

ECO 3223.U01: MONEY AND BANKING
SPRING SEMESTER, 2024

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 virtual office hours on Wednesdays from 5:00 – 6:30 and Thursdays from 3:00 – 5:00. Those can be accessed via Zoom at the scheduled times with the link <https://fiu.zoom.us/j/4332681122>. No passcode is required to join. On Wednesdays, I will also be available in person in my office.

PREREQUISITES:

Students should have completed ECO 2013 or an equivalent course with a grade of C or better before enrolling in this course.

TEXTBOOK:

The required textbook for the course is:

- Mishkin, Frederic S. (2016) *The Economics of Money, Banking and Financial Markets*, 11th Edition, published by Pearson Education (ISBN-13: 978-0-13-383679-0)

Other useful references for additional explanation and exercises are:

- *Money, Banking, and Financial Markets*, 4th edition (2015) by Stephen Cecchetti and Kermit Schoenholtz, published by McGraw-Hill Education
- *Principles of Corporate Finance*, 12th edition (2016) by Richard Brealey, Stewart Myers, and Franklin Allen, published by McGraw-Hill Education

COMMUNICATION PLAN IN CASE OF DISRUPTION TO ON-CAMPUS ACTIVITY:

In the event that our face-to-face class cannot meet as regularly scheduled, I will contact you through Canvas e-mail to alert you to the change, and proceed with lecture delivery via Zoom meetings. In that case, I will e-mail you complete instructions for how to join the virtual lectures in addition to adding instructions and links to the syllabus.

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. 4.1)
- Yield to maturity and holding period rate of return for bonds (ch. 4.1 - 4.2)
- Real vs. nominal interest rates (ch. 4.3)
- Bond price determination (ch. 5.1 – 5.3)
- The liquidity preference theory of interest rates (ch. 5.4 – 5.6)
- Default risk and interest rate risk (chs. 4.2,6)
- The term structure of interest rates (ch. 6.2)
- The risk structure of interest rates (ch. 6.1)
- Holding period rate of return for shares of stock (ch. 7.1)
- Stock price determination (ch. 7.1 – 7.2)
- The efficient market hypothesis (ch. 7.3)

- Mean, variance, and covariance for random variables (excerpt)
- The CAPM model of asset pricing ([web appendix](#), JEP)
- Purchasing power parity and exchange rates in the long run (ch. 17)
- Interest rate parity and nominal exchange rates in the short run (ch. 17, appendix)
- Financial market effects of monetary policy shocks (chs. 5.5-5.6, 17)
- The Federal Reserve system (ch. 13)
- Multiple deposit creation and the money supply process (ch. 14)

ATTENDANCE POLICY:

For this class, **attendance is mandatory**. In particular, each student will be allowed to miss only 6 lectures. Students who miss more than 6 lectures will receive a failing grade (D or F), regardless of their performance on homework and exams. For attendance purposes, a student will be counted as absent if they are not present within 10 minutes of the beginning of class.

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 their average homework score, average midterm score, and final exam score. The average homework score will receive a weight of .25 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 receives a weight of .25.

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% of scores
- B: Next 20% of scores
- C: Next 40% of scores, or all remaining scores greater than 44.5 (whichever is smaller)
- D, F: Lowest 20% of scores, or all remaining scores (whichever is larger)

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.

- Midterm Exam 1: Monday, February 12th
- Midterm Exam 2: Monday, March 25th
- Final Exam: Friday, April 26th, from 12:00 p.m. – 2:00 p.m.

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.

Note: An assignment will be counted as late if it is not submitted **within 10 minutes of the start of class** on the day that it is due.

ACADEMIC DISHONESTY:

I will not tolerate cheating of any kind. Although you are free to collaborate with other students on your homework assignments, you will be expected to submit your own assignments and complete your exams without assistance from anyone (or anything) else. Any student who, in my judgment, is responsible for academic misconduct on an assignment or an exam will receive an automatic zero for that assignment/exam and have a complaint filed against them with FIU's Office of Student Conduct and Academic Integrity.

FIU's Student Conduct and Honor Code define academic misconduct as:

1. Cheating

- The unauthorized use of any materials, information, study aids, or assistance from another person on any academic assignment or exercise, unless explicitly authorized by the instructor
- Assisting another student in the unauthorized use of any materials, information, study aids, or assistance from another person on any academic assignment or exercise, unless explicitly authorized by the instructor
- Having a substitute complete any academic assignment, or completing an academic assignment for someone else, either paid or unpaid

2. Commercial Use

- The selling of course material to another person or student, and/or uploading course material to a third-party vendor without authorization or without the express written permission of the university and the instructor. Course materials include but are not limited to: class notes, instructor's power points, tests, quizzes, labs, instruction sheets, homework, study guides, and handouts.

3. Multiple Submission

- Submitting the same or substantially the same academic work (including oral presentations) for credit more than once. Multiple submissions shall not include situations where written approval by the instructor in the current course is given to the student to use a prior academic work or endeavor. It is each instructor's responsibility to make expectations regarding the incorporation of existing academic work into new assignments clear to their students in writing.

4. Plagiarism

- The deliberate use and appropriation of another's work without any indication of the source, and the representation of such work as the student's own.
- Assisting another student in the deliberate use and appropriation of another's work without any indication of the source, and the representation of such work as the student's own.

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 requires special accommodation to meet course requirements, because of a disabling condition, should contact me as soon as possible to make the necessary arrangements.

DROP/ADD DEADLINES:

- Tuesday, January 16th: Drop/Add period ends. You will not be refunded for the course if you drop it after this date.
- Monday, March 18th: Last day to drop with DR grade or withdraw from the University.