

UNIVERSITY OF MARYLAND
DEPARTMENT OF ECONOMICS
ECONOMICS 330

Fall Semester, 2015
Room: SKN 0200
Lecture: M and W 3:30pm to 4:45pm
Office Hours: M and W 10:30am - 11:30am

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REQUIRED

Mishkin, Frederic S. *Money, Banking, and Financial Markets, Business School 4th Edition* - 2nd or 3rd Editions are ok. Pearson Addison-Wesley is the publisher.

COURSE DESCRIPTION

Economics 330 is a course in money, banking and financial markets. The objective of this course is to develop a clear understanding of (i) the determination of interest rates; (ii) interactions between different financial institutions; (iii) the role money, banks and the Federal Reserve in the American financial system. At the end of this course you will be conversant in the language of financial markets and institutions, and have an understanding of: (1) what money is and why we use it; (2) the fundamental concepts of a financial instrument, including bonds, stocks, derivatives; (3) the basic purpose of financial markets; (4) the role of financial institutions in our economy, with a special emphasis on banks; and (5) the importance of central banks and the conduct of monetary policy.

COURSE WEB SITE: <http://www.terpconnect.umd.edu/~jneri/Econ330> The "E" in Econ330 is capitalized.

EXAMINATIONS, PROBLEM SETS AND GRADES

Your grade will be determined as follows:

Two (2) midterm exams	100 points each
Comprehensive Final Exam	140 points
Six (6) problem sets	10 points each
Total	400 points

The midterm exams will be a combination of multiple-choice, short answer/problems. The final exam is all multiple-choice. The multiple-choice section will be taken on a computer-grading sheet (scantron sheet) with a number 2 pencil. I will assign 6 graded problem sets. We will attempt to return the graded short answer portion of the exams and the problem sets one week after the due date. **You will then have one-week to raise questions regarding grades. I will not entertain any grade questions after the one week question period.** Students with total points less than or equal to 200 (50 percent) will receive a grade of "F" for the course. **Students that get A's and B's in this course attend lecture. If you do not plan on attend lecture, you will not do well in this course.** WRITE YOUR NAME IN INK on your problem sets. Unfortunately we have had names in pencil erased and a new name inserted. Hard to believe, but true.

LECTURE ATTENDANCE

I expect you to come to class and remain in class for the duration of the class period. The course web page is provided to update and disseminate course information. IT IS NOT INTENDED TO BE A SUBSTITUTE FOR ATTENDING CLASS. Any topic discussed in lecture is "fair game" for the exams. Private conversations are disruptive and rude to fellow students and your instructor and will not be tolerated. **You may NOT record my lectures.**

TEACHING ASSISTANTS: There are two graduate teaching Assistants (TAs) for this course that are available to help you. You can go to any one for help. I will divide the class alphabetically between the graduate TAs for grading. I will update the TA grading responsibility, office location, office hours and e-mail addresses on the course web site.

MAKE-UP EXAMINATION POLICY

You are required to take all examinations. A make-up exam for each of the two in-class exams can be given **ONLY** for those students with a valid University excuse. For the policies to be followed in this course on absences from examinations, make-up exams, and violations of academic integrity, please see Chapter 4 of the Undergraduate Catalog, (online at <http://www.umd.edu/catalog/0506/chapter4.pdf>)

The make-up exam for each midterm will be given the week following the originally scheduled exam during regular class time. You must complete the Request-for-excuse form and present a valid University excuse to me within 24 hours of the scheduled exam in order to take the make-up. More than one exam on the same day is not a valid excuse for a make-up exam. DO NOT ASK!

CALCULATORS

You will need a calculator for exams. I only allow four function and scientific calculators. You may not use financial calculators or any programmable calculators that can be used to store formulas. If in doubt, bring your calculator to me prior to the exam date and I'll approve it.

APPROXIMATE SCHEDULE (Exam dates may slide and order of presentation may change)

Additional required reading and videos will be posted on the course web site.

Class Dates:

I. Course Introduction, Financial Markets and Risk

- (8/31, 9/2) Introduction to Course and Overview of the Financial System - Chapters 1 and 2
- (9/7, 9/9) Financial System - Why Do Financial Intermediaries Exist – Chapters 2 (sections of 8)
- (9/14, 9/16) Money and Risk - Chapter 3 and Lecture Slides on Risk. (Practice Quiz 1, 9/16)
- (9/21, 9/23) Understanding Interest Rates – Chapter 4.

II. Financial Markets and Interest Rates

- (9/28, 9/30) Understanding Interest Rates - Chapter 4 (Practice Quiz 2, 9/30)
- (10/5, 10/7) Behavior of Interest Rates - Chapters 4 and 5
- (10/12, 10/16) Risk Structure and Term Structure of Interest rates – Chapters 5 and 6

Exam 1 – Monday October 12

III. Commercial Banking

- (10/19, 10/21) Commercial Bank Balance Sheet – Chapter 10
- (10/26, 10/28) Commercial Bank Balance Sheet and Bank Regulation - Chapters 10 and 11 (Quiz 3, 10/28)
- (11/2, 11/4) Commercial Banking Industry Structure and Shadow Banking - Chapter 12 and Assigned readings

IV. Central Banks and Monetary Policy

- (11/9, 11/11) Central Bank Structure, Balance Sheet and the Monetary Supply - Chapters 16 and 17

Exam 2 – Tentatively Monday November 16

- (11/16, 11/18) Tools of Monetary Policy - Chapters 18 and 19 (Practice Quiz 4, 11/18)
- (11/23, 11/25) Tools of Monetary Policy and What Central Banks Should Do - Chapter 19. Thanksgiving.
- (11/30, 12/4) Quantity Theory of Money, Monetary Policy Theory, and Transmission – Chapters 22 and 24

- (12/7, 12/9) TBA (Practice Quiz 5, 12/9)

Final Examination – Wednesday December 16 1:30p.m.- 3:30 p.m.
Exam location to be announced.