Instructor: Dr. Joel D. Carton  
Office: DM 313B  
Phone: 305-348-2682  
E-mail: joel.carton@fiu.edu  
T.A.: TBA

OFFICE HOURS AND APPOINTMENTS:

I will hold drop in office hours on Wednesdays from 5:00 – 6:30 and Thursdays from 2:00 – 4:00. In addition, I will be available for appointments as the need arises. To insure availability, appointments should be made with at least 24 hours advance notice.

PREREQUISITES:

Students should have completed ECO 2013 prior to taking this course.

TEXTBOOK:

The required textbook for the course is:


Other useful references for additional explanation and exercises are:

COURSE CONTENT:

This course is designed to cover the operation of financial markets, the determination of key
financial market prices (interest rates, bond prices, stock prices, and exchange rates) and the
connections between financial markets and macroeconomic performance, with particular
emphasis on the role played by the central bank through its control of the money supply.

Although I reserve the right to make modifications as I see fit, my tentative plan is to cover the
following topics in order:

- Discrete growth at a constant rate (ch. 4)
- The present value of future cash flows (ch. 4)
- Yield to maturity and holding period rate of return for bonds (ch. 4)
- Real vs. nominal interest rates (ch. 4)
- Bond price determination (ch. 5)
- The liquidity preference theory of interest rates (ch. 5)
- Default risk and interest rate risk (chs. 4,6)
- The term structure of interest rates (ch. 6)
- Holding period rate of return for shares of stock (ch. 7)
- Stock price determination (ch. 7)
- The efficient market hypothesis (ch. 7)
- The CAPM model of asset pricing (web appendix, JEP)
- Interest rate parity and nominal exchange rates in the short run (ch. 17, appendix)
- Financial market effects of monetary policy shocks (chs. 5, 17)
- The Federal Reserve system (ch. 13)
- Multiple deposit creation and the money supply process (ch. 14)
• The tools and conduct of monetary policy (chs. 15, 16)

ATTENDANCE POLICY:

I highly recommend that students attend all lectures. When you skip lectures regularly, you only make the class more difficult for yourself. However, attendance will not directly figure into the calculation of grades for the course.

GRADING:

Each student’s grade will be based on 3 homework assignments and three exams, including two midterms and a final exam. In particular, a student’s overall numerical grade for the course will be a weighted average of his/her average homework score, average midterm score, and final exam score. The average homework score will receive a weight of .3 in the overall grade. Of the midterm average and final exam scores, the higher score will receive a weight of .50 in the overall grade, while the lower score will receive a weight of .20.

Letter grades for the course will be determined by students’ relative overall numerical scores for the course. Specifically, grades will be based on the following scale, although I reserve the right to be more generous if appropriate:

• A: Top 20%
• B: Next 20%
• C: Next 40%
• D, F: Bottom 20%

Note: There will be no extra credit of any kind offered to any student under any circumstances.

EXAM SCHEDULE:

Exams are scheduled as follows. If you take this class, you must take the exams at the scheduled times, unless you have a university sanctioned schedule conflict. If you won’t be available to take the exams at the scheduled times, don’t take this class. There will be no makeup exams offered to students who miss exams without prior authorization.
• Exam 1: Friday, February 8th
• Exam 2: Friday, March 22nd
• Final Exam: TBA

LATE HOMEWORK ASSIGNMENTS:

In order to encourage timely submission of homework, late homework will be penalized as follows:

• Assignments submitted after the deadline, but within 3 days of the deadline will lose 50% of their value.

• Assignments submitted more than 3 days late will receive a zero.

ACADEMIC DISHONESTY:

I will not tolerate cheating of any kind. Although you are free to work with other students on your homework assignments, you will be expected to complete your exams without assistance from anyone (or anything) else. Any student who, in my judgment, is found to have cheated on an exam will receive an automatic zero for that exam.

ACCOMMODATING DISABILITIES:

In keeping with the Americans with Disabilities Act, I will make every effort to accommodate the needs of students with disabilities. Any student who, because of a disabling condition, may require some special arrangements in order to meet course requirements should contact me as soon as possible to make necessary accommodations.

DROP DEADLINES:
• Monday, January 14th: Drop/Add period ends. You will not be refunded for the course if you drop it after this date.

• Friday, February 1st: Last day to withdraw from the University with a 25% tuition refund.

• Monday, March 18th: Last day to drop with DR grade or withdraw from the University with a WI grade.