not be given credit. In addition, there will be few questions from these assigned WSJ articles on the exams.

Note: Discussion board postings should be an **individual** effort and we will monitor the discussion board for plagiarism. Please note that **submissions generated by AI will be flagged for plagiarism** and will be graded as zero. Furthermore, repeated offences will be reported to the Office of Academic Integrity.

Note: Students will only be able to see others reply only after posting and a blank reply will be treated as an attempt to view others replies. Consequently, initial blank replies will be **scored as zero**.

Below is the rubric used to evaluate your replies. A total of 8 discussion board threads will be assigned, but only the highest 7` will count.

Weekly Discussion Posting Grading Criteria	Weekly Point Value (10)
<u>Meaningful Ideas</u> : Ideas or answers that directly relate to the question or topic.	9
<u>Message Coherence</u> : Messages that provide new perspectives or new questions, or elaborate and enrich other classmates' responses.	1

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 a 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, 09/05 8:00 AM to Fri, 09/06 11:59 PM – Units 1-6

Midterm 2 – Thu, 09/26 8:00 AM to Fri, 09/27 11:59 PM – Units 7-12

Final Exam – Wed, 10/09 8:00 AM to Fri, 10/11 11:59 PM – Units 1-15

Grades

Plus/Minus grades will be determined on the basis of two midterm examinations, a cumulative final examination, online quizzes, and weekly discussion board postings. A maximum of 490 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, and weekly discussion board postings are 10 points each. As far as quizzes and discussion board discussions 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	70
Total course points		490

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

A	90% (441 points) or more
B	80% (392 points) or more
C	70% (343 points) or more
D	60% (294 points) or more
F	below 60% (294 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+”

Late or Missed Work

Make up work generally is not available. In extraordinary circumstances, the professor may be able to excuse you from assignments (quiz, exams, or discussions), but students will need to notify the instructor in timely manner with a sufficient documentation, when possible. Also, with quizzes and discussions you have some flexibility as you can drop 1 lowest quiz and discussions.

Late work generally is not available. As assignments become available at the start of the week, students have 4-5 days to complete and submit them, giving them enough time and flexibility to plan and schedule. Students are encouraged to reach out to the professor, if they anticipate delays or potential conflicts, to arrange alternative accommodations, such as, being excused from the assignment.

Note that for excused missed work an appropriate documentation is required.

AI Usage

This course prohibits usage of generative AI in all assignments, including exams, quizzes and discussions. Students are expected to rely solely on their own cognitive abilities and academic skills when drafting, editing assignments or answering questions. Violations of this policy will constitute academic integrity violations under University rules.

Help Available

If you are having any technical difficulties (e.g. logging in, accessing the discussion board) please e-mail teachingtools@umsystem.edu. For general IT related questions, please e-mail techsupport@missouri.edu or contact *Help Desk* at 573-882-5000.

Academic Integrity

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 or the [Office of Academic Integrity](#).

Students are expected to adhere to this honor pledge on all graded work whether or not they are explicitly asked in advance to do so: "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."

Accommodation and Disabilities

The goal of the University of Missouri is to ensure an inclusive learning environment for all students. [The University of Missouri Disability Center](#) provides services and accommodations for students to participate fully in the learning experience and to experience equitable evaluation of their performance. Students (including online students) with a documented disability can contact the Disability Center to establish an [Accommodation Plan](#). Documented disabilities include *hearing, vision, mobility, learning and attention, psychological health, and physical health*. Students' accommodations are implemented with the input of students to maximize the learning experiences. The MU Disability Center keeps information about a student's disability confidential.

Please notify me of your eligibility for accommodations as soon as possible. Additionally, if there are aspects of the course that present as barriers, such as inaccessible course content (e.g., learning assessments, PowerPoints, non-captioned videos, images, tables, PDFs) or if you need an immediate accommodation due to an injury, please contact me or the Disability Center as soon as possible.

Intellectual Pluralism

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 [Office of Academic Integrity](#), or the [MU Equity Office](#).

Academic Inquiry, Course Discussion, and Privacy

When students record something that happens in a course (a lecture, class discussions, meetings, etc.) it has an impact on the rights of the people captured in that recording. For example, the instructor and the University may have rights to the intellectual property contained in that recording. At the same time, another student who may have been recorded has the right to privacy. In order to protect these rights, MU employs a policy (called "[Executive Order No. 38](#)") to govern both situations you may encounter while taking a course – when an instructor allows recordings and when they do not.

In this class, students may make audio or video recordings of course activity unless specifically prohibited by the faculty member. However, the redistribution of audio or video recordings of statements or comments from the course to individuals who are not students in the course is prohibited without the express permission of the faculty member and of any students who are recorded.

If the instructor doesn't specifically prohibit recording course activity, then the students are allowed to record and the same prohibitions regarding distribution apply.

Students who violate this policy are subject to discipline in accordance with provisions of [section 200.020](#) of the Collected Rules and Regulations of the University of Missouri pertaining to student conduct matters.

Nondiscrimination Policy

The University of Missouri does not discriminate on the basis of race, color, national origin, ancestry, religion, sex* (including gender), pregnancy, sexual orientation, gender identity, gender expression, age, disability, protected veteran status, and any other status protected by applicable state or federal law. Discrimination includes any form of unequal treatment such as denial of opportunities, harassment, and violence. *Sex discrimination includes rape, sexual assault, sexual harassment, unwanted touching, stalking, dating/domestic violence, stalking, and sexual exploitation. Retaliation for making or supporting a report of discrimination or harassment is also prohibited.

If you experience discrimination or sexual violence, you are encouraged (but not required) to report the incident to the MU Office for Civil Rights & Title IX. Learn more about your rights and options at civilrights.missouri.edu or call 573-882-3880. You also may make an anonymous report online.

If you are a survivor, or someone concerned about a survivor, and need immediate information on what to do, see [RSVP Resources page](#). Both the [Office for Civil Rights & Title IX](#) and the [RSVP Center](#) can provide assistance to students who need help with academics, housing, or other issues.

In the event that you choose to write or speak about having experienced any of these forms of prohibited discrimination or harassment, Mizzou policies require that, as your instructor, I share this information with the MU Office for Civil Rights & Title IX. They will contact you to offer information about resources, as well as your rights and options as a member of our campus community.

Mental Health

The University of Missouri is committed to supporting student well-being through an integrated network of care, with a wide range of services to help students succeed. The MU Counseling Center offers professional mental health care and can help you find the best approach to treatment based on your needs. Call to make an appointment at 573-882-6601. Any student in crisis may call or go to the MU Counseling Center between 8:00-5:00 M-F. After hours phone support is available at 573-882-6601.

Visit our website at <https://wellbeing.missouri.edu/> to take an online mental health screening, find out about workshops and resources that can help you thrive, or learn how to support a friend.

Netiquette

Your instructor and fellow students wish to foster a safe online learning environment. All opinions and experiences, no matter how different or controversial they may be perceived, must be respected in the tolerant spirit of academic discourse. You are encouraged to comment, question, or critique an idea but you are not to attack an individual. Our differences, some of which are outlined in the University's nondiscrimination statement, will add richness to this learning experience. Please consider that sarcasm and humor can be misconstrued in online interactions and generate unintended disruptions. Working as a community of learners, we can build a polite and respectful course ambiance.

FERPA

The Family Educational Rights and Privacy Act (FERPA) of 1974 is a federal law designed to protect the privacy of educational records; to establish the rights of students to inspect and review their education records; and to provide guidelines for the correction of inaccurate and misleading data through informal and formal hearings. The law applies to any individual who is or has been in attendance at an institution and regarding whom the institution maintains educational records. Once students have matriculated to the University of Missouri, i.e. enrolled in course work, FERPA rights transfer to the student, regardless of the student's age.

Students can enable certain individuals to have access to their education records by signing a FERPA waiver. The consent must specify records to be disclosed, state the purpose of the disclosure and identify the party or class of parties to whom the disclosure must be made.

Religious Holidays and Accommodations

Many religious faiths are represented in the student body. The University of Missouri does not restrict student free exercise of religion, unless 1) the restriction is in the form of a rule of general applicability and does not discriminate against religion or among religions; and 2) it can be demonstrated that the application of the restriction is essential to furthering a compelling university interest, and is not unduly restrictive considering the relevant circumstance. The policy of the University attempts to strike a reasonable balance between accommodating the religious practice of students and meeting academic needs and standards.

Consult IDE's Guide to Religions for the form that can be used to notify an instructor of an absence associated with religious practice. Students are expected to notify their instructor(s) by completing and submitting this form in a manner that is consistent with the procedure outlined in the university's

policy on student religious accommodation. Providing false information regarding sincerely held religious practice is a violation of the university's Standard of Conduct and will not be tolerated.

Other Important Dates

- Sep 5: Last day to drop course without a grade
- Oct. 9: Last day to withdraw from a course