

**MONEY AND CAPITAL MARKETS – SPRING 2012 - ECONOMICS 425G, SECTION 001
319 STIPES, T Th 2:00 – 3:15 PM**

*Department of Economics and Decision Sciences, College of Business and Technology
Accredited by the AACSB International - The Association of Advance Collegiate Schools of Business*

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OFFICE HOURS: T Th 9:30 – 11:00 AM, W 10:00 – 12:00 PM, or by appointment.

Course Description: The 1980's, 1990's, and 2009 were periods of sweeping changes in the financial system of the United States and the world. Financial innovation and deregulation were at center stage in the economic field, and almost all financial markets and institutions were affected to some degree. The purpose of this course is to analyze the current changes in the financial institutions' regulation, trends like securitization, and the globalization of the markets.

Class Procedures: There are no required textbooks for the course; therefore, students are responsible for all the materials covered in the class in addition to the assigned reading.

Pre-requisite: Econ 231 (Principles of Macroeconomics)
Textbook: Recommended: *Money and Capital Markets*, 9th edition, by Rose and Marquis
Financial Derivatives, 2nd edition by Robert Kolb
International Financial Management, 4th edition by C.S. Eun and B. G. Resnick
Pricing and Hedging Interest and Credit Risk Sensitive Instruments, F. Skinner
The Wall Street Journal, Financial Times, Business Week

Grading policy:

Take-Home Assignments (6)	29 points
Short Papers (4)	16 points
Test 1	85 points
Test 2	85 points
Final Exam	85 points
Term Paper (1)	60 points
Total	360 points

Your final grade for the course is based on the total number of points that you earn:

- A: 323 and above points earned (90% to 100%)
- B: 287 - 322 points earned (80% to 89%)
- C: 251 - 286 points earned (70% to 79%)
- D: 215 - 250 points earned (60% to 69%)
- F: 214 points earned and below (59% and below).

In case of Academic Dishonesty (cheating on any of class assignments) the student in question receives the grade of "zero" for the assignment, an automatic "F" grade for the course, and is discharged from the course immediately.

No make-up exams will be given unless the student and I made arrangements prior to the test date – i.e., if you will be gone for a university related event or other legitimate reason. I will work with you if and only if you talk to me before the test date. Additionally, the format of the test will be altered for a make up completed after the general class has taken the exam in question.

Final Exam: May 8th, 3:00 – 4:50 PM, room 319

TOPICS TO BE COVERED:

- A. Global Financial System and Markets
- B. The Market for Foreign Exchange
- C. The Money Market and its Instruments: Domestic Versus Global

Test 1

- D. The Central Bank and its Role: USA and ECB
- E. The Financial Institutions: Structure and Management
- F. Government in Financial Markets and Business Borrowing

Test 2

- G. Interest Rates and Financial Assets
- H. Financial Derivatives

Final Exam

Take-Home Assignments:

There will be **four (4) short papers** (1 typed page each) and **six (6) home works**. In the short papers you will be asked to **discuss** current issues which **are not presented in the lectures** at all. There will be a short paper on each of B, C, D, and E topics. Sources for the papers should be articles from research journals, textbooks and other library books. In each short paper you should give a short description of the subject, discuss the importance of the subject and its relevance to the current lecture topic, and present the summary of all available information on the subject.

The graduate students must write a term-paper to receive a credit for the course. The due date of the term-paper is **May 1st**. You may use one of the short papers as the basis for your term-paper. The paper must be of at least 10 typed pages. For the description of the paper see the attached handout.

Late assignments will not be accepted.

Plagiarism. Plagiarism is a form of academic dishonesty and can result in severe penalties. Plagiarism, for example, includes using sentences from someone else's writing in your paper without clearly identifying them as someone else's. **Any paper which is plagiarized in whole or in part will receive a grade of zero, the student in question will receive an automatic "F" grade for the course, and is discharged from the course immediately.**

In accordance with University policy and the Americans with Disabilities Act (ADA), academic accommodations may be made for any student who notifies the instructor of the need for an accommodation and provides documentation through Disability Support Services. It is imperative that you take the initiative to bring such needs to the instructor's attention, as he/she is not legally permitted to inquire about such particular needs of students. Students who may require special assistance in emergency evacuation (i.e. fire, tornado, etc.) should contact the instructor as to the most appropriate procedures to follow in such an emergency.

Students are expected to attend every class. It is students' responsibility to keep informed of test dates and homework assignments; absence whether excused or not do not absolve students' responsibility in this matter.

WEB address for student rights and responsibilities: <http://www.wiu.edu/provost/student/>

TERM PAPER

You will be required to turn in one acceptable term paper based on three (3) to five (5) articles of your choice of at least ten (10) typed, double-spaced pages. The term paper: **(1)** will **survey** the literature in an area of your choice relevant to the topic you found interesting; **(2)** will show how the different articles **relate to each other**; **(3)** will **critique** the literature (i.e. identifying and elaborating on the strong and weak points of the literature). The survey may **not** consist of a succession of independent, separate discussions of articles; rather, it should be organized as a flow according to themes or ideas in the relevant literature.

The **paper is due on May 1st**. **There will be a grading penalty if any deadlines are not met.**

TIPS ON WRITING YOUR TERM PAPER

While writing your term paper you should consider the following:

- A typical term paper for this course might survey around 3-5 articles (depending on the nature of the particular literature).
- You should mention all of them when their subject matter arises, but you might focus on approximately 3 articles in particular.
- Articles mentioned in your paper should be referred to as, e.g., Anderson (1990).
- You should have a section at the end called "References" or "Bibliography", giving the complete citations.
- Pages must be numbered.
- Footnotes should contain complete sentences which expresses thoughts that are too tangential to put into the text of the paper.
- Your paper should have three or more numbered sections, each with a title like Introduction, Conclusion, etc. The titles of the section other than introduction and conclusion will depend on the content of your paper.
- Your paper should have an introduction telling the reader the sequence of things you will present, and a conclusion, summarizing what you have done.
- Your paper must have a title page where you state your name, the title of the paper, course number for your paper, the semester, and the year the paper has been written.
- For each paper on which you focus in depth, state clearly: (a) what questions does it ask? (b) how does it try to answer them? (c) what conclusions does it come to?

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