FINC 337 -- Banking, Money, and Capital Markets: Fall 2014

MWF / 11:30 - 12:20, Corboy Law Center Room 206

Catalog Description

- This course is an introduction to financial markets and institutions, and to the Federal Reserve and monetary policy.

- Prerequisites/Requirements: Prerequisites: Junior standing; Minimum grade of "C-" in FINC 332

Course Overview

- The objective of this course is to provide students with an understanding of the principles of money, banking, and capital markets. Students will gain in-depth understanding of the fundamentals of financial market operation, including their institutional structure and government regulatory framework. Students will learn how interest rates and bond prices are determined and interrelated, why and how financial institutions are regulated by the government, and who the Federal Reserve is and how its actions affect the economy. The ethics of financial market operations and government financial regulation will also be discussed.

Required Materials

- The Economics of Money, Banking, and Financial Markets, 10th Ed., 2013, Frederic S. Mishkin. Outside readings, including historical articles about the development of money and banking, and alternative perspectives on the financial crisis of 2007-2009, will be assigned as the course progresses.
Suggested Supplementary Resources

➢ Lecture and text notes will be made available via Sakai.

➢ We will be discussing financial news in every class. Please stay abreast of news sources and be ready to participate in class discussion.

➢ This is not a writing-intensive course, but a recommended book is On Writing Well, by William Zinsser. I will be distributing ideas from his book during the course.

Course Requirements and Grading Criteria

➢ You will produce one case study report, which will be in assigned groups of 4-5 people. The assignment will be distributed in the second week of the semester.

➢ You will produce a separate team presentation for the class later in the semester. The team presentation will cover a financial market history topic of your choice. Topic suggestions and group assignments will be distributed in the second week of the semester.

➢ The final class grade is based on the case study (20%), team presentation (20%), midterm exam (25%), and final exam (35%). Team grades will be equal among team members.

➢ Both midterm and final exams are closed book. The final exam is comprehensive. Please review the Academic Integrity Policy for issues relating to plagiarism and team projects.

Course Grading Scale

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>100-93%</td>
</tr>
<tr>
<td>A-</td>
<td>92-90</td>
</tr>
<tr>
<td>B+</td>
<td>89-87</td>
</tr>
<tr>
<td>B</td>
<td>86-83</td>
</tr>
<tr>
<td>B-</td>
<td>82-80</td>
</tr>
<tr>
<td>C+</td>
<td>79-77</td>
</tr>
<tr>
<td>C</td>
<td>76-73</td>
</tr>
<tr>
<td>C-</td>
<td>72-70</td>
</tr>
<tr>
<td>D+</td>
<td>69-67</td>
</tr>
<tr>
<td>D</td>
<td>66-60</td>
</tr>
<tr>
<td>F</td>
<td>59 and below</td>
</tr>
</tbody>
</table>
**Quinlan School of Business Policies:**

### Attendance

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. Faculty may set participation policies unique to their courses and use class participation as a component of the final grade. The student is responsible for any assignments or requirements missed during an absence.

### Make-Up Examinations

Loyola University academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Because Quinlan faculty believe examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period. **Make-up examinations are discouraged.** Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (illness verified by a signed physician’s note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

If a make-up examination must be given, it is the responsibility of the faculty member to prepare, schedule, and proctor the exam. Limited assistance in proctoring make-up exams may be available through a designated Quinlan administrative assistant. For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

### Academic Integrity

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood...Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of “F” for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website:

Course Outline

Chapter and Other Reading Assignments (Further readings will be assigned as well)

Ch. 1 – Why Study Money, Banking, and Financial Markets?

Ch. 2 – An Overview of the Financial System

Ch. 3 – What is Money?

What is Money? By Irena Asmundsen and Ceyda Oner, IMF
What is Money? Video with Derek Thompson, The Atlantic
What is the Money Supply? Federal Reserve Board of Governors
How Currency Gets Into Circulation, Federal Reserve Bank of New York
What is a Dollar?, by Edwin Vieira
What is Money? Economics and Liberty
What is Money? Frederic Bastiat

Ch. 4 – Understanding Interest Rates

Ch. 5 – The Behavior of Interest Rates

Ch. 6 – The Risk and Term Structure of Interest Rates

Ch. 7 – The Stock Market, the Theory of Rational Expectations, and Efficient Markets

Eugene Fama’s Efficient Market, by Rex Sinquefeld
The Non-Efficient Market, John Oswin Schroy, Capital Flow Analysis
Three Lectures by Warren Buffett
The Superinvestors of Graham-and-Doddville, Warren Buffett
Modern Portfolio Theory, Efficient Markets, and Flat Earth Revisited, Investments Blog

Ch. 8 – An Economic Analysis of Financial Structure

Ch. 9 – Financial Crises

What is Systemic Risk, and do Bank Regulators Retard or Contribute to It? Kaufman
Financial Crisis Inquiry Report, Financial Crisis Inquiry Commission
Financial Crisis Theories Reviewed Series: Peter Wallison Interview Reason Foundation
The Credit Rating Controversy, Council on Foreign Relations
The Siskel and Ebert of Financial Markets?, Frank Partnoy
Panic of 1907, Federal Reserve Bank of Boston
Why Did FDR’s Bank Holiday Succeed? William Silber
How FDR Made the Great Depression Worse, Robert Higgs
Documents and Statements Pertaining to the Banking Emergency
Ch. 10 – Banking and the Management of Financial Institutions

Ch. 11 – Economic Analysis of Financial Regulation

George J. Stigler, Library of Economics and Liberty
The Theory of Economic Regulation, George J. Stigler
The Economic Theory of Regulation after a Decade of Deregulation, Sam Peltzman
Mancur Olson, The Economist
Public Choice Theory, Library of Economics and Liberty

Ch. 12 – Banking Industry: Structure and Competition

Ch. 13 – Central Banks and the Federal Reserve System

Federal Reserve System: Purposes and Functions, Federal Reserve Board of Governors
What is Free Banking, and Why Should I Care? LearnLiberty.org
History of the Free Bank Era, Business Insider
End the Fed, Ron Paul
Visiting Ron Paul’s Fed-Free Utopia, Justin Fox

Ch. 15 – The Tools of Monetary Policy

Ch. 16 – The Conduct of Monetary Policy: Strategy and Tactics

Ch. 17 – The Foreign Exchange Market

Ch. 18 – The International Financial System

James Rickards interview, re: The Death of Money: The Coming Collapse of the International Monetary System

FURTHER TOPICS (Based on outside readings to be assigned)

Bitcoin and Alternative Currencies

Money, Banking, and Crime

Money, Banking, and War

MIDTERM EXAM – Friday, October 3
FINAL EXAM – Monday, December 8

Please Note:

➤ This class may occasionally deviate from the course outline above.
➤ The instructor reserves the right to make changes as needed to the course syllabus.