Class code: ECON-UA 9231-002

Instructor Details:
Stephen Hannah
stephen.hannah@nyu.edu
Office hours: By appointment on class days.

Class Details:
Fall 2013
Class meeting time Thursdays 14.00-17.00 hrs
location to be confirmed

Prerequisites:
ECON-UA 9001, Economic Principles or ECON-UA 9005, Introduction to Economic Analysis
During the course, students will be expected to download and examine data sets (primarily from official websites) and be familiar with elementary features of Excel. Advanced econometric or statistical knowledge is not required.

Class Description:
The weekly classes will last three hours and include a short break. The teaching method will primarily involve lectures, general discussion, problem solving and, occasionally, student presentations and reviews of homework/assessments. The session-by-session guide provides an overview of the topics that are likely to be covered although there may be minor additions/exclusions depending on the available time and other circumstances. Lecture notes, exercises, spreadsheets and additional material will be made available either in the relevant classes or, more usually, via the course website. Students are expected to ask questions, provide feedback and participate fully in general discussion.

The lectures can only identify the main points to focus on and are not designed to provide a comprehensive, self-contained coverage of everything the student needs to know in order to fulfil course requirements. Partly, this reflects time constraints. More importantly, it is intended to underline that a substantial part of students’ learning will come through their own efforts:

* reading outside the class; applying ideas to contemporary issues, whether or not they have been identified within the formal syllabus;
* careful, systematic and thorough note-taking; active discussion and participation with class members;
* timely and assiduous completion of assessment requirements and any other (non-graded) exercises

Desired Outcomes:

- A sound, thorough understanding of key macroeconomic models and techniques, embracing both global and historical perspectives.
- An ability to apply theoretical models to contemporary macroeconomic policy problems and debates, recognising the roles of global interdependency and expectations.
- Acquire insights into key policy options: the use of fiscal and monetary instruments, alternative exchange rate regimes and supply-side management. An ability to present macroeconomic models and associated policy options concisely, clearly and methodically using equations and diagrams as appropriate.
- Assess competing models and policy options in a critical fashion, highlighting strengths and weaknesses of the underlying theories (including the key assumptions made) and their empirical relevance.
**Assessment Components**

**Mid-term assessment 1** (25%): In-class 1hr test; taken in session 5 covering material in sessions 1-4. Typically a mixture of numerical problems, definitions and mini-essays in a 6 page booklet.

**Mid-term assessment 2** (25%): In-class 1hr test; taken in session 10 covering material in sessions 5-9. Typically a mixture of numerical problems, definitions and mini-essays in a 6 page booklet.

**Final examination** (35%): 2hrs duration. Short questions and essays grouped into three sections, primarily covering material in sessions 10-14. Combined questions and answers typically fill 12 pages.

**Group presentations and class participation** (15%): Students will be divided into several groups for purposes of workshops and each group will be expected to outline solutions, identify key difficulties, and present constructive suggestions together with feedback throughout the course.

Failure to submit or fulfil any required course component results in failure of the class.

The structure of assessments and expectations regarding student work are fully articulated in the course’s accompanying website.

**Assessment Expectations**

**Grade A:** Consistently rigorous and cogent analysis that clearly and directly answers the questions assigned. The student shows evidence of comprehensive knowledge of course material and an ability to apply theory to a critical analysis of policy options and contemporary issues. Reading is shown to have extended beyond requirements and the student displays historical and global perspective, independent thought and originality of expression.

**Grade B:** Consistently accurate and clear reproduction of key theories and ideas, employing, where appropriate, correct diagrammatic techniques and mathematical analysis. Answers to questions show some evidence of maturity and depth of thought in several areas. The answers are generally direct, relevant, well-structured and clear. Knowledge and technical competence appear broadly-based.

**Grade C:** Students show a reasonable, if patchy, grasp of key theories and their application. The answers are competent but sketchy in parts suggesting a broad-brush rather than in-depth understanding in significant areas. References to academic and other sources are limited and there are signs that the student has failed to understand the subtleties of more advanced topics.

**Grade D:** Students exhibit limited analytical capabilities. Several significant gaps in understanding are evident although reasonable efforts appear to have been made in keeping up with the required reading and exercises.

**Grade F:** Work is consistently poor and shows a lack of understanding of key concepts. Students display a broadly-based failure to express arguments logically and clearly. There is little evidence that the student has made appropriate efforts to keep up with reading and exercises.

**Grade conversion**

NYU in London uses the following scale of numerical equivalents to letter grades:

- A=94-100
- A-=90-93
- B+=87-89
- B=84-86
- B-=80-83
- C+=77-79
- C=74-76
- C-=70-73
- D+=67-69
- D=65-66
- F=below 65

Where no specific numerical equivalent is assigned to a letter grade by the class teacher, the mid point of the range will be used in calculating the final class grade (except in the A range, where 95.5 will be used).
Grading Policy

NYU in London aims to have grading standards and results in all its courses similar to those that prevail at Washington Square.

Attendance Policy

NYUL has a strict policy about course attendance. No unexcused absences are permitted. While students should contact their class teachers to catch up on missed work, you should NOT approach them for excused absences.

Excused absences will usually only be considered for serious, unavoidable reasons such as personal ill-health or illness in the immediate family. Trivial or non-essential reasons for absence will not be considered.

Excused absences can only be considered if they are reported in accordance with guidelines which follow, and can only be obtained from the appropriate member of NYUL’s staff.

Please note that you will need to ensure that no make-up classes – or required excursions - have been organised before making any travel plans for the semester. See also section 11.1 - Make up days.

Absence reporting for an absence due to illness

1. On the first day of absence due to illness you should report the details of your symptoms by e-mailing absences@nyu.ac.uk including details of: class(es) missed; professor; class time; and whether any work was due including exams. Or call free (from landline) 0800 316 0469 (option 2) to report your absences on the phone.

2. Generally a doctor’s note will be required to ensure you have sought treatment for the illness. Contact the Gower Street Health Centre on 0207 636 7628 to make an appointment, or use HTH general practitioners if you cannot get an appointment expediently at Gower Street.

3. At the end of your period of absence, you will need to complete an absence form online at http://bit.ly/NuCl5K. You will need to log in to NYU Home to access the form.

4. Finally you must arrange an appointment to speak to Nigel Freeman or Donna Drummond-Smart on your first day back at class. You must have completed the absence form before making your appointment.

Supporting documentation relating to absences must be submitted within one week of your return to class.

Absence requests for non-illness reasons

Absence requests for non-illness reasons must be discussed with the Academic Office prior to the date(s) in question – no excused absences for reasons other than illness can be applied retrospectively. Please come in and see us in Room 308, 6 Bedford Square, or e-mail us at academics@nyu.ac.uk.

Further information regarding absences

Each unexcused absence will be penalized by deducting 3% from the student’s final course mark. Students are responsible for making up any work missed due to absence.

Unexcused absences from exams are not permitted and will result in failure of the exam. If you are granted an excused absence from an examination (with authorisation, as above), your lecturer will decide how you will make-up the assessment component, if at all (by make-up examination, extra coursework, viva voce (oral examination), or an increased weighting on an alternate assessment.
component, etc.).

NYUL also expects students to arrive to class promptly (both at the beginning and after any breaks) and to remain for the duration of the class. If timely attendance becomes a problem it is the prerogative of each instructor to deduct a mark or marks from the final grade of each late arrival and each early departure.

Please note that for classes involving a field trip or other external visit, transportation difficulties are never grounds for an excused absence. It is the student’s responsibility to arrive at an agreed meeting point in a punctual and timely fashion.

Please refer to the Student Handbook for full details of the policies relating to attendance. A copy is in your apartment and has been shared with you on Google Docs.

Written work due in class must be submitted during the class time to the professor. Late work should be submitted in person to a member of NYU London staff in the Academic Office (Room 308, 6 Bedford Square) during office hours (Mon – Fri, 10:30 – 17:30). Please also send an electronic copy to academics@nyu.ac.uk for submission to Turnitin.

Work submitted within 5 weekdays after the submission time without an agreed extension receives a penalty of 10 points on the 100 point scale.

Written work submitted more than 5 weekdays after the submission date without an agreed extension fails and is given a zero.

Please note end of semester essays must be submitted on time.

Plagiarism: the presentation of another piece of work or words, ideas, judgements, images or data, in whole or in part, as though they were originally created by you for the assignment, whether intentionally or unintentionally, constitutes an act of plagiarism.

Please refer to the Student Handbook for full details of the plagiarism policy.

All students must submit an electronic copy of each piece of their written work to www.turnitin.com and hand in a printed copy with the digital receipt to their professor. Late submission of work rules apply to both the paper and electronic submission and failure to submit either copy of your work will result in automatic failure in the assignment and possible failure in the class.

Electronic Submission

The Turnitin database will be searched for the purpose of comparison with other students’ work or with other pre-existing writing or publications, and other academic institutions may also search it.

In order for you to be able to submit your work onto the Turnitin website, you will need to set up an account:

1) Go onto the Turnitin website http://www.turnitin.com
2) Click ‘Create Account’ in the top right hand corner
3) Select user type of ‘student’
4) Enter your class ID & Turnitin class enrolment password (these will be e-mailed to you after the drop/add period, or contact academics@nyu.ac.uk if you have misplaced these).
5) Follow the online instructions to create your profile.

To submit your work for class, you will then need to:

1) Log in to the Turnitin website
2) Enter your class by clicking on the class name
3) Next to the piece of work you are submitting (please confirm the due date), click on the ‘submit’ icon.
4) Enter the title of your piece of work.
5) Browse for the file to upload from wherever you have saved it (USB drive, etc.), please ensure your work is in Word or PDF format, and click ‘submit’.
6) Click ‘yes, submit’ to confirm you have selected the correct paper (or ‘no, go back’ to retry).
7) You will then have submitted your essay onto the Turnitin website.
8) **Please print your digital receipt and attach this to the hard copy of your paper before you submit it to your professor** (this digital receipt appears on the web site, immediately after you submit your paper and is also sent to your e-mail address). Please also note that when a paper is submitted to Turnitin all formatting, images, graphics, graphs, charts, and drawings are removed from the paper so that the program can read it accurately. Please do not print the paper in this form to submit to your lecturers, as it is obviously pretty difficult to read! You can still access the exact file you uploaded by clicking on the ‘file’ icon in the ‘content’ column.

Please also see the Late Submission of Work policy, above.

Students must retain an electronic copy of their work for one month after their grades are posted online on Albert and must supply an electronic copy of their work if requested to do so by NYU in London. **Not submitting a copy of a piece of work upon request will result in automatic failure in the assignment and possible failure in the class.** NYU in London may submit in an electronic form the work of any student to a database for use in the detection of plagiarism, without further prior notification to the student.

Penalties for confirmed cases of plagiarism are set out in the Student Handbook.

### Required Text(s)

### Supplemental Text(s) (not required to purchase as copies are in NYU-L Library)

### Internet Research Guidelines
Additional sources and external websites will be indicated via NYU Classes

### Additional Required Equipment

### Session 1

**Financial System**
Course objectives, financial system overview, performance measurement, banks & capital markets, risk and information.

*Cecchetti & Schoenholtz, chs 1, 3, 11 and 13; Howells & Bain, chs 1, 2 and 4; Mishkin, chs 1, 2 and 8*
<table>
<thead>
<tr>
<th>Session 2</th>
<th>Financial Assets &amp; Risk</th>
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<tbody>
<tr>
<td>Thu 12 Sep</td>
<td>Elementary portfolio analysis, present value &amp; discounting, measuring risk and returns, arbitrage and the law of one price, risk premium, introduction to risk management techniques.</td>
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<tr>
<td></td>
<td><em>Cecchetti &amp; Schoenholtz, chs 4 and 5; Howells &amp; Bain, chs 8 and 11</em></td>
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<tr>
<th>Session 3</th>
<th>Money &amp; Payments System</th>
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<tr>
<td>Thu 19 Sep</td>
<td>Functions of money, payments systems, measurement issues, liquidity preference, balance sheet basics, money and the economy, money markets &amp; instruments.</td>
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<tr>
<td></td>
<td><em>Cecchetti &amp; Schoenholtz, chs 2 and 20-22; Howells &amp; Bain, chs 12-13; Mishkin, chs 3 and 20</em></td>
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<th>Session 4</th>
<th>Bonds &amp; Interest Rates</th>
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<tr>
<td>Thu 26 Sep</td>
<td>Bond valuation, maturity and duration, continuous compounding, spot and forward rates, yield curves, credit spreads, inflation expectations, bond risks.</td>
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</table>
|           | *Cecchetti & Schoenholtz, chs 4, 6 and 7; Howells & Bain, chs 9-10 and 16; Mishkin, chs 4-6*  
|           | **FRB Cleveland, “Does the Yield Curve Signal Recession?”, FRBC Commentary, Apr 2006** |

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<tr>
<th>Session 5</th>
<th>Equities</th>
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<tr>
<td>Thu 3 Oct</td>
<td>Mid-term assessment 1</td>
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<td>Characteristics of shares, earnings, dividends, the return on capital, share valuations, dividend discount models, the equity risk premium, interpreting price-earnings ratios, portfolios, asset pricing models, the Efficient Market hypothesis.</td>
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<tr>
<td></td>
<td><em>Cecchetti &amp; Schoenholtz, ch 8; Howells &amp; Bain, chs 8, 17 and 26; Mishkin, ch 7</em></td>
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<th>Session 6</th>
<th>Banks &amp; Balance Sheets</th>
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<tr>
<td>Thu 10 Oct</td>
<td>Feedback for mid-term 1</td>
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<tr>
<td></td>
<td>Commercial banks, market structure &amp; performance, balance sheets, off-balance sheet activity, liquidity &amp; solvency, credit creation, key risks.</td>
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<tr>
<td></td>
<td><em>Cecchetti &amp; Schoenholtz, ch 12; Howells &amp; Bain, ch 12; Mishkin, chs 11, 13 and 15</em></td>
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<th>Session 7</th>
<th>Banks &amp; Risk Management I</th>
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<tr>
<td>Thu 17 Oct</td>
<td>Banks and market failure, analysis of banking risks, liquidity and solvency, tackling asymmetric information, diversification, vanilla securitisation.</td>
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|           | *Cecchetti & Schoenholtz, chs 5 and 12; Mishkin, ch 11*  

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<tr>
<th>Session 8</th>
<th>Banks &amp; Risk Management II</th>
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<tr>
<td>Thu 24 Oct</td>
<td>Banks &amp; the derivatives industry, forwards versus futures, swaps and options markets, credit default protection, collateralized debt.</td>
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|           | *Cecchetti & Schoenholtz, ch 9; Howells & Bain, chs 19-20 and 24; Mishkin, ch 13*  
|           | **FRB Cleveland, “Swaps and the Swaps Yield Curve”, FRBC Commentary, Dec 2001** |

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<tr>
<th>Session 9</th>
<th>Banks &amp; Regulation</th>
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<tr>
<td>Thu 31 Oct</td>
<td>Micro-prudential and macro-prudential policy, spillovers &amp; pro-cyclicality, arguments for and against regulation, government safety nets, Basel agreements.</td>
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Session 10
Thu 14 Nov
Central Banks: An Introduction
Central banks compared, policy strategy, role of inflation targets, transparency & credibility.

Session 11
Fri 15 Nov
Central Banks & Interest Rates
Taylor rules, Fed policy tactics, operational procedures, policy effectiveness.

Session 12
Thu 21 Nov
Central Banks & Balance Sheets
Unconventional monetary policy, liquidity packages, quantitative easing, credit easing.

Session 13
Thu 28 Nov
Currencies
Globalisation & foreign exchange market, currency regimes, exchange rate calculations and quotations, purchasing power parity, hedging and interest rate parity.

Session 14
Thu 5 Dec
Central Banks & Exchange Rates
Currency targets and the monetary policy “trilemma”, forex intervention & money supply, hard versus soft pegs, globalisation & international crises.

Session 15
Thu 12 Dec
Final examination

Classroom Etiquette
Toilet breaks should be taken before or after class or during class breaks.
Food & drink, including gum, are not to be consumed in class.
Mobile phones should be set on silent and should not be used in class except for emergencies. Please kindly dispose of rubbish in the bins provided.

Required Co-curricular Activities
Visit to Bank of England, Threadneedle Street, London EC2R 8AH. details to be confirmed
Suggested Co-curricular Activities

Your Instructor

http://www.stephenhannah.com/about/