

Instructor: César Salinas
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Office: Wylie Hall (WY) 244
Class hours: M W 9:45am-11:00am, Ballantine Hall (BH) 243
Office hours: T R 10am-11:30am or by appointment

Prerequisites:

E201, B251, E251, E202, B252, E252.

Required textbook and resources:

- Class Canvas Website: <https://iu.instructure.com/courses/2118338>
Canvas is the primary mode of communication for all class information, exams, assignments, etc. You will need to visit this site frequently throughout the semester and make sure you will receive messages sent through Canvas.
- Textbook: Cecchetti, S. and Schoenholtz, K. (2021), *'Money, Banking and Financial Markets'*, 6th Ed., McGraw-Hill/Irwin. (5th edition is fine)
- Top Hat: [IU Quick Start Guide](#)
- Microsoft Excel and/or your preferred calculator.

Course Objectives:

1. Define money and describe its functions. Explain how the money supply is measured and how it is linked to economic growth and inflation.
2. Explain what financial instruments are, how they are used and how they are valued. Describe the role of financial institutions and structure of the financial system.
3. Define and explain how to quantify risk. Explain the role of risk aversion and risk premium. Demonstrate how to reduce risk.
4. Explain how bond prices are determined, why they change and the major types of bond risk. Define the yield curve and interpret it using the expectations hypothesis and liquidity premium theory.
5. Explain how stocks are valued. Assess the risk in holding stocks and describe the stock market's role in the economy.
6. Explain asymmetric information, the problems it causes, and solutions to these problems. Describe how moral hazard and adverse selection are managed by financial intermediaries.
7. Describe a commercial bank's assets and liabilities. Describe the central bank's balance sheets and how monetary policy affects the banking system and the monetary base.
8. Examine and apply how changes to monetary policy affect macroeconomic variables and solve the two basic macroeconomic problems. Identify Federal Reserve policies, goals, and targets. Explain and illustrate how money and interest rates relate to each other.

Course Organization: This class meets In Person. Class presentations are not a substitute for reading all the required material and participating in in class. You are responsible for all material presented in the textbook as well as lectures for any assessment. A student should attend every scheduled class and is responsible for all work posted in Canvas and assigned readings. Redacted presentation slides and notes will be uploaded to Canvas. *Modification of policies may be required during the semester. The instructor will make explicit announcements pertaining to any such changes.*

Mask Policy: Masks are optional at all campuses since March 4, 2022. Classrooms, residence halls, dining spaces, building common areas and IU Athletics venues are all examples of indoor spaces where mask use will be op-

tional. For more information please visit: <https://www.iu.edu/covid/faq/index.html> If you're experiencing COVID-19 symptoms, follow these steps to take care of yourself and avoid spreading the virus to others: <https://www.iu.edu/covid/testing/index.html>

Exams: There will be *two exams proctored in-person*. The exams will be either multiple choice, graphical or numerical problems, fill-in-the blank, short essay questions, data exploration or any combination of these five. Each exam is worth 30% or 150 points of the course grade. The exams are scheduled on the following days:

EXAM 1: Wednesday, March 01 (during class time)

EXAM 2: Wednesday, May 03 (8:00-10:00 a.m. ET)

Your schedule must permit you to be free to take the *final exam on Wednesday, May 03 from 8:00 to 10:00 a.m. ET*. The exams are not cumulative. There are no alternatives to taking the exams on these dates.

If you desire classroom/testing accommodations for a disability, contact me outside of class to present the written supporting memorandum of accommodation from the Office of Disability Services for Students: <https://studentaffairs.indiana.edu/disability-services-students/>. Requests for accommodations for disability must be received and authorized by your instructor in written form no less than 1 week in advance of need, in order to allow adequate time to review and make appropriate arrangements. No accommodation should be assumed until authorized by your instructor.

Quizzes: There will be 13 weekly quizzes (due each Friday by 11:59pm) submitted online through Canvas worth 20% or 100 points of the course grade. Each assignment will be worth 7.7 points. Late assignments will not be graded and receive a 0.

Projects: There will be 2 empirical projects (due by 11:59pm) submitted online through Canvas worth 100 points or 20% of your course grade. Each project will be worth 50 points. Late projects will not be graded and receive a 0.

Participation and attendance: Attendance is not mandatory, but you can earn participation points on each in-person class session. You can earn up to 26 extra credit points this semester (1 daily point). You will enter the Top Hat attendance code at the beginning or end of class to earn those points.

Grading dispute: All questions/problems/disputes regarding the grading of an assignment must be addressed *within 4 days* of the return of the assignment. I reserve the right to regrade the entire assignment, in which case your grade might be lowered/unchanged/raised.

Make Up Policy for Final Exam: You must be able to take the final exam in-person. Only under extraordinary circumstance such as a documented medical emergency will I grant you permission for a make-up final exam. If you miss the final exam without proper documentation or approval from me, you will generally not be allowed to take a make-up final. Under some circumstances, I may allow you to take a make-up final for non-document reasons. However, your make-up final will be worth only 90% of the available points allocated to your final exam, if the reason is not properly documented. If I give you permission for a make-up final exam, you will receive an incomplete for the course and a make-up final will be administered to you in the next semester (Fall 2023). You must contact me and sign (via email is fine) a removal of incomplete document to receive the incomplete or you will receive a zero on your final quiz.

If you do not take the final exam, you will receive a grade of zero for your final exam grade. It is university policy, generally, not to allow make-up finals unless there are extreme circumstances (oversleeping is not an extreme circumstance)—in other words **DO NOT** miss the final.

Make Up Policy for In-term Assignments/Exams: If you miss an exam due to a valid reason which is outside of your control (see section on valid excuses below), then you will take a make up exam on a later date. You must contact me (prior to the exam if possible) via e-mail or phone if you are unable to access your email. If you

receive approval for a makeup in-term exam, you are required to complete the makeup exam within two weeks of date the exam was originally scheduled. It is your responsibility to make yourself available for the makeup exam. Coordinating details will be provided to you, when you receive approval from me.

No make-ups are provided for other assignments (quizzes and projects). For extended University Approved absences, the missed points will be considered when calculating your final grade.

Valid excuses: During the course many possible events may occur that would result in your inability to attend class, attend exams, or perform at a minimally acceptable level during an examination. Illness or injuries, family emergencies, certain university-approved curricular and extra-curricular activities, and religious holidays can be legitimate reasons to miss a class or to be excused from a scheduled examination.

In the case of your own illness or injury, the student must notify the instructor within five days of the missed course event. In cases of illness or incapacity lasting longer than five days, students must provide a note from a physician, physician's assistant or nurse-practitioner, which clearly states that the student is unable to attend the missed course event and it should specify the period of the student's inability to attend the course.

With regard to family emergencies, you must provide verifiable documentation of the emergency. Given the vast array of family emergencies the instructor will provide precise guidance as to what constitutes adequate documentation. Unless the emergency was critical you should notify the instructor in advance of your absence from the scheduled course event. In cases of critical emergencies, you must notify the instructor within one week of your absence.

For university-approved curricular and extra-curricular activities, verifiable documentation is also required. The student should obtain from the unit or department sponsoring the activity a letter (or class absence form) indicating the anticipated absence(s). The letter must be presented to the instructor at least one week prior to the first absence.

In case of religious holidays, the student should notify the instructor by the third week of the course of any potential conflicts. IU website: <https://enrollmentbulletin.indiana.edu/pages/relo.php>

Disruptive Students: Instructors are occasionally confronted by uncomfortable or even threatening behaviors from students or unwillingness to follow campus policies. An instructor's first obligation is to ensure the immediate safety of the classroom. When in doubt, your instructor may call IU Police at 9-911 from any campus phone or call (812) 855-4111 from off-campus for immediate or emergency situations. Your instructor may also contact the Dean of Students Office at (812) 855-8188. Guidelines: <https://ufc.iu.edu/doc/policies/disruptive-students.pdf>

Academic Integrity: Dishonesty of any kind is *not tolerated* in this course. Dishonesty includes, but is not limited to, cheating, plagiarizing, fabricating information or citations, facilitating acts of academic dishonesty by others, having unauthorized possession of examinations, submitting work of another person or work previously used without informing the instructor, or tampering with academic work of other students, or violating other course rules. Students who are found dishonest will receive the most severe academic sanction consistent with IU policies. A minimum penalty for any breach of academic integrity is a score of zero on the particular assignment and probably a grade of F for the course. Be sure to read the contents of the University of Indiana website: <https://studentcode.iu.edu/>.

University Note Selling Policy: Several commercial policies have approached students regarding selling class notes/study guides to their classmates. Selling the instructor's class notes/study guides in this course is not permitted. Violations of this policy will be reported to the Dean of Students as academic misconduct. Additionally, you should know that selling a faculty member's notes/study guides individually or on behalf of one of these services using IU email, or via Canvas may also constitute a violation of IU information technology and IU intellectual property policies.

Sexual Misconduct: One of my responsibilities is to create a positive learning environment for all students. Title IX and IU policy forbid sexual misconduct in any form. The university provides resources for any student that has experienced or knows of someone that has experienced sexual misconduct (<https://stopsexualviolence.iu.edu/>). Please note that Title IX and university policy require me to report any information regarding sexual misconduct to the Title IX office. In that event, the university will then strive to take appropriate measures with the utmost respect of student privacy.

Withdrawal: The last day to withdraw from the class and receive an automatic W is **Sunday, March 12, 2023**. This is also the last day to get a withdrawal slip signed without a special petition. After this date, you can obtain a late withdrawal from a course only by first receiving special permission from the dean of the college. Such permission is *very* difficult to get. University rules specify that permission for late withdrawals is “given only for urgent reasons relating to extended illness or equivalent distress” to a student who is “passing the course on the date of withdrawal”.

Grading Scale: The final grade of the course is based on the percentage of the number of total points earned. Your course grade will depend on your performance in each of the following areas:

	Possible Points	% of Total
Quizzes	100	20
Projects	100	20
Exam 1	150	30
Exam 2	150	30
Total	500	100%

Grade	Points	Percentage
A+	500-485	100-97%
A	484-460	<97-92
A-	459-440	<92-88
B+	439-425	<88-85
B	424-405	<85-81
B-	404-385	<81-77
C+	384-370	<77-74
C	369-350	<74-70
C-	349-335	<70-67
D+	334-320	<67-64
D	319-300	<64-60
D-	299-275	<60-55
F	274-0	<55-0

TENTATIVE SCHEDULE

Week	Date	Module	Chapter	Assignment
Week 1	09-Jan	Syllabus / Introduction	1	
	11-Jan	Intro to Money and the Financial System	1	
Week 2	16-Jan	Martin Luther King Jr. Day - No classes		
	18-Jan	Money and the Payments System	2	Q1
Week 3	23-Jan	Future Value, Present Value, and Interest Rates	4	
	25-Jan	Future Value, Present Value, and Interest Rates	4	Q2
Week 4	30-Jan	Understanding Risk	5	
	01-Feb	Understanding Risk	5	Q3
Week 5	06-Feb	Bonds, Bond Prices, and Interest Rates	6	Project 1
	08-Feb	Bonds, Bond Prices, and Interest Rates	6	Q4
Week 6	13-Feb	The Risk and Term Structure of Interest Rates	7	
	15-Feb	The Risk and Term Structure of Interest Rates	7	Q5
Week 7	20-Feb	Stocks, Stock Markets, and Market Efficiency	8	
	22-Feb	Stocks, Stock Markets, and Market Efficiency	8	Q6
Week 8	27-Feb	The Economics of Financial Intermediation	11	
	01-Mar	EXAM 1		
Week 9	06-Mar	Depository Institutions: Banks and Bank Management	12	
	08-Mar	Depository Institutions: Banks and Bank Management	12	Q7
Week 10	13-Mar	Spring Break - No classes		
	15-Mar	Spring Break - No classes		
Week 11	20-Mar	The Structure of the Federal Reserve System	16	
	22-Mar	The Structure of the Federal Reserve System	16	Q8
Week 12	27-Mar	The Central Bank Balance Sheet and Money Supply	17	
	29-Mar	The Central Bank Balance Sheet and Money Supply	17	Q9
Week 13	03-Apr	Monetary Policy: Stabilizing the Economy	18	
	05-Apr	Monetary Policy: Stabilizing the Economy	18	Q10
Week 14	10-Apr	Monetary Growth and Money Demand	20	Project 2
	12-Apr	Monetary Growth and Money Demand	20	Q11
Week 15	17-Apr	Output, Inflation, and Monetary Policy	21	
	19-Apr	Output, Inflation, and Monetary Policy	21	Q12
Week 16	24-Apr	Understanding Business Cycle Fluctuations	22	
	26-Apr	Understanding Business Cycle Fluctuations	22	Q13
Week 17	03-May	EXAM 2		