ECON 391-01 Money and Capital Markets

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ECON 391: Money and Capital Markets

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Williams College of Business Mission Statement

“We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.”

Course Objective:

The primary objective of the course is to examine the role of financial markets and institutions and how they impact macroeconomic conditions. While there will be considerable institutional material covered, I will also examine the economic theory that pertains to the workings of financial markets. Included in this analysis will be interest rate theory regarding the level of interest rates as well as interest rate differentials that always exist. In order to understand the role and functioning of financial markets, it is critical to have a firm theoretical background regarding interest rates. There will be considerable coverage of the Federal Reserve System and the impact of monetary policy on financial markets. Included in this review will be an examination of the financial market meltdown of 2008-2009 that continues to effects the economy today. Both monetary policy and the financial institution regulatory environment will be a part of this discussion.

Course Materials:

Required Textbook: Financial Markets and Institutions by Mishken and Eakins, 8th edition, Prentice-Hall. Articles available on the text book website will also be utilized. Students are encouraged to read current financial press such as the Wall Street Journal.

Grading: Three tests weighted equally

Course Content

I. Introduction to Financial Markets and Institutions
   Chapters 1 & 2
II. Fundamentals of Interest Rates
   The role of interest rates for saving and investment
   Theories of interest rate determination
   Risk and the term structure of interest rates
   Chapters 3-5

III. Fundamentals of Financial Institutions
   The economic function of financial intermediaries
   Chapter 7
   Test # 1

IV. Central Banking and the Conduct of Monetary Policy
   Central Banks and the Federal Reserve System
   Conduct of Monetary Policy: Tools, Goals, Strategy, and Tactics
   Chapter 9-10

V. Financial Markets
   The Money Markets
   The Bond Market
   The Stock Market
   The Mortgage Markets
   The Foreign Exchange Market
   Chapter 11-15

VI. The Financial Institutions
   Commercial bank management
   Banking industry structure - banks, S&Ls, credit unions
   Chapter 17 & 19

   Financial Regulation
   Chapter 18

   Non-depository financial institutions- mutual funds, pension funds, insurance companies, investment banks
   Chapter 20-22

   Risk management in Financial institutions
   Chapter 23-24
   Test # 3