Topics: This course examines domestic and international financial markets and institutions. We study capital and money markets, banking activities and regulation, central banks and monetary policy, and the impact of international capital flows.


Readings: The textbook for the course is:

Ball, Money, Banking and Financial Markets

We will also read:

Davies, The Financial Crisis: Who Is to Blame?

Malkiel, A Random Walk Down Wall Street (2012 ed.)

There are some recommended readings in:


Additional readings will be posted on our Sakai site.

Grading: The final grade will be based on the results of six sets of review questions (20%), two midterm exams (25% each) and a final exam (30%).

Office Hours: Office hours will be on Wednesdays from 2 – 3:30 p.m. and on Thursdays from 2:30 – 4:00 p.m.

Sakai Site: We will use our Sakai site to make announcements, post news stories and Review Questions, answer questions, etc. All class notes, Review Questions, and exams are the intellectual property of instructor and should not be given or forwarded to any other party without prior consent.

Classroom Environment: We meet in the classroom to collectively learn the material. Laptop computers are not to be used unless a student has prior permission. Do not send or check for text messages. All members of the course are expected to adhere to the Honor Code of Wellesley College.
READINGS

I. Introduction

Sept. 2: Overview of Financial System
Ball, Chs. 1, 18.3
Davies, Introduction

Sept. 5: Capital Budget
Ball, Ch. 3.1

II. Debt

Sept. 9: Bond Markets
Ball, Chs. 5.1, 5.2, 4.5, 3.2, 3.3, 8.3
Davies, Chs. 6, 14, 23, 24
(Levinson, Chs. 4, 5)

Sept. 12: Money Market Instruments
(Levinson, Ch. 3)

Sept. 16: Interest Rates
Ball, Chs. 3.7, 4.1, 4.4

Sept. 17: Review Questions #1

Sept. 17: REV

III. Equity

Sept. 19: Stock Markets
Ball, Ch. 5.2, 7.4
(Levinson, Ch. 7)

Sept. 23: Efficiency
Ball, Ch. 5.5
Malkiel, Chs. 1–7, 11
Davies, Ch. 33

Sept. 26: No Class

Sept. 30: CAPM and Bubbles
Ball, Chs. 3.4, 3.5
Malkiel, Chs. 8-9
The Economist, “Taking Stock,” 6/5/03
The Economist, “Methods for All Moments,” 10/19/2013

Oct. 1: Stock Market and Economy
Ball, Ch. 7.4
Davies, Ch. 12

Oct. 3: Review Questions # 2

Oct. 3: Capital Structure
Ball, Ch. 5.3

Oct. 7: REV

Oct. 10: FIRST EXAM (I – III)

Oct. 14: Fall Break

Oct. 15: REV

IV. Derivatives

Oct. 17: Futures
Ball, Ch. 5.6
(Levinson, Ch. 8, p. 197-230)

Oct. 21: Options
Ball, Ch. 5.6
Davies, Ch. 13
(Levinson, Ch. 8, p. 233-252)

V. Financial Intermediaries

Oct. 24: Commercial Banks
Ball: Chs. 8.1, 9.1, 9.3-9.6
Davies, Ch. 7

Oct. 28: Tanner Conference
Oct. 29: Bank Regulation; Thrifts and Other Intermediaries
Ball, Chs. 10, 8.1
Davies, Chs. 11, 15, 16
The Economist, “A Non-Bank by Any Other Name,” 5/10/2014
Authors, “Role of Banks Recedes in Wake of Crisis,” Financial Times, 6/22/2014

Oct. 31: Review Questions #3

Oct. 31: No Class

VI. Money and Central Banking

Nov. 4: Money Creation
Ball, Chs. 2, 11.3

Nov. 7: Federal Reserve
Ball, Ch. 11.4, 11.1, 16.2

Nov. 11: Policy Tools and Goals
Ball, Chs. 11.2, 11.5, 11.7, 11.6, 16.3, 15.3

Nov. 11: Review Questions #4

Nov. 12: REV

Nov. 14: SECOND EXAM (IV – VI)

VII. Monetary Theory and Policy

Nov. 18: Monetary Theories
Ball, Ch. 12.2, 12.5

Nov. 20: Recent Policies

Ball, Ch. 13.1-13.3
Davies, Ch. 4
The Economist, “Controlling Interest,” 9/21/2013

Nov. 25: Review Questions #5

VIII. International Financial Markets

Nov. 25: Balance of Payments
Davies, Ch. 3
Nov. 28: Thanksgiving Holiday

Dec. 2: Capital Flows and Controls
Ball, p. 531-533
Davies, Ch. 19
*The Economist*, “Tide Barriers,” 10/6/2012

Dec. 3: REV

Dec. 5: Exchange Rates and Trilemma
Ball: Chs. 6.1, 17.2, 17.4
(Levinson, Ch. 2)

Dec. 9: IMF

**Dec. 9: Review Questions #6**