

## Money and Banking CIMBA

Fall Semester 2013

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### I. Course Information

#### Required Materials

Money, Banking & Financial Markets (second edition)

By Stephen G. Cecchetti

#### Course Description

The main objective of this class is to help you understand the role of money, interest rates and financial institutions in your life, embedded as you already are in the economic system. The course requires you to think about money, wealth, work and others. Your perspective is a very personal and private aspect of your "identity" and it changes and grows with your knowledge and experience of the broad context of the domestic and global economies. This course focuses primarily on the economics of money as the central feature of the financial system, how one finances their participation in the financial system. As you will see, money is a complex and emotionally charged social construct—meaning it didn't and doesn't exist naturally like gold or silver or copper or land. You only learn how money affects you in the economy by learning how financial institutions operate; how different financial instruments work and how these two constitute the financial markets. It is through these instruments and institutions that the consequences of money are manifest in your life. The interaction of instruments in their various markets constitutes a vast and complex system in which you are embedded, even if you know nothing about it nor think you want to participate in it. When you are finished, you will have an edge in qualifying for work (or an internship) in the system.

In the process of studying Economics and Money, you will find reason to increase your comfort level dealing with ambiguity. Life is essentially uncertain and no amount of knowledge can remove that uncertainty. This need not lead you to just a cynical resignation "I don't care." During the class, you will experience a heightened analytical sense—a sense of "experience." I hope you will also "feel" a heightened sense of joy akin to the "can do" attitude you had as a 2 year-old: "I want to do it myself." Now is a most exciting time to be taking the class in the light of recent financial changes.

#### Classroom Procedures

##### Midterm Exam

This exam will contain both multiple choice questions and essay questions. The exam will cover material from the textbook, articles, and class discussion. The questions will require you to think and use the concepts you have learned during the class and apply them to analyzing a economic situation or event described in the financial press. The best answers to the essay questions will be brief. Most questions will not require a wordy answer. You will be allowed to keep your graded exams until the end of the semester. Please be sure to hand them back in to me or the TA near the end of the semester.

Final Exam is comprehensive.

##### PVP Problems

During several weeks, there will be a Present Value Problem (PVP). We will discuss how to complete the PVP during class. There will be practice PVP's posted so that students can know what to expect in the problems. By working on the problems in class, the PVP's should be easy to complete. These will not be graded but exam questions similar in form will test your ability to do the analysis.

## Assignments

For many sessions there will be assignments that have two purposes:

- 1) Some assignments prepare you for the upcoming class discussion. These will be graded on an “effort only basis” meaning if you made an effort to complete the assignment, you will receive full credit.
- 2) Some are “comprehension checks” and are to be completed after the topic is studied. These will be graded on a “correct” basis. These assignments will have a grade weighting equivalent to a midterm exam.

## Class Expectations

My pedagogical approach may differ from other economics classes you are currently taking or have taken in the past. My approach is to have a directed conversation on the topics of the day. The basic scope and understanding for each topic is provided by the assigned reading from the Text and other supplemental material given in the daily class folder on Blackboard. I will not be presenting material in class in a "stand alone" manner you will find complete enough to achieve understanding without having first read the text material before coming to class. Some may be able to do so but, given the great variety of basic preparation from prerequisite economics classes, reading the text is a necessary preparation to every class and you neglect to do this reading at your peril. If you think you are sufficiently knowledgeable on any given topic, test your comprehension by reviewing the summary in the back of the assigned chapter. If your comprehension is sufficient to enable you to engage in an informed dialogue on the topic, you can probably just skim the chapter. Otherwise, a careful reading of the chapter is advisable.

Being prepared in the basics of the chapter topic enables the class to review your understanding and engage in an analysis of actual economic phenomena provided by the financial press. Three sources are regularly used: The Wall Street Journal, The New York Times and the Economist. Other WEB sources are used and often data from the St Louis FRED data base and US Gov't FED and BEA data bases are used.

My goal is to enable you to engage in a basic informed discussion of current economic issues. Doing so makes the theory less abstract, more useful and helps you retain an understanding long after the class is over. Emphasis in the class is on your ability to use the theory as a guide to your thinking. Be careful in just relying on taking notes that you plan on cramming into short term memory just before the exam. That will not suffice to place you among the top students in the grade distribution. Your note taking should emphasize understanding the analysis aspect of the course, rather than writing down "answers" or concepts that you can store in short term memory just before you take each exam with the expectation that will enable you to obtain a good score on the exam. My objective is to enable a sufficient understanding that gives you that capability to encounter a current issue, make sense of it and make an informed judgment about what if any decision is required. You should be able to engage in a reasonable discussion with others by clearly stating your views and giving credible reasons for why you think as you do. Therefore, that is how the class will be conducted--as a directed or managed dialogue as practice in doing it well in your employment and social relationships.

I expect you to come to class prepared and on time. Being prepared means you have read the appropriate assignment prior to the class. Since significant time has elapsed since many of you took an econ intro course or any other economics class, you will find reading the assigned material in the text a great help to regaining a level of economic understanding and introduction to the class topics that necessary to prepare you for class comprehension. It will also aid you in being comfortable in class participation. Please do not get in the habit of attending class in a passive attitude, of waiting until exam time to read the text, or the habit drifting in late and interrupting the class. If you have a good reason, come late.

Class information is in the packet and you are accountable for what is assigned there.

## How to Succeed in this Class

- a) Be attentive in class, take a few notes, participate in discussion, read the chapters and assigned articles ahead of time. Don't work on other class material while you give partial attention to the class.
- b) Read each chapter summary first, at least once. To make sure you have learned the details, you should know the

summary of each chapter and know the meaning and proper use of the key terms in the back of each chapter..

c) Pay special attention to all material emphasized in class, and especially the reasoning on the topics. Learning money and banking and financial markets is like learning a new language. The material is not difficult, but if you don't learn the language (the terms) you won't know what's going on.

e) Form and informal group with whom to study. Teach other in your study groups.

f) Avail yourself of help by coming to me for help.

g) You are personally responsible for learning the material and doing well.

h) Make sure you complete all the assignments that are due before class as these are designed to speed your comprehension of the course material.

i) make sure you do all the comprehension checks as these will measure your preparation for the exams.

### **Attendance Expectations**

Attendance at all classes and CIMBA sanctioned activities is **MANDATORY**. All unexcused absences will have the following consequences:

a. 1st absence will result in a loss of a 1/3 of a letter grade in that class

b. 2nd (cumulative) absence will result in a loss of an entire letter grade in that class

c. 3rd (cumulative) absence will result in a dismissal from the program

Absences due to illness require a note from the CIMBA Office Staff. If a student is sick and cannot attend class, he/she must inform the CIMBA Staff immediately. Failure to do so will result in an unexcused absence.

### **Grading Policies**

The extent to which you achieve the above objectives will be measured by points earned in exams, reports and participation the activities of the class as outlined below:

Point Allocation

1 midterm	100
Assignments	100
Final Exam	<u>200</u>
Total Points	400

Course grades will be approximately distributed according to the recommended guidelines of the Economics Department at the University of Iowa, which is 30% A's, 40% B's, 25% C's and 5% D's. These are only guidelines. Actual Distribution will depend on specific class performance.

Student concerns regarding this course should first be discussed with me, the faculty member teaching this course. If we can't resolve the complaint, you may contact the Economics Department Chair, John Solow (319-335-0845, [john-solow@uiowa.edu](mailto:john-solow@uiowa.edu)). If you cannot resolve the complaint by speaking with the chair, you may contact the Associate Dean of the Tippie College Undergraduate Program, Lon Moeller, at 319-335-0924, or by email at [lon-moeller@uiowa.edu](mailto:lon-moeller@uiowa.edu)."

## **II. CIMBA Policies**

### **Which College Governs this Course?**

Virtually everything that concerns your class, including dropping and adding the class after the deadline and academic misconduct, will be controlled by the College that offers the course (i.e., the Tippie College for classes with a 06 prefix). The Provost's Office is encouraging us to put statements in our syllabi that course policies are governed by the Tippie College of Business.

### **Accommodating Students with Disabilities/Academic Accommodations**

"PLEASE NOTE: If you have a disability that may require some modification of seating, testing, or any other class

requirement, please let me know as soon as possible so that appropriate arrangements can be made. Similarly if you have any emergency medical information about which I should know, or if you need special arrangements in the event the building must be evacuated, please let me know. Please see me after class hours or during my scheduled office hours or schedule an appointment. I would also remind you that the Office of Student Disability Services is available to assist you."

Students requesting an accommodation should have paperwork completed at Student Disability Services ("SDS") 335-1462; <http://www.uiowa.edu/~sds/>). This paperwork outlines the specific accommodation that is required. If the student has not registered with SDS, you should send the student to that office for evaluation. You can get more information about accommodating disabilities here and in this letter from the Provost.

### **Academic Misconduct**

Students may work with other students, share information, etc. on all assignments except for exams. Plagiarism, cheating, unauthorized collaboration and other areas are covered by the Honor Code. If expectations about attendance and performance are violated, or if students commit academic misconduct, the CIMBA office policies prevail. CIMBA has an Honor Code in the College and they are bound by this Code even if they are not Tippie College of Business students.

"It is my sincere hope that no student in this class submits work which is not his or her own. However, it seems prudent to clarify in advance the policy on cheating. If I determine that any assignment was not written solely by the student whose identification number appears on the project, the student will receive a zero (0) for the assignment and may receive an "F" for the class. All incidents of cheating will be reported to the Senior Associate Dean of the Tippie College of Business and the student may be placed on disciplinary probation for the remainder of his or her undergraduate work at the University of Iowa. In general, the decision of the Professor may be appealed to a Judicial Board, then to the appropriate Associate Dean. The Honor Code for the Tippie College of Business will determine the appropriate appeal process."

"As with all courses in the Tippie College, personal integrity is essential to your success. Integrity is an important part of effective management and is absolutely critical for creating an environment of trust in any organization (and of that organization by public stakeholders). One part of integrity is abstaining from acts like cheating, so cheating either on the tests or the assignments will result in an appropriate consequence, usually a zero for the grade in question. Moreover, all incidents of cheating will be reported to the Senior Associate Dean of the Tippie College of Business and the student may be placed on disciplinary probation for the remainder of his or her undergraduate work at the University of Iowa. In general, the decision of the Professor may be appealed to a Judicial Board, then to Dean Lon Moeller. The Honor Code for the Tippie College of Business will determine the appeal process (<http://tippie.uiowa.edu/honorcode.cfm>)."

The University has licensed TurnItIn (<http://turnitin.com/>), which is a plagiarism detection service, and we invite all interested instructors to utilize this tool. Additional information is available at <http://its.uiowa.edu/support/turnitin/>.

### **Sexual Harassment**

The Provost's Office has requested that all syllabi contain information about the University's sexual harassment policy and resources available to students who have been harassed. The following language can be used:

The Tippie College of Business and the University of Iowa are committed to providing students with an environment free from sexual harassment. If you feel that you are being or have been harassed or you are not sure what constitutes sexual harassment, we encourage you to visit the University website, <http://www.sexualharassment.uiowa.edu/index.php>, and to seek assistance from department chairs, the Dean's Office, the University Ombuds Office, or the Office of Equal Opportunity and Diversity.

## Econ 3200 Course Schedule

Week	Dates	Session	Topic	Reading
1	9/16-9/22		Arrival and CAP Classes	
2	9/23-9/29		CAP Classes Continue	
3	10/1/2013	1	Money in the Financial System	Ch. 1,2 & Crawford Money, Morality...
	10/3/2013	2	Fin Markets, Instruments & Institutions	Ch 3
	10/5/2013	3	Intro to PV, FV and Interest Rates	Ch 4: PP 65 - 77
4	10/8/2013	4	Basics of Bonds	Ch 4 pp:78-86
	10/10/2013	5	Market Determination of Rates	Ch 6 pp:120-142
5	10/15/2013	Travel		
	10/17/2013	Travel		
6	10/22/2013	6	Risk and Term Structure	Ch 7 pp 147-168
	10/24/2013	7	Financial Derivatives: Futures & Options	Ch. 9 pp 196-202
7	10/29/2013	8	Hedging	Ch 9 pp:203-212
	10/31/2013	9	Using Options & Study Questions	Market Illustrations
8	11/4/2013	10	Using Options & Exam Questions & Review	Market Illustrations
	11/6/134	11	Midterm Exam	
	11/8/2013	12	Global Exchange & Rate Determination	Ch 10
9	11/11/2013	Travel		
	11/13/2013	Travel		
	11/15/2013	Travel		
10	11/18/2013	13	Banks and Management; Financial Crisis	Ch 12: pp 272-295; Ethical Lapse
	11/20/2013	14	Banco Veneto Visit	
	11/22/2013	15	Macro Analysis and Aggregate Demand	Lecture Material
	11/23/2013	16	Aggregate Supply SR & LR	Ch 22 (542-552)
11	11/25/2013	17	Examples of Aggregate Shock Analysis	Ch 22 (542-552)
	11/27/2013	18	Central Banks/Monetary Policy	Ch 17(399-22) Ch 18(445-51)
	11/29/2013	Travel		
12	12/2/2013	19	Government Budget: Taxes, Expenditures & Deficits	Lecture Material
	12/4/2013	20	Trade Deficits: CAB & KAB	Warren Buffet and Economic Myth
	12/5/2013	21	Final	
	12/6/2013	21	Final	