

**MONEY, BANKING AND FINANCIAL MARKETS
ECON 353, SPRING 2012**

TR: 11:00 am – 12:15 pm, HORT 118

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COURSE OBJECTIVES

Money cannot buy some of the most important things in life! But there is no denying that it influences and shapes our material life in a very big way. Financial and money markets have, over the last two decades, increased enormously in types, size and structural complexity. We have also learnt since 2008 and at great personal costs to ourselves, their tremendous influence over the economy as a whole. Financial Economics is an intellectually challenging science requiring the use of extremely sophisticated mathematical, statistical and computational tools.

You may consider this course as an introductory and largely non-technical introduction to financial markets and institutions. We shall study how certain basic types of financial markets – such as money markets, markets for bonds etc.– operate and how they influence overall economic activity. Along the way, we shall examine the role played by and the functioning of several financial institutions, such as commercial banks, the Federal Reserve System and other financial intermediaries.

COURSE WEBSITE:

The class website is <http://econ22.econ.iastate.edu/~sunanda/Econ%20353.htm>.
There is a link to this from the departmental faculty web-page.

REQUIRED TEXT

Frederic S. Mishkin, *The Economics of Money, Banking and Financial Markets*. The 9th edition is the current one and will be used in class. But the 8th edition contains most of the course material and can be used too.

The required reading material on which you will be tested is Mishkin. An outline of the syllabus with chapter details is given at the end. Since one of the main objectives of the course is to train you into thinking analytically about financial markets and institutions, you are strongly encouraged to read about current financial issues as presented in the financial press. Some publications to look at on a regular basis are *The Economist* and *The Wall Street Journal* and *Financial Times*. I may assign some of these articles as supplemental reading from time to time.

OTHER CLASS MATERIALS

Lecture slides (in Power Point), problem sets with solutions, and some other class material will be posted at the class website. Exam related review materials will be distributed in hard copies in class.

COURSE GRADE

The final grade for the course will be determined on the basis of two midterms, a final exam, and homework assignments. The weights and the tentative exam schedule are as follows,

Homework problem sets, around 6	25%
Midterm I (Feb 23, Thurs, in class)	25%
Midterm II (Apr 12, Thurs, in class)	25%
Final Exam (as per University schedule)	25%

I shall drop the lowest score HW to calculate your homework average. The final letter grade for the course will be based on individual mastery of the course material as displayed by the overall score and will be curved.

The actual syllabus for each midterm will be what we are able to cover in class before that date. The syllabus for the final is comprehensive. Exams will be a combination of multiple-choice and short-answer type questions. Anything that appears in a homework problem set, review list or lecture slide is fair game on the exams. While there is no make up for a bad performance on an exam, upward trend in exam performance over the semester is considered favorably while assigning the Final letter grade.

Missed Exams

Medical problems, family emergencies and university excused absences are the only acceptable reasons for missing an exam. You must get in touch with me or the TA as soon as possible in such cases and schedule a make-up exam. The student must also be prepared to provide supporting documents if requested – such as a letter from the

physician, note from a family member or a university authority. All unexcused absences from exams will automatically earn a zero.

Extra Credit Opportunities

Some of the class meetings will be devoted to chapter reviews. Lists of problems to be discussed during these review sessions will be distributed in class in advance. You are expected to work through these problems before coming to class and volunteer answers during the review session. The problems are designed to help you with the graded homework and provide additional practice for the exams. Please make it a point to attend these review sessions. Making full use of these review sessions could be your key to doing well in this course. You can also pick up some extra credit points by completing these review problem sets. Please note however that these review sessions will not be used to discuss the text one more time.

Attendance policy

I expect you to attend class on a regular basis, although there is no explicit grade for attendance. Exams are always imperfect instruments for evaluating a student's grasp of the material. For students with identical exam scores, I assume that those who attend class are generally more knowledgeable than those who routinely skip class. Therefore, students who end up "on the bubble" between two grades at the end of the semester are more likely to be bumped up to the higher grade if they attended class. I shall check your attendance in class randomly.

Classroom etiquette

As mature University students and would be professionals you understand that certain basic ground rules need to be observed to provide an excellent learning environment for everybody. Hence,

- If you are attending the lecture, plan on being there for the entire duration of the class. If you absolutely must leave early for a good reason (such as a job interview), on any given day, please inform me before the class begins, sit near the door and leave quietly.
- Please do not use laptops or other electronic devices for anything during class time except to take notes. I have spies sitting around the room!
- Please, do not engage in conversations or reading newspapers during lectures. Food and beverages within reason are OK. If you have questions about the material being discussed, ask me instead of asking your neighbor as I know better!
- It's always fine and even welcome to interrupt with questions related to the material being covered!

COURSE TOPICS

A list of broad topics with required reading and the amount of time I propose to spend on each of these is provided below. This will only slightly change if we are up against time constraints.

Topics	Reading	No. of lectures
1. An Overview of the Financial System	Chap 2, both editions	2-3
2. What is Money?	Chap 3, both editions	2
3. Understanding Interest Rates	Chap 4, both editions	2-3
4. The Behavior of Interest Rates	Chap 5, both editions	2-3
5. Risk and Term Structure of Interest Rates	Chap 6, both editions	2-3
6. Understanding stock prices	Chap 7, both editions	2-3
7. Role of asymmetric information in financial intermediation; an analysis of the subprime crisis	Chap 8, both editions , and handouts	2
8. Basic Banking	Chap 9, 8 th edition Chap 10, 9 th edition	2
9. The Federal Reserve System	Chap 12, 8 th edition Chap 13, 9 th edition	2
10. The Money Supply Process	Chaps 13, 8 th edition Chap 14, 9 th edition	2-3

UNIVERSITY POLICY FOR ALL COURSES

Academic Dishonesty

The class will follow Iowa State University's policy on academic dishonesty. Anyone suspected of academic dishonesty will be reported to the Dean of Students Office.

<http://www.dso.iastate.edu/ja/academic/misconduct.html>

Disability Accommodation

Anyone who anticipates difficulties with the content or format of the course due to a physical or learning disability should see me immediately in order to work out a plan. You may also want to contact the Disability Resources (DR) office, located on the main floor of the Student Services Building, Room 1076 or call them at 515-294-7220.

Dead Week

For academic programs, the last week of classes is considered to be a normal week in the semester except that in developing their syllabi faculty shall consider the following guidelines:

- Mandatory final examinations in any course may not be given during Dead Week except for laboratory courses and for those classes meeting once a week only and for which there is no contact during the normal final exam week. Take home final exams and small quizzes are generally acceptable. (For example, quizzes worth no more than 10 percent of the final grade and/or that cover no more than one-fourth of assigned reading material in the course could be given).
- Major course assignments should be assigned prior to Dead Week (major assignments include major research papers, projects, etc.). Any modifications to assignments should be made in a timely fashion to give students adequate time to complete the assignments.
- Major course assignments should be due no later than the Friday prior to Dead Week. Exceptions include class presentations by students, semester-long projects such as a design project in lieu of a final, and extensions of the deadline requested by students.

Harassment and Discrimination

"Iowa State University strives to maintain our campus as a place of work and study for faculty, staff, and students that is free of all forms of prohibited discrimination and harassment based upon race, ethnicity, sex (including sexual assault), pregnancy, color, religion, national origin, physical or mental disability, age, marital status, sexual orientation, gender identity, genetic information, or status as a U.S. veteran. Any student who has concerns about such behavior should contact his/her instructor, Student Assistance at 515-294-1020, or the Office of Equal Opportunity and Compliance at 515-294-7612."

Religious Accommodation

If an academic or work requirement conflicts with your religious practices and/or observances, you may request reasonable accommodations. Your request must be in writing, and your instructor or supervisor will review the request. You or your instructor may also seek assistance from the [Dean of Students Office](#) or the [Office of Equal Opportunity and Compliance](#).

Contact Information

If you feel that any of your rights as a student have been violated email academicissues@iastate.edu