

Economics 029 Money, Banking, and Financial Markets

Lehigh University

Prof. Irina Panovska

Prof. Panovska's Contact Information:

Office: Rauch Business Center (RBC) 457
Phone: 610-758-1068
Email: irp213@lehigh.edu
Office Hours: M 4-5pm, Wednesday 12-2pm
MyEconLab Course ID: **panovska10909**

TA: Qichao Shi
Email: qis214@lehigh.edu
TA Office Hours: TBD, check course site
Additional office hours before each exam will
be announced in class
and on Course Site.

Course Information:

Course Number: Eco 029
Sections 110-113
Semester: Spring 2019
Lecture (all sections): MW 11:10-12pm

Recitations

Section 110: F 11:10-12
Section 111: F 9:10-10
Section 112: F 12:10-1
Section 113: F 10:10-11

The recitation room numbers sometimes change during the first two days of class. Check your course schedule for the locations. The course materials and the course calendar are available on Course Site. All homework and quiz assignments are on MyEconLab. You are required to attend the lecture and the recitation section that you are registered for.

What you need

- **Textbook** Frederic S. Mishkin's "The Economics of Money, Banking, and Financial Markets" (**12th edition**). The bookstore sells
- the value bundle (textbook+ MyEconLab)
- **MyEconLab Subscription** (comes with a textbook purchase if you buy a new book)
- **4 function calculator**
- **Internet access**

Course Description

Economics 029 is a course on the economics of money, banking, and financial markets. We will study the role of financial markets, financial institutions, money, and monetary policy in the economy. In the first part of the class, we will study the role of financial markets with a particular emphasis on bond markets and interest rate determination. The second part of the class will cover central banking and the conduct of monetary policy. In the last part of the class we will study the monetary and macroeconomic theory behind central banking.

Course Objectives

This class has seven main objectives. By the end of the semester, students will be able to:

1. Explain the functions of money and the role of money in the economy.
2. Describe the structure of the banking industry.
3. Understand interest rate calculations; Calculate yields to maturity, explain the difference between yields and returns.
4. Use supply and demand analysis to show how interest rates are determined.

5. Use macroeconomic models to explain how the Federal Reserve influences both domestic and international financial markets and the domestic economy.
6. Explain the importance of money for the macroeconomy.
7. (Broad objective) Build a foundation for further study of macroeconomics and finance and employment in the financial sector. Build a foundation for FIN 125 and the CPA/ CFA exams.

Prerequisites Eco 001 or its equivalent

Course Information and Office Hours

- The course syllabus, class calendar, class announcements, and the class notes are available on Course Site. There will be two weekly lectures (on Monday and Wednesday), and a Friday recitation section (held by the TA).
- Seeing me or your TA in person during our respective office hours or emailing your TA first is the most efficient way to make sure that your questions are answered as quickly as possible.
- To ensure that your emails do not get lost or end up in my spam folder, you need to start the subject line with

“Eco 029 section number 1##”

where 1## is your section number (110,111,112, or 113). If you do not follow this format I cannot guarantee a timely reply.

- I will be responding to emails during my office hours. If you have a more complicated question that cannot be answered via email in 2-3 sentences, or if you have questions that are not directly related to the course material, stop by during my office hours or contact me to schedule a meeting.
- You can also ask your TA questions during or after the Friday recitation sessions, and during his office hours.
- You are always welcome to ask questions during my office hours and by email, but there is a significant “positive externality” to asking questions in class and recitation: your comments and questions benefit others when they are made. This will also give you the opportunity to discuss class-related issues with your classmates during recitations.

Notes, Readings, and Textbooks

- The exams and the assignments will be based on the material discussed in class and on the homework and quizzes. For your convenience, I will post the lecture notes on Course Site before class. The posted lecture notes are an outline of the material covered in class, not a comprehensive review. Not all formulas and examples are included in the posted notes.
- I will be covering a number of real-time case studies and current events that will not be in the notes. In short, the posted notes a good outline that you can fill in as you go along, but they are not a substitute for attending class and taking your own notes.

Notes:

Depending on your learning style and preferences:

1. Optimal approach, recommended for most students: You can take your own notes in class using pen and paper and use the posted notes as a supplement. This approach works best for most students because it automatically makes you to review everything twice as you go along. If you start out using a different note-taking approach and you find yourself struggling when reviewing your notes, I always suggest going back to taking your own notes as a first step.
2. You can print the posted notes before class and fill in with your own notes based on class discussions (make sure to set the margins wider or to format your printed page appropriately so you have enough space to annotate and add legible comments on the margin).
3. You can use a tablet and a pdf annotator to fill in the posted notes. I only recommend this approach if you feel very comfortable with the material, have taken a lot of other quantitative classes, and if you already know you're doing well in the class. I will be covering a lot of material in a short amount of time. There are many scientific studies that prove that taking notes by typing on a laptop, phone, or tablet hinders the learning process. This is the most eco-friendly approach, but it's also the approach that leads to worst learning outcomes. I only recommend this approach if you feel really comfortable with the class material.

I suggest that all students start with approach 1 or 2 and move to approach 3 only after getting the first midterm grades back. Laptops and tablets will not be allowed in class until after the first midterm.

Textbook:

- Together with the REQUIRED textbook, the lecture notes will serve as your main reference for the course. I will be using Frederic S. Mishkin's "The Economics of Money, Banking, and Financial Markets" (12th edition) Value bundle (textbook+ MyEconLab)
- the 11th edition is also acceptable but note that chapter NUMBERS could be different, it is your responsibility to keep track of them.
- Additionally, you will need to have [MyEconLab](#) access, which contains online study aids and allows completing homework assignments and quizzes. The purchase of a new book usually includes a subscription to MyEconLab, but you should double-check if you are not buying it through the bookstore. If your book does not include MEL, you will have to buy it separately for about \$70.
- You have three different options when purchasing the textbook
 1. Buy the value bundle: hard copy of the book+ MEL access+ etext bundle. This option is more expensive, but recommended for those of you who eventually plan to take the CPA or CFA exams (or the actuarial FM exam), because you can use the book as a reference. If you plan to take an of those certification exams, I suggest keeping the book after the semester ends.

2. Buy the MEL +etext bundle (available on MyEconLab and through the bookstore). Note that your access to the etext will expire after the semester is over.
3. Buy only MEL access (available online), and purchase the textbook elsewhere/make alternative arrangements. If you decide to share a hard copy, keep in mind that you need access to the textbook, and that it's your responsibility to figure out how to timeshare.

Exams and Grading

Exams

- There will be two midterms (**February 25th and April 3rd**), and a final exam (date TBD, scheduled during finals week). Each midterm will be worth 25% of your grade. The final exam is comprehensive and worth 25% of your grade. All are in-class exams, administered during regular class times.
- **These are not 4 o'clock exams. They will be held in our regular classroom, during regular class time (11:10am-12pm). You have to take the exam during the assigned time.**
- If you have to miss a midterm due to unforeseen extreme circumstances, such as serious illness, injury, death in the immediate family, jury duty or a Lehigh-sanctioned event such as varsity competition or ROTC training, the comprehensive final will have more weight. For example, if you miss 1 midterm, the final will be worth 50% of your grade, if you have to miss both, the final will be worth 75% of your grade. **You will need to provide a doctor's note or alternative evidence to prove that you had a valid excuse to miss a midterm. If you cannot provide a valid excuse, you will be considered a no-show and you will get a score of 0 for the exam that you missed.**
- If you have to reschedule the final, please contact the Dean of Student's office or refer to the posted matrix on course site. Make up final exams are scheduled by the registrar.
- If you have 4 final exams on the same day, you must inform me as soon as possible (by email) before the exam so your other professors and I can arrange make-up exams if appropriate. It is your responsibility to keep me informed of any problems and scheduling conflicts.
- The date for the final exam is set by the registrar and it is fixed. If you need to reschedule the final, you need to petition the committee on standing of students. The form can be found on course site. Final exam make up requests are reviewed by the university committee. If your petition is approved, the make-up dates are scheduled by the committee.
- If you have a disability for which you may be requesting accommodations, please contact me and the Office of Academic Support Services, University Center 212 (610-758-4152) as early as possible in the semester. The office of Academic Support Services does not directly forward your information to your professors. You need to bring the letter to me in person at least a week before the exams. After I have the letter, I will be happy to accommodate you.

Attendance and Participation (5% total)

Attendance (4%)

- Attendance counts for 4% of your grade. There will be 7 random (unannounced) attendance checks administered during lectures and recitations. Most of the attendance checks will be conducted through ungraded quizzes that cover concepts that are usually more challenging for students. You will get full credit as long as you got more than 50% on the attendance quiz, and you will be allowed to ask questions and talk with each other during the attendance quizzes.
- Out of the 7 attendance checks, 4 will count towards your regular attendance grade (1% each, making up 4% of your total grade). This builds in some flexibility, meaning that you can miss up to 3 lectures and still get the full 4%. Any attendance checks beyond the 4 required one will count as 0.33% extra credit. If you miss all 7 attendance checks, you will lose 4% of your grade.
 - If you are present for only 1 attendance check, your attendance grade will be 1 out of 4.
 - If you are there for only two attendance checks, your attendance grade will be 2 out of 4.
 - If you are there for three checks your grade will be 3 out of 4
 - If you are there for exactly 4 attendance checks, you will get a perfect attendance score.
 - If you are there for 5 out of the 7 attendance checks, you will get a perfect attendance score + 0.33 extra credit.
 - If you are there for 6 out of the 7 attendance checks, you will get a perfect attendance score + 0.66% extra credit.
 - If you are there for all 7 attendance checks, you will get a perfect attendance score +1% extra credit.
 - You cannot earn more than 1% extra credit from attendance.
- **If you need to miss class for a valid Lehigh-sanctioned reason, you need to notify me or your TA by email and provide the appropriate documentation to me to get credit.**
- The only excuses for missing an attendance check and still being able to get credit are serious illness, injury, death in the immediate family, jury duty, a Lehigh-sponsored event such as varsity competition or ROTC training, or observance of major religious holidays. If you cannot provide a valid documented excuse for missing class and an attendance check, you will not get attendance credit. The built in flexibility allows for missing up to three attendance checks and ensures that your grade will not be hurt because of a minor illness.
- All extra credit will be calculated after the last recitation. You will be given a week to check for any discrepancies. After the deadline to notify me about any discrepancies has passed, all participation and attendance grades become final.

Participation (1%)

- Each student has to participate in the class or recitation discussions at least once. To get full credit, you have to do a problem on the board or answer a longer question in class or in recitation. The TAs and I will let you know when a question counts towards participation credit.

- In class and in recitations, the TAs and I will ask volunteers to do questions for participation credit. If nobody volunteers, we will randomly ask one of you to answer the question. You can refuse to answer questions by passing it to your right or to your left. This can only be done once per question. If a person refuses to answer a question, the person next to them will have to answer it.
- Because the participation grades will be constantly updated, the TAs and I will update them about once a month on course site. If you want to check your most current participation grade between updates, you can check in with me or with your TA during our office hours.

Homework and Quiz Assignments (20%=10% HW+10% Quizzes)

- There will be weekly assignments, which make up the last 20% of your grade. All homework assignments should be completed through MyEconLab. The course number is **panovska10909**. The instructions for enrollment can be found on Course Site (a MEL representative will also give a demo the first week of class).
- A typical assignment will consist of 2 parts: homework (HW) (10% total) and a quiz (10% total).
 - The homework assignments test your knowledge of past material (the chapter or chapters covered that week). They will provide instant feedback as well as tutorial information.
 - The homework assignments will be due on Saturdays, 11:59pm. You will get two tries on each homework question, and only the latest try will be graded.
 - Quizzes test your basic knowledge of the following week chapter or chapters (this means that you would have to read them ahead of class schedule). They are unrestricted in time, but should be completed in ONE sitting any time before the due date.
 - Quizzes are due on Sundays, 11:59pm (the night before the Monday lecture). Please see the course calendar for deviations from the Saturday/Sunday pattern.
 - **Special Quiz:** There is one final review quiz due on Sunday after classes end. This quiz reviews all of the material covered during the semester and you can use it as a good starting point to study for the final. **This quiz will be graded.**
- There are only two deviations from the Saturday/ Sunday pattern: spring break and Passover/ Good Friday. In both cases the assignments are due **at 10am on Monday BEFORE CLASS.**
- The assignments will be posted on Mondays. **The due dates are final and there will be no exceptions.** Because of this lack of flexibility I will drop the 2 lowest quiz grades and the 2 lowest HW grades. **Homework 1 and Quiz 1 will not be graded. All other assignments will be graded.** You need to complete either HW1, Quiz 1, or the tutorial homework to be able to move on to the graded assignments.
- **If you have problems logging on to MyEconLab, contact MyEconLab's technical support before you contact me. I cannot solve technical issues.**
- **Once you contact tech support they will provide an incident number. If you need an extension on the homework because of technical issues with MyEconLab, you need to contact MEL first. You need to forward the email with the incident number before I can grant you an extension.**

Grading

All grades are **final** and **non-negotiable**. The grading scale is also fixed and non-negotiable. Grades will only be changed if a grade was recorded erroneously. If you believe that a grade was posted erroneously, contact me as soon as possible, no later than a week after the grades are posted. The weights used to calculate your final grade are as follows:

1. Homework 10% (Homework 1 is not graded, all other homework assignments are graded, lowest 2 scores for will be dropped)
2. Quizzes 10% (Quiz 1 is not graded, all other quizzes are graded, lowest 2 scores will be dropped).
3. Midterms
 1. Midterm 1: 25% (in class, during our regular class time: February 26th)
 2. Midterm 2 : 25% (in class, during our regular class time: April 4th)
4. Comprehensive final 25%
5. Attendance 4% (your first 4 attendance checks that you're present from will count at 1% each)
6. Participation 1%
7. Up to 1% extra credit from the 3 additional attendance checks (0.33 pt/ per attendance check that you're present after your fourth attendance check)

I will use the standard Lehigh scale to convert percentage scores to letter grades:

| | | |
|-----------|-----------|-----------|
| 94-100=A | 80-83= B- | 67-69= D+ |
| 90-93= A- | 77-79= C+ | 64-66= D |
| 87-89= B+ | 74-76 =C | 61-63= D- |
| 84-86= B | 70-73=C- | <61= F |

The midterm grades will be posted on course site a few days after the exams, and you will get your graded exams back in recitation a few days after the exams. The attendance check grades will be posted on course site after each attendance check. The participation grades will be updated once a month. Your homework and quiz grades will be available on MyEconLab. The lowest two HW and Quiz scores will be dropped at the end of the semester. You will get a notification at the end of the semester to review any discrepancies your grades and you will have until May 3rd to review any discrepancies in your attendance or participation grades.

Tutoring and Extra Help (useful for all classes, not just eco 29)

The [CBE Undergraduate Programs Office](#) helps coordinate tutoring options for students. It is best to seek out tutoring early in the semester and to continue to use it regularly for best results. No matter the GPA, tutoring is a way for students to take proactive action to ensure their success.

The [Center for Academic Success](#) offers tutoring in most CBE first-year and sophomore-level core courses free of charge to students. Tutoring begins the third week of classes and continues through the last week of classes every semester.

Students have the option of participating in walk-in tutoring at the Center for Academic Success, where upperclass undergraduate students are available on a walk-in basis for specific courses. Weekly group tutoring is another option in which students sign up for a weekly tutoring session (usually no more than six students in a group) with an upperclass undergraduate student. The weekly group tutoring is also course-specific, and students may sign up for tutoring in more than one course.

The CBE Undergraduate Programs Office publishes a [grid](#) outlining the various business tutoring options and times at the beginning of every semester. If you have any questions or concerns about tutoring, please contact the Center for Academic Success or see me or your TA so we can direct you to them.

Midterm Grade

Lehigh requires all professors to report midterm grades for classes that are typically considered first-year classes. The midterm grades that are reported to the register will be a weighted average of your Exam 1 score (75%), your attendance score based on the number of attendance checks before March 10th (5%), the average of HW2-6 (10%) and Quizzes 2-5 (10%).

This grade will not be used to calculate your final grade, it is reported for administrative purposes only. The final grades will be calculated using the scale outlined above.

University Policies

Accommodations for Students with Disabilities

Lehigh University is committed to maintaining an equitable and inclusive community and welcomes students with disabilities into all of the University's educational programs. In order to receive consideration for reasonable accommodations, a student with a disability must contact Disability Support Services (DSS), provide documentation, and participate in an interactive review process. If the documentation supports a request for reasonable accommodations, DSS will provide students with a Letter of Accommodations. Students who are approved for accommodations at Lehigh should share this letter and discuss their accommodations and learning needs with instructors as early in the semester as possible. For more information or to request services, please contact Disability Support Services in person in Williams Hall, Suite 301, via phone at 610-758-4152, via email at indss@lehigh.edu, or online at <https://studentaffairs.lehigh.edu/disabilities>.

Academic Integrity: Lehigh takes academic integrity very seriously, and each student is expected to complete all academic course work in accordance to the standards set forth by the faculty and in compliance with the University's Code of Conduct. You will not be allowed to use your phones, laptops, iPads or calculators during class or during exams. If I or my TAs suspect dishonesty or cheating, we will report it by immediately filing an Academic Dishonesty Report and your case will be reviewed by the University Committee on Discipline.

Lehigh's Principles of Our Equitable Community: Lehigh University endorses The Principles of Our Equitable Community [http://www.lehigh.edu/~inprv/initiatives/PrinciplesEquity_Sheet_v2_032212.pdf]. We expect each member of this class to acknowledge and practice these Principles. Respect for each other and for differing viewpoints is a vital component of the learning environment inside and outside the classroom.

| Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
|---|---------------------------------|--|---------------------------------|--|---|---|
| January 21 Intro, Chapter 1 | January 22 | January 23 Chapter 2, MEL Demo | January 24 | January 25 | January 26 HW1: Chs 1,2 Not graded but required | January 27 Quiz1: Ch.4 Not graded but required |
| January 28 Ch.4 | January 29 | January 30 Ch.4 | January 31 | February 1 <i>Last day to Add/ Drop w/o a "W"</i> | February 2 HW2: Ch.4 | February 3 Quiz2: Ch.5 |
| February 4 Ch. 5 | February 5 | February 6 Ch.5 | February 7 | February 8 | February 9 HW3: Ch.5 | February 10 Quiz3: Ch.6 |
| February 11 Ch.6 | February 12 | February 13 Ch.6 | February 14 | February 15 | February 16 HW4: Ch.6 | February 17 Quiz4: Ch.7 |
| February 18 Ch.7 | February 19 | February 20 Ch.7, Review | February 21 | February 22 Review session | February 23 HW5: Chs.7 | February 24 |
| February 25 Midterm #1 Chs: 1, 2,4,5,6,7 | February 26 | February 27 Ch.3 | February 28 | March 1 | March 2 HW6: Ch.3 | March 3 Quiz5: Ch.13 |
| March 4 Ch.13 | March 5 | March 6 Ch.13 | March 7 | March 8 | March 9 Spring Break HW7: Ch.13 (extended time) | March 10 Spring Break Quiz 6 Ch.9 (extended time) |
| March 11 Spring Break | March 12 Spring Break | March 13 Spring Break | March 14 Spring Break | March 15 Spring Break | March 16 Spring Break | March 17 Spring break |
| March 18 HW7 and Quiz 6 due at 10am Chapter 9 | March 19 | March 20 Chapter 9 Ch.14 (very first part that overlaps with Ch 9) | March 21 | March 22 | March 23 HW 8: Chapter 9 | March 24 Quiz 7: Chapter 14, Chapter 15 |
| March 25 Ch.14 | March 26 | March 27 Ch.15 | March 28 | March 29 Review | March 30 HW 9: Ch.14, Ch 15 | March 31 |
| April 1 Chapter 15, review | April 2 | April 3 Midterm #2: Chs 3,13,9,14,15 | April 4 | April 5 Chapter 19 | April 6 | April 7 Quiz 8: Ch.19, Ch 20 |
| April 8 Ch 19, Ch.20 | April 9 | April 10 Chapter 20 | April 11 | April 12 Chapter 20 | April 13 HW 10: Ch.19, Ch 20 | April 14 Quiz 9: Ch.21 |
| April 15 Ch.21 | April 16 | April 17 Ch.21 | April 18 | April 19 | April 20 HW 11: Ch.21 (extended time) | April 21 Quiz 10: Ch.22 (extended time) |
| April 22 HW11& Quiz 10 Due at 10AM Ch.22 | April 23 | April 24 Ch.22 | April 25 | April 26 | April 27 HW 12: Ch.22 | April 28 Quiz 11: Chs.24,25 |
| April 29 Ch.24 | April 30 | May 1 Chapter 25 | May 2 | May 3 <i>Last day of Classes</i> | May 4 HW 13: Chs.24,25 (graded) | May 5 Quiz 12: all chapters (review for final exam) |