

ECO 315
Introduction to Money and Banking
Winter 2012

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Office Hour : Wednesday, 2:30 – 4:30 or by appointment
at Loop Campus (14 E Jackson #900)

OBJECTIVES OF THE COURSE:

Current financial system has been playing the most important role in the economic system. It also has been getting more complicated to serve the global economy needs. To understand the financial markets, this class will focus on followings; First, we will study the fundamental role of money, bonds, securities, and derivatives. Second, we will focus on how the financial institutions work and current problems we have. Third, as an extension of the fundamental problem of financial market, we will study about recent and past financial crises in U.S. as well as other countries. Finally we will focus on macro side of financial market as we include the role of Federal Reserve System on its monetary policy.

REQUIRED TEXTBOOK:

Mishkin, Frederic S. The Economics of Money, Banking & Financial Markets, Business School Edition, 2th Edition, 2010. ISBN: 321599888

REQUIRED DVD

Inside Job (2010) directed by Charles Ferguson, Sony Pictures Classics

RECOMMENDED DVD and Books

House of Cards (2009) directed by David Faber, CNBC Original Production

Too Big to Fail (2011) directed by, Curtis Hanson, Made for HBO (DVD is not available but you can watch via HBO GO)

or Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System--and Themselves, 2011, ISBN: 0143120271

GRADES

A Midterm (25%), a Group Project (25%) and a Final Exam (30%) will compose 80% of the course grade. The remaining 20% will be from your assignments (end of chapter (10%), in-class homework and popup quizzes (10%).

Scale of grade:

A	93 or above
A-	88-92.9
B+	85-87.9
B	80-84.9
B-	77-79.9
C+	75-76.9
C	70-74.9
C-	68-69.9
D+	65-67.9
D	60-64.9
F	Below 60

ASSIGNMENTS

Weekly homework is due on 5:30 PM every Wednesday (except the week right before the midterm and final, it will be Sunday) Weekly homework should be finished on D2L site. No late submission after 9:00 will be allowed since the correct answers will be posted on D2L at 9:00 PM. For any reason, if the homework submitted via email after 5:30, there will be a steep penalty on the grade. It allows unlimited attempts.

In-class homework will be handed out during regular class. This will be assigned by needs for exercise. The due date will be announced at class.

GROUP PROJECT

The main topic of the project is to understand the complexity of current subprime financial crisis. Due to limited time in class, each group will investigate details about the crisis and share the findings in a form of presentation and reports. We will share all group reports. To make this project useful, the group will focus on a specific target like a company, specific cities, or specific mortgage programs.

There are maximum of 3 students in a group. You can choose your own research topic only related with financial crisis of 2007. We will form a group and discuss about the idea in week 5 and 6, work as a group for an hour and half in class in week 7 (a laptop for a group needed), present the draft in week 8, and submit the Powerpoint final report in week 9. The grade for the group project is based on the presentation (10%) and the final report (15%). The presentation takes about 8 minutes, and pre-recorded video presentation also allowed if preferred.

EXAMS

midterm (2/1/2012) and Final exam. The exams will have multiple choices and short answer questions; similar problems covered in lectures, assignments, and books.

Make-up Exams: Make-up exam will not be given. Students who request make-up exams must inform the instructor prior to the exam and provide proper document to prove the acceptable reason (medical records or family emergency, etc).

TENTATIVE CLASS SCHEDULE

WEEK1 Financial System (Chapter 1, 2)

WEEK2 Money and Interest Rate (Chapter 3, 4)

WEEK3 The Behavior of Interest Rate, Risk, and Term Structure of Interest Rates
(Chapter 5, 6)

WEEK4 The Stock Market, Market hypothesis, and Financial Derivatives (Chapter 7, 14)

WEEK5 **Midterm Exam (Feb 1, 25%)**

Economic Analysis of Financial Structure, Conflicts of Interest in Financial Industry,
(Chapter 8, 15)

WEEK6 Financial Crises and subprime meltdown (Chapter 9)

WEEK7 Banking and the Management of Financial Institutions, and Economic Analysis of
Financial Regulation (Chapter 10, 11)

Group project work in class

WEEK8 **Group Project Presentation (Feb 22)**

Banking Industry and Nonbank Finance (Chapter 12, 13)

WEEK9 Central Banks and the Federal Reserve System, Money Supply Process (Chr 16, 17)

Group Project Report Due (PowerPoint)

WEEK10 Monetary Policy (Chapter 18, 19), Review

Final Exam (30%)