

Syllabus  
Economics 5030  
**Foundations of Economic Analysis**

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Office Hours: Immediately Following Class

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MSc IM is designed to provide rigorous training to students for professional career in the finance industry. Increasingly, the monetary policy decisions of central banks around the world are seen as crucial for outcomes in global financial markets. In major economies, such as the USA, Japan, the EU, the UK and others, central banks focus on setting short-term interest rates. Their decisions to adjust interest rates have enormous and closely watched impacts on stock markets, bond markets, and banking markets. The first part of this course will focus on understanding how central banks use their powers, the macroeconomic theory that underlies the decision making of central banks and their effect on the economy and financial markets.

Objective Students are expected to base their financial knowledge on solid foundations in economics, statistics and accounting to formulate good recommendations in all areas of finance.

**CLO1. Students will be able to analyze the effects of economic policy decisions on financial markets**

Recommended Text:

Frederic S. Mishkin “The Economics of Money, Banking, and Financial Markets.”  
Eleventh Edition, Pearson.

Requirements

The course will meet in seven sessions. There will be weekly take home assignments given at the end of session one through six. Each submission will be graded but only the top five assignment submissions will count for credit. The homework assignments will be worth 20% of the grade.

Students might work on the assignments in small groups of 2-3 students. If you work with other students, each student must turn in their own homework. In addition, you must put both your name and your partner’s names on your homework. If you choose to turn in a soft copy through email, please put your name and student id number in the name of the file that you submit.

There will also be one in-class quiz in the middle of session 5. The quiz will cover the material taught in sessions one through four. The quiz will be worth 10% of the grade and will last 30 minutes.

The final exam on Friday, December 16<sup>th</sup> will be cumulative.

Course Schedule	<u>Points</u>
Weekly Assignments {4 points each}	20
Midterm <i>November 25, 2016</i>	10
Final <i>December 16, 2016</i>	<b>70</b>

### **Outline**

1. Money, Inflation and Central Banks (Chap 3; Chap. 15, 386-410; Chap. 15, 388-410; Chap. 20)
2. Loanable Funds and Long-term Interest Rates (Chap. 4. 125-130; Chap. 5, Appendix 3; Chap. 14).
3. Money Markets and Short-term Interest Rates (Chap 17, 457-460; Chap. 16, 411-426; Chap. 5, 146-156; Chap. 6, 168-178).
4. Economic Growth (Chapter 1)
5. Business Cycles and the Monetary Policy Transmission Mechanism (Chap 22-24)
6. Central Bank Strategy (Chap. 17; Chap. 24 639-648; Chap. 25)
7. Exchange Rates and Balance of Payments (Chap 18 -19; Chap. 20, 535-539; Chap. 21; Web Chapter 1)
8. Financial Crises (Chap 12, 13).