EC 341 Monetary and Banking Institutions

EC 341 Summer II 2012 Section B1
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Course Dates: Monday, July 2 - Thursday, August 9, 2012
Schedule: Monday, Tuesday, Thursday 6-8:30 PM
Classroom: CAS 204A

Office: Room 412A, 270 Bay State Road (Economics Department)
Office Hours: Thursday 4-5:30pm and by appointment.
Course Website: All materials will be posted on Blackboard.

Course Overview

This course is a one-semester introduction to the topics of money, banking, and financial markets. Topics include: the theory of money, asset pricing, interest rates, bond and stock markets, and central bank monetary policy.

Prerequisites

EC 202 or EC 212.
Textbook


Grading

Class Participation (8 %)
Homework (12 %)
Midterm Exam (30%)
Final Exam (50 %)

There will be 4 assignments each of which will contribute 3% towards your final grade. The final exam will be cumulative but weighted more heavily towards the second half of the course. At the end of the course you will be assigned a letter grade based on your relative performance.

Exam Dates

- Final Exam: Thursday, August 9, 2012, in class.

Policies

**Deadlines:** Assignments are due at the beginning of class. Absolutely no late submissions will be accepted.

**Exams:** It is your responsibility to plan your travel around exam dates. Both exams are required. If you miss an exam without an acceptable excuse you will receive a grade of zero. The only exceptions will be for a verified family emergency or for an illness or injury that is confirmed by the university health center or another doctor. If you miss an exam for a legitimate reason, your final course grade will be graded without that exam component. The exam must be turned in at the end of the exam period; no exceptions will be made for students who arrive late.
**Cheating:** It is your responsibility to know and understand the provisions of the CAS Academic Conduct Code (copies are available in CAS Room 105). Cases of suspected academic misconduct will be referred to the Dean’s Office. In addition, anyone found cheating on an exam will receive a zero grade for the exam.

**Students with Documented Disabilities:** If you have a disability that necessitates extra time for exams, or any other accommodations, you will need to give me a note from the BU office of Disabilities Services at least one week before the midterm so that I can make arrangements.

**Course Outline**

*This schedule is preliminary and subject to revision. The exam dates will NOT change.*

- **Monday, July 2:**
  - Course Overview
  - Basics of Money, Asset Prices (Chapter 1)
- **Tuesday, July 3**
  - An overview of the Financial System (Chapter 2)
- **Thursday, July 5**
  - Introduction to Money.
  - Definitions of Money, Functions of Money (Chapter 3)
  - Interest Rates, Real vs Nominal Interest Rates (Chapter 4)
- **Monday, July 9**
  - The determinants of the Interest Rate.
  - Introduction to the Theory of Portfolio Choice. (Chapter 5)
  - Homework 1 Due
- **Tuesday, July 10**
  - The Term Structure of Interest Rates (Chapter 6)
- **Thursday, July 12**
  - The Stock Market
• Introduction to the Theory of Rational Expectations
• The Efficient Market Hypothesis and Implications (Chapter 7)

• Monday, July 16
  – Introduction to Financial Structure (Chapter 8)
  – Basics of Asymmetric Information
  – Homework 2 Due

• Tuesday, July 17
  – Financial Crisis (Chapter 9)
  – The Current Crisis: The Great Recession

• Thursday, July 19
  – Midterm

• Monday, July 23
  – Introduction to Banking
  – The Bank’s Balance Sheet (Chapter 10)

• Tuesday, July 24
  – Financial Regulation (Chapter 11)

• Thursday, July 26
  – Structure of the Banking Industry (Chapter 12)

• Monday, July 30
  – Introduction to Financial Derivatives
  – Using Financial Derivatives to Hedge Risks (Chapter 14)
  – Homework 3 Due

• Tuesday, July 31
  – Nonbank Finance (Chapter 13)

• Thursday, August 2
  – The Role of Central Banking
  – The Federal Reserve System (Chapter 16)

• Monday, August 6
  – Basics of Monetary Policy (Chapter 18)
– Introduction to Theory of Monetary Policy (Chapter 24)
– Homework 4 Due

• **Tuesday, August 7**
  – Transmission Mechanism of Monetary Policy (Chapter 25)
  – Review

• **Thursday, August 9**
  – Final Exam