



## **Money, Banking and Financial Markets**

ECON 3335

Spring 2019

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**Professor:** William R. Latham, Ph.D.

Last name pronounced: “Lay thum”; appropriate forms of address: “Professor” or “Doctor”

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Professor Latham will respond to e-mail within 24 hours unless it is a travel week or long-weekend.

### **Course Description:**

An exploration of the roles of money, banking and interest rates in today’s economic environment. Emphasis is place on giving student the tools needed to understand and respond appropriately to changes in economic and financial conditions.

### **Course Objectives:**

The main objective is to understand the roles of money, banking and interest rates in professional life and in your personal life. The Course is divided into three parts. Part 1 will quickly review the goals of every economy and define the long term goals of the Federal Reserve. We will also introduce you to money and the payments system and some of the empirical research relating money supply to various economic variables such inflation, economic growth, unemployment and exchange rates. The role of money markets and capital markets is discussed within a background of how interest rates are determined in money and capital markets. Understanding certain financial terms such as present value, yield to maturity, and various types of risk are essential to understanding both short term and long term interest rate determination. Part 2 is a more in-depth look at banking. First, a bank balance sheet is explained and analyzed. Next, a number of the financial ratios used to evaluate banks such as return on assets, return on equity and net interest margin are introduced. Third, a number of bank risks are discussed such as credit risk, liquidity risk, operational risk, and market risk. Fourth, a historic review of the development of interstate banking in the United States helps explain why the United States has so many more banks than countries such as England and Canada. In addition, we will review some recent changes in product development, organizational development, geographic development and regulatory development and the deregulation of banking by the Trump administration. Part 3 of the course is focused around the Federal Reserve Bank and its role in the United States financial system. The current role of monetary policy and the Fed’s balance sheet as well as some new tools the Fed has acquired to deal with the Great Recession and deflation. The Bank of England and the European Central Bank will be compared and contrasted with the Federal Reserve.

## Course Materials & Resources:

Required Text: ***Money, Banking, and Financial Markets***, Stephen G. Cecchetti and Kermit L. Schoenholtz, McGraw-Hill Education, Fourth Edition

<https://www.moneyandbanking.com/>

St Louis Federal Reserve Bank data (FRED) See appendix in Chapter 1 of text

<http://www.bloomberg.com/europe>

<http://federalreserveonline.org/> Current Speeches by FOMC Members

<http://www.econoday.com/economic-calendar.aspx>

You should also make a habit of reading economic and financial news in online outlets such as the Wall Street Journal and The Financial Times as well as staying current on economic and financial events through broadcast media.

## Grading:

Homework 20%

Homework assignments will allow you demonstrate your mastery of concepts in a real-world context. Some will be based on end-of-chapter problems in your textbook.

Each assignment must be e-mailed to Professor Latham on the due date. You will lose a full letter grade for each day an assignment is late.

Each assignment is worth 2.5%. You will usually get most of the credit if you submit the assignment showing that a sincere effort was made to complete it.

Exams 70%

Exam 1 and Exam 2 will each be worth 20% of your grade and the Final Exam will be worth 30%

The Exams will consist essay questions, problems and cases. The essay questions will be graded on the basis of the following four criteria: (1) content, (2) organization, (3) grammar, (4) the quantity and quality of the outside reading included. Content is the most important element in an essay question and will constitute most of your grade for each essay question. The other three criteria will raise or lower your content grade.

Class Participation 10%

The quality and quantity of you participation will be graded,

Here are the components of your class participation: coming to class prepared to participate, contributing to class discussions by asking relevant questions, attempting to answer questions and adding comments based on your experience and your reading of current events. Professor Latham will keep a daily notes about your participation. You may ask him to review his notes with you to understand better how you are being evaluated.

Your final grade will use pluses and minuses. 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 and if the whole class performs well, the distribution can be higher.

### Course Schedule:

<b>Week 1</b>	<b>Cicchetti &amp; Shoenholtz, Chapters</b>	<b>1, 2, &amp; 3 and Homework 1</b>
<b>Week 2</b>	<b>Cicchetti &amp; Shoenholtz, Chapters</b>	<b>4 &amp; 5 and Homework 2</b>
<b>Week 3</b>	<b>Cicchetti &amp; Shoenholtz, Chapters</b>	<b>6 &amp; 7 and Homework 3</b>
<b>Week 4</b>	<b>Cicchetti &amp; Shoenholtz, Chapter</b>	<b>8 and Exam 1 on Chapters 1-8</b>
<b>Week 5</b>	<b>Cicchetti &amp; Shoenholtz, Chapters</b>	<b>9 &amp; 10 and Homework 4</b>
<b>Week 6</b>	<b>Cicchetti &amp; Shoenholtz, Chapters</b>	<b>11 &amp; 12 and Homework 5</b>
<b>Week 7</b>	<b>Cicchetti &amp; Shoenholtz, Chapters</b>	<b>13 &amp; 14 and Homework 6</b>
<b>Week 8</b>	<b>Cicchetti &amp; Shoenholtz, Chapter</b>	<b>15 and Exam 2 on Chapters 9-15</b>
<b>Week 9</b>	<b>Travel Week</b>	
<b>Week 10</b>	<b>Cicchetti &amp; Shoenholtz, Chapters</b>	<b>16 &amp; 17 and Homework 7</b>
<b>Week 11</b>	<b>Cicchetti &amp; Shoenholtz, Chapters</b>	<b>18 &amp; 19 and Homework 8</b>
<b>Week 12</b>	<b>Cicchetti &amp; Shoenholtz, Chapter</b>	<b>20 and Final Exam (Cumulative, but emphasizing material since second Exam.</b>

### Attendance Policy

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 (1/2 in the summer program)
- 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.

### Grievance Policy

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 CIMBA Interim Director, Stephanie Schnicker (319-335-1041, [stephanie-schnicker@uiowa.edu](mailto:stephanie-schnicker@uiowa.edu)). The Director will review the details of the complaint and involve the Associate Dean of the Undergraduate Programs, as needed.

### Academic Misconduct

The Tippie College of Business at the University of Iowa follows an honor code regarding academic misconduct. That code can be found at <https://tippie.uiowa.edu/current-students/undergraduates/academics/honor-code-judicial-board> and includes cheating, plagiarism, unauthorized collaboration, obtaining an unfair advantage, forgery, facilitating academic dishonesty, and misrepresentation. Be sure you are familiar with this code. Students who exhibit academic dishonesty will receive a zero (0) for the assignment or examination involved and may receive an "F" for the

class. All incidents of cheating will be reported to the CIMBA staff, as well as to the Senior Associate Dean of the Tippie College of Business. The decision of the professor may be appealed to a Judicial Board. The Honor Code for the Tippie College of Business will determine the appropriate appeal process.

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

A student seeking academic accommodations such as a modification of seating, testing, timing, etc. should first register with Student Disability Services, then contact the CIMBA Italy Office ([cimba-italy@uiowa.edu](mailto:cimba-italy@uiowa.edu)) to make further arrangements. See <http://sds.studentlife.uiowa.edu> for more information.

### **Sexual Harassment**

Sexual harassment subverts the mission of the University and threatens the well-being of students, faculty, and staff. All members of the UI community have a responsibility to uphold this mission and to contribute to a safe environment that enhances learning. Incidents of sexual harassment should be reported immediately. 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, <https://osmrc.uiowa.edu>, and to seek assistance from the CIMBA Interim Director, Stephanie Schnicker, at 319-335-1041 or [stephanie-schnicker@uiowa.edu](mailto:stephanie-schnicker@uiowa.edu).