

DARTMOUTH COLLEGE
Department of Economics

Economics 26:
The Economics of
Financial Intermediaries and Markets

Professor Jonathan Zinman
Fall 2019

SYLLABUS

PREREQUISITE: Econ 1. That's it, nothing else recommended or required.

AUDITORS: None. You must be willing to make this class a priority to benefit from it. If you can't make it a priority this term, take it some other term!

TEXTBOOK: Meir Kohn, *Financial Institutions and Markets*, 2e, Oxford University Press, 2004. (Available from Dartmouth Bookstore). **Current topics are covered in other assigned readings.**

IF YOU WANT TO DO FURTHER READING, FINANCIAL MEDIA CONSUMPTION, ETC.: consider *The Wall Street Journal*, *The Economist*, Planet Money podcasts, the recommended reading list on the Canvas course homepage.

GRADING:

Class discussion: 40%

One midterm and one final exam 60% total: 35% weight on your best score, 25% on your worst

Exams are timed, and typically multiple choice and short-answer format. The only aid allowed during exams is a Department-issued calculator. I deduct one point per question asked of me during an exam (waived if it helps clarify something for everyone), and five points for every minute late. Any regrading request must be submitted to me by email; on the rare occasions I do regrade I typically regrade the entire exam.

If you would like your final exam returned and will not be on campus to pick it up, you must provide me with a self-addressed (regular or Hinman mail) envelope, no postage necessary.

I grade participation based on both quantity and quality of cold-called and voluntary responses in class. See also COURSE FORMAT AND ATTENDANCE below.

SCHEDULING, NOT SCHEMDULING: Note the exam dates and times in the schedule I hand out on the first day of class (also on Canvas). By enrolling in Ec26 you are committing to take the exams on those dates, at those times, on-campus. I do not reschedule exams or offer alternative dates/times to accommodate student conflicts. I do allow students participating in a College-sanctioned activity to take an exam offsite, *at the date and time*

listed on the aforementioned class schedule. In any case where you think you are eligible to take an exam offsite you must obtain permission from, and make arrangements with, me at least one week prior to the exam.

COURSE FORMAT AND CLASS PARTICIPATION: Each class covers one assignment. An assignment includes reading(s) and homework questions to prepare for discussion (not handing in). The assignment schedule, including the questions and readings for each assignment, is posted on Canvas.

At the beginning of each class, I will address any questions you may have on the assignment. I will then orchestrate discussion of the discussion by calling on students to present their answers. I do a combination of cold-calling from a list of random selections made BEFORE each class and asking for volunteers. *Most participation is voluntary! Cold-calling is scarier than it sounds... think of this as a “seminar-style” class.*

The quality of your answers and your general contribution to class discussion will contribute significantly to your grade. If you are called upon and not in attendance or pre-excused (see below) you will receive a zero for the day. You must make regular, positive contributions to get a good class participation grade! There are many opportunities to volunteer. Not getting cold-called is not an excuse for not participating, you need to show me what you know.

NAMES AND PRONOUNS: We will respect and refer to people using the names and personal pronouns that they share. But I also need to learn how to match your face and preferred name to your Dartmouth-registered name, for the purpose of tracking class participation. To that end, I expect you to bring a large nameplate to each class that states your preferred name, Dartmouth-registered name, and also—if you wish—pronouns. (I prefer to use names rather than personal pronouns and will be focused on learning your names.)

EXCUSED ABSENCES: You have 5 excuses to use, at your discretion, at any point in the term (not including exam days). You do not get extra absences for illness, so plan accordingly; this is an example of self-insurance by precautionary saving, which we will study!

To “skip” a class (you can still attend, this just excuses you from getting cold-called): send me an email, no more than 46 hours and no less than 10 minutes before class, with the phrase *Econ26 skip* in the subject line. **You must follow these instructions *exactly* to register a valid excused absence!**

To “switch” sections for the day (from the 11 to the 12, or vice versa): same instructions as above, but with *Econ 26 switch* in the subject line.

OTHER EMAIL PROTOCOL: I do not correspond directly with any of the dozens of students enrolled in Ec26 in a given term (except for scheduling meetings). If you email

me with a correction, point of clarification, or question that makes a useful point, I will email the Ec26 mailing list through Canvas or address it in class. If you email me with a question that could be answered through careful perusal of the textbook, the syllabus, the Internet, or some other readily available source, I will not address your question. *Again, this is scarier than it sounds, and having clear email protocol is just one of many things I do to create a level playing field and cooperative learning culture.*

ASSIGNMENTS AND ALL RELATED MATERIALS except for the textbook and The Big Short (movie version, on reserve at Jones Media Center) are on Canvas.

PREPARING YOURSELF: I strongly encourage to you to work in an informal (self-organized) study group to prepare the assignments.

Canvas can help you group together with other students! People->Groups->Signup

Piazza provides an online forum for unmoderated class discussion. (Link thru Canvas.)

The Academic Skills Center can organize formal study groups, led by former Ec26 students, and provide one-on-one tutoring/coaching: <http://dartgo.org/academicskills>

Residence Communities and the Tutor Clearinghouse provide “resident experts” in many subjects, including economics.

Do NOT use the work of former students when preparing for assignments or exams! This is a violation of the Honor Principle and self-defeating.

OFFICE HOURS, in 314 Rockefeller: Tues 5:15-6:15pm usually, but there will be exceptions, so check Canvas. If this time doesn't work and you need to make an appointment, it's most efficient to do so by asking me right before or after class.

STATEMENT ON MENTAL HEALTH

The academic environment at Dartmouth is challenging, our terms are intensive, and classes are not the only demanding part of your life. There are a number of resources available to you on campus to support your wellness, including your undergraduate dean (<http://www.dartmouth.edu/~upperde/>), Counseling and Human Development (<http://www.dartmouth.edu/~chd/>), and the Student Wellness Center (<http://www.dartmouth.edu/~healthed/>).

ACCESSIBILITY

If you may need disability-related academic adjustments and services for this course, see me as early in the term as possible. Students requiring disability-related academic adjustments and services must consult the [Student Accessibility Services office](#) (Carson Hall, Suite 125, 646-9900). Once SAS has authorized services, students must show the

originally signed SAS Services and Consent Form and/or a letter on SAS letterhead to their professor. As a first step, if students have questions about whether they qualify to receive academic adjustments and services, they should contact the SAS office. All inquiries and discussions will remain confidential.

Also, per Economics Department policy:

- Extra time for exams will be contiguous with the scheduled exam time if at all possible. Generally students will start the exam early and finish with the rest of the class or start with the rest of the class and finish late.
- In the week before each exam it is your responsibility to verify all arrangements by email. It is your responsibility to make sure that the time and place for your exam is clear before the day of the exam for each exam during the term.

Ec26 Fall 2019 Schedule

16-Sep	Introductory lecture and Ch. 1
18-Sep	Ch. 2: Financial system basics
20-Sep	Ch. 3: Efficiency, stability, & government
23-Sep	Ch. 4: Interest rates, exchange rates, & security prices
25-Sep	Ch. 5: Understanding financial intermediaries
27-Sep	no class
30-Sep	Ch. 6: What is a bank?
2-Oct	Ch. 7: The banking industry
4-Oct	Ch. 8: Payments and foreign exchange
7-Oct	Ch. 9: Insurance
9-Oct	Ch. 10: Pension funds and mutual funds
11-Oct	no class
14-Oct	Ch. 11: Securities markets
16-Oct	Midterm (in class)
18-Oct	Ch. 12: Government securities markets
21-Oct	Ch. 13: Mortgage markets
23-Oct	Ch. 14: Debt markets
25-Oct	Ch. 14: Debt markets (cont.)
28-Oct	Ch. 15: Equity markets
30-Oct	Ch. 15: Equity markets (cont.)
1-Nov	Ch. 16: Derivatives
4-Nov	Ch. 16: Derivatives (cont.)
6-Nov	Ch. 17: Exchanges, trading systems, and infrastructure
8-Nov	no class
11-Nov	Ch. 18: Managing liquidity and risk
13-Nov	Ch. 19 (and a bit of Ch. 20): Systemic Risk
15-Nov	What's the point of the financial sector?
18-Nov	Econ26 Town Hall
26-Nov	final exam, 3pm