

# EC 330 - Money, Banking, and Financial Markets

## *Summer 2019*

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## 1 Contact and Office Hours

**Instructor:** Mehmet Karaca

**Email:** karacame[at]msu.edu

**Webpage:** <https://d21.msu.edu>

### **Office Hours:**

Will be held on campus or online on Skype by appointment.

Please attain to the following:

1. Send me an email to schedule date and time, including details on the issue, so I can provide the best tailored help possible.
2. (For Skype appointments) Download Skype, if you don't have it already. It can be downloaded for free for various operating systems at: <http://www.skype.com/download/skype/windows/?c=101>
3. Add my contact: **mehmetfurkankaraca**
4. Be *on time* and be *flexible*: connection issues may arise on either/both side. If you experience any delay, please check/send an email, so that we can fix the problem together. The goal is to minimize technological noise and maximize learning.

## 2 Course Overview and Objective

The central objective of the course is to examine the financial markets, including the money market, and to analyse their relationships to the banking system in general and the Federal Reserve in particular. Emphasis will be on developing economic reasoning rather than learning knowledge only. Enhancing the student's ability to read, understand, and interpret related economic events will be a prime goal. Rather than memorization, practice through problem solving will be important for success. Quizzes, assessments, and study guide exercises will be useful for that purpose.

### 3 REQUIRED COURSE MATERIALS

## 3 Required Course Materials

Money, Banking, and Financial Markets, 4th edition, 2015, Cecchetti and Schoenholtz, ISBN: 978-0-07-8021749 - Also available as an e-book at VitalSource (previously CourseSmart) <https://www.vitalsource.com/> as ISBN: 978-1-25-9927225. Also meeting the requirement, but less satisfactory, students have a choice of formats for the older custom book from the third edition, either an e-book or a printed book.

Extra: a 5th edition is also available. As far as I have noticed, both the contents and the ordering of the chapter haven't changed substantially. If any student would decide to purchase this version, please be aware that some minor differences might exist: please contact me if you notice any kind of discrepancy between the newer version of the textbook and the material provided on D2L.

## 4 Course Assessment

With every unit comes Assignments and Assessment to help you better understand the material. Under every *chapter* of every unit you will find an assessment which will help you assess that how well have you understood that chapter. Moreover every *unit* will have a few Assignments. Every assignment and assessment have recommended finish dates to guide the students. Assignments and Assessment *are not graded*.

### 4.1 Grading System

The course grade will be determined using the following weights:

- Midterm I : 30 percent
- Midterm II : 30 percent
- Final Exam : 40 percent

At the end of the term, I will calculate the raw average score for the class. If this average is less than 75, I add  $N$  points to every student's average score, where  $N = 75 - \text{raw average of the class}$ . This will provide each student with an adjusted final score. Grades will then be awarded based on the categories in the following table:

## 5 Exams

There are three exams: *Midterm I* on **June 3rd**, *Midterm II* on **June 13th** and the *Final Exam* on **June 27th**. All exams are going to be held in **Wells Hall A108** between **6pm-8:30pm**.

If your Adjusted Final Score Is	Your Final Course Grade Will be
>93	4.0
86-92	3.5
80-85	3.0
76-79	2.5
70-75	2.0
66-69	1.5
60-65	1.0
0-59	0.0

Each exam will consist of multiple choice questions, and the material covered is cumulative (from the beginning to the date at which the exam will be held).

Students need to have a calculator, pencil, and an identification picture.

Moreover, students will be allowed to have a 2 pages cheat sheet according to the following requirements: letter size (A4), **handwritten**.

## 5.1 Off-Campus Exams

Students who cannot take the exams at the East Lansing campus due to distance constraints must make alternative arrangement to find proctors, and the exams will be sent to the proctors in a timely manner.

1. No exams will be given outside the U.S. except if serving in the U.S. military or students in official MSU Student Abroad Programs.
2. **At least two weeks before each exam**, students must identify a proctor at a testing center if they are living 75 miles or more from East Lansing. A penalty of 5 points can be applicable if the students does not meet the time requirement.
3. Acceptable proctors include:
  - <http://www.ncta-testing.org/>
  - <https://www.nmc.edu/student-services/tutoring-support/student-success-center-faculty-testing.html>
  - Official Testing Service of an *accredited university*

## 6 ACADEMIC HONESTY AND INTEGRITY

Please refer to the video online [How to find a testing center](#), for further guidance.

4. Students are responsible for any fees.
5. Students should arrange with the testing center to take the exam on the same day as the class.
6. Send the information about the off-Campus Exam (Location, Time, email of the proctoring center) to the instructors' email.

### 5.2 RCPD

Please refer to <https://www.rcpd.msu.edu/>

## 6 Academic Honesty and Integrity

Cheating is not tolerated at Michigan State University. The MSU policies, regulations and ordinances regarding academic honesty and integrity can be found online at the MSU Office of the Ombudsman. Anyone caught cheating will be severely penalized.

The actual penalty will be determined in consultation with the Chairperson of the Department of Economics.

## 7 Course Outline

I. Guidelines for Learning Economics	
II. An Introduction to Money, Payments and the Financial System	Chapters 1 and 2
III. Financial Instruments, Financial Markets, and Financial Institutions	Chapter 3
IV. Future Value, Present Value, and Interest Rates	Chapter 4
V. Understanding Risk	Chapter 5
<b>Midterm I - June 3rd</b>	
VI. Bonds, Bond Prices, and the Determination of Interest Rates	Chapter 6
VII. The Risk and Term Structure of Interest Rates	Chapter 7
<b>Midterm II - June 13th</b>	
VIII. The Economics of Financial Intermediation	Chapter 11
IX. Financial Crises and System Regulation	Chapter 14
X. The Central Bank Balance Sheet and the Money Supply Process	Chapter 17
XI. Money Growth, Money Demand, and Modern Monetary Policy	Chapter 20
<b>Final Exam - June 27th</b>	

Disclaimer: the present syllabus might be subject to minor changes, which will be discussed with and notified to the students.