

Financial Institutions and Markets
Fall 2017
Rutgers Business School-Newark
Rutgers University

Office Hours: Tuesday, 5-6pm

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Please read the syllabus carefully since it presents the philosophy of the course, provides a broad outline of the issues, and discusses course requirements. Note that you are responsible for reading and understanding all course requirements.

Course Description:

This *elective* course is designed:

- 1) To provide a deep understanding of the U.S. financial system from a modern financial intermediation perspective. It will examine financial institutions, monetary theory and the money supply process.
- 2) To focus on the recent financial crisis from a *scientific data-driven analytical* approach. So a lot of what you have learned though the press and/or from your colleagues is incomplete, and sometimes, incorrect.
- 3) The course will largely involve lectures and class discussions. *Class time is very important, and attendance will be taken. Please make-sure that you do the required reading, as 15% of your total grade is dependent on your participation.*
- 4) A consistent work attitude throughout the semester is necessary and optimal.

Course Materials:

The materials for the course consist of a required textbook, the crisis report, the Wall Street Journal, and lecture slides available for download on the course website (Blackboard),

Textbook: Money, Banking and the Financial System, R. Glenn Hubbard and Anthony Patrick O'Brien, 2nd Edition, Pearson Education.

Wall Street Journal: In addition to the textbook and required readings, you are required to read the *Wall Street Journal*. Sign up at <https://buy.wsj.com/offers/pages/OfferMulti1a?trackCode=aaqa2091>.

I am told that \$12 for 12 weeks is the best deal, and has access options via web, tablet and smartphone.

Financial Crisis Inquiry Commission- U.S. Senate: Final Report of the Financial Crisis Inquiry Commission on the causes of the financial and economic crisis in the U.S. (placed in Blackboard).

Blackboard: This course requires an ongoing constant use of Blackboard. All announcements, assignments, changes, etc. are posted there. I also use Blackboard to

contact you via email; therefore, it is important that you be sure that your correct email address is in your profile on Blackboard. You are responsible for remaining up to date at all times and to check your email frequently.

The course will discuss relevant current events. If you want additional information, some recommended sources include:

Financial Times - the best international business newspaper

The Economist - the best all around source of information

Gradings:

The exams are non-cumulative, i.e., will cover material that is taught after the last exam and till the present exam. If you miss any of the exams for a verifiable and acceptable reason, you can take a make-up exam that will be held within one to two weeks of the scheduled exam day. In case you miss the make-up exam you will be evaluated for the missed exam on the following exam.

Class participation	15%
Midterm	35%
Final Exam	<u>50%</u>
Total	100%

Regrades:

If you feel that an error has been made in the grading of the question on an examination, you are encouraged to submit the exam in question for a regrade. Please note that the entire exam will be reviewed for accuracy. Regrade requests have to be submitted no more than one week after the examination in question was returned to you. **Please Note: No regrade request will be accepted if the original exam is done in pencil.**

Academic Integrity:

The penalties for cheating are severe. It is not worth the risk of suspension from the University to cheat. Remember that whenever you turn in your exam, case or problem set, you are signing it with your name. This certifies that you are the author of the submitted work and I assume that it is an expression of your original ideas. Any unauthorized requests, receipts, offer or provisions of class related information during the administration of any examination will be considered cheating. If you intentionally aid cheating, you will be subject to disciplinary action. University procedures on academic integrity will be strictly followed for students suspected of cheating.

Special Situations:

If you have a condition that requires special attention, contact me as soon as possible so special arrangements can be made. Retroactive changes, such as re-administration of an examination or change of grade based upon previously unknown conditions will not be made.

Topics (Subject to revision)

Topic	Readings (HO=text; RP=crisis report)
Course objectives, requirements, and overview Introducing money and financial system Money and payments system	Chap. 1 & 2 (HO)
Transaction costs and asymmetric information & the structure of the financial system Subprime lending Deregulation redux	Chap. 9 (HO) Chap. 4, 5 (RP)
Credit expansion and the mortgage machine	Chap. 6,7 (RP)
Shadow banking	Chap. 11 (HO) Chap. 2,9,11 (RP)
Understanding bank balance sheets Dissenting opinion	Chap. 10 (HO) Dissenting opinion (RP)
Guest speaker	
Midterm	
Research on financial crisis and consequences	Reinhart and Rogoff, 2008, 2010 Reinhart and Reinhart, 2010
Federal reserve and central banking Fed's balance sheet and the money supply process Monetary Policy	Chap. 13 (HO) Chap. 14 (HO) Chap. 15 (HO)
Visit to Investors Bank and lecture by CEO and top management	
Monetary Theory 1: Aggregate demand and aggregate supply	Chap. 17 (HO)
Monetary Theory 2: The <i>IS-MP</i> model	Chap. 18 (HO)
Review	
Final Exam	