

The University of Texas at Dallas
Jindal School of Management
Summer 2016
FIN 6325 Course Syllabus

Course Information

<i>Course Number/Section</i>	FIN 6325
<i>Course Title</i>	Macroeconomics and Financial Markets
<i>Term</i>	Summer 2016
<i>Days & Times</i>	Thursday: 6:00pm-10:00pm

Professor Contact Information

<i>Professor</i>	Orhan Erdem
<i>Office Phone</i>	5867
<i>Other Phone</i>	469-996-7445
<i>Email Address</i>	orhan.erdem@utdallas.edu
<i>Office Location</i>	Room 14.312
<i>Office Hours</i>	Thursday 4:00pm- 5:00pm

Course Pre-requisites, Co-requisites, and/or Other Restrictions

This course involves knowledge of calculus, probability theory, and basic statistics. Students are strongly advised to take related courses as prerequisites before taking this course.

Course Description

This course is designed to teach the economics behind the financial markets. It emphasizes the role of money markets and capital markets in the business environment. The course overviews the mainstream as well as unorthodox theories in finance by highlighting and discussing recent paradigm shifts in economics which mainly arose after the 2007 global financial crisis. The design of the course is application (data-analysis) oriented.

Student Learning Objectives

Upon successful completion of the course, the student should be able to

1. Describe how GDP is measured
2. Compare different countries' GDP in different ways
3. Identify the reasons for and list the types of financial markets and regulations.
4. Become familiarized with the structure and function of commercial banks, The Federal Reserve, and other financial institutions.
5. Describe the tools and effectiveness of monetary policy and the advantages/disadvantages of inflation targeting.

Student Learning Outcomes

1. Explain the role of financial markets in the economy.
2. Analyze the consequences of the Fed's policies.
3. Define market efficiency
4. Discuss efficient market hypothesis related to stock pricing
5. Be aware of the investor biases

Required Textbooks and Materials

Required Texts

- Mishkin, Frederic S., The Economics of Money, Banking and Financial Markets, 11th Edition, Pearson
- The UTD eLearning portal will be the primary way of communication. Course materials and announcements will be posted on the portal.

Required Reading Materials

1. Acemoğlu, D., & Robinson, J. A. (2012). Chapter 3: The Making of Prosperity and Poverty. D. Acemoğlu, & J. A. Robinson içinde, Why Nations Fail (s. 70-95). New York: Crown Business.
2. Erdem, O. (2016, May 5). Bilgi University. Open Access: retrieved from <http://openaccess.bilgi.edu.tr:8080/xmlui/bitstream/handle/11411/819/Paradigm%20Shift%20in%20Economics.pdf?sequence=1&isAllowed=y>
3. Erdem, O., Yuksel, S., & Arik, E. (2014). Trading Puzzle, Puzzling Trade. İktisat, İşletme ve Finans, 29(345), 83-102.
4. Erdem, O., Varli Y. (2014). Understanding the sovereign credit ratings of emerging markets. Emerging Markets Review, 20, 42-57.
5. French, K. R., & Poterba, J. M. (1991). Investor Diversification and International Equity Markets. American Economic Review, 81(2), 222-226.

Required Movie Materials

1. Inside Job (2010) by Charles Ferguson
2. Big Short (2015) by A. Mackay

Suggested Readings/Text

1. Malkiel, B. G. (2016). A Random Walk Down Wall Street. W. W. Norton & Company.
2. Lo, A.W., MacKinlay A. C. (2002). A Non-Random Walk Down Wall Street. Princeton University Press.

Assignments & Academic Calendar

Week 1:

- Overview of the Course; Why Study Money, Banking and Financial Markets
- The meaning and the measurement of GDP, Inflation
- An Overview of the Financial System
- *Reading: Chapter 1-2 from the textbook*

Week 2:

- What is Money?
- The meaning of Interest Rates
- *Reading: Chapter 2(cont)-3-4 from the textbook*

Week 3:

- Understanding the Interest Rates
 - Behavior of Interest Rates
 - The Risk and Term Structure of Interest Rates
- *Reading: Chapter 5-6 from the textbook*

Week 4:

- The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
 - Random Walk
 - Investor Biases: Overconfidence, Home Bias etc.
- *Reading: Chapter 7 from the textbook*
- *Additional Reading 1: French & Poterba, 1991*
- *Additional Reading 2: Erdem, Bilgi Univ., 2016: [Paradigm Shift in Economics, Erdem](#)*

Week 5:

- An Economic Analysis of Financial Structure
- Banking and the Management of Financial Institutions
- *Reading: Chapter 8-9 from the textbook*
- *Reading 3: (Acemoğlu & Robinson, 2012) Chapter 3*

Week 6:

- First (Midterm) Exam: June 30

Week 7:

- Economic Analysis of Financial Regulation
- Banking Industry, Structure and Competition
- *Reading: Chapter 10-11 from the textbook*

Week 8:

- Financial Crises
- Central Banks and Federal Reserve System
- *Reading: Chapter 12-13 from the textbook*
- *Movie Assignment: Inside Job, Big Short*

Week 9:

- The Money Supply Process, Tools of Monetary Policy
- *Reading: Chapter 14-15 from the textbook*

Week 10:

- The Conduct of Monetary Policy: Strategy and Tactics
- *Project Presentations*
- *Reading: Chapter 16 from the textbook*

Week 11:

- Second Exam (August 4)

Important Dates

- i. Project Proposal: June 9: The general idea. A summary of the previous studies done on the same topic and their results.
- ii. First Exam: June 30
- iii. Project Presentations: July 28
- iv. Second Exam: August 4

Grading Policy

Your final grade will be calculated as follows:

- a) **Class participation (5%):** You are expected to attend to lectures and contribute to discussions. Contributions to class discussions and question/answer sections will be rewarded.
- b) **Assignments: (20%):** There will be **3 data-based assignments** out of which the two highest are counted for the final grade. It is mandatory for students to check online portal to follow the assignments.
- c) **First Exam (25%):** This will be an in-class exam.
- d) **Group Project and Presentation (20%):** The group project involves developing a detailed presentation to analyze one significant event in the financial market in the last ten years. More details and instructions about the project will be given during the lecture. The presentations of your project will be in-class. Group size should be no more than 3. Note that each group should be formed and the topics should be determined no later than **9 June**.
- e) **Second Exam (30%):** It covers the whole course content! So it is important to keep up to date with your studies. The exam will be on the last lecture.

Course Policies

Late Work

Please hand in assignments before class on the day they are due. Assignments handed in after this, will be marked down by 10 points for each late day. (Assignments handed in after answers are distributed will receive no credit.)

Exams

They will be closed book and closed notes. Calculators approved by the Registration and Examinations Section of the University are allowed. Please notice that *no make-up test* will be given except for extreme situations.

Comet Creed

This creed was voted on by the UT Dallas student body in 2014. It is a standard that Comets choose to live by and encourage others to do the same:

“As a Comet, I pledge honesty, integrity, and service in all that I do.”

UT Dallas Syllabus Policies and Procedures

The information contained in the following link constitutes the University's policies and procedures segment of the course syllabus.

Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.