1. Introduction
In 29 years of teaching I have found that interaction is the most stimulating intellectual environment. Economics is a conversation – you are being culturally inducted into that conversation. To absorb the culture (and maximize your final grade) you should take part in the conversation. I want you to talk economics (where talk means verbally applying economic logic to problems in a concise way) in our sessions together and afterwards also. I also want to provoke you into thinking and arguing. The primary skill that you will learn is the ability to organize the way you think about the financial world. By the end of the course you should think like an economist and be able to access the same resources that economists access.

2. Textbook and Readings
There are two components to this course: the material covered in the textbook plus other material that relates to the Global Financial Crisis. You will be introduced to the second component on a week-by-week basis.

The textbook for this course is Mishkin, F. and Eakins, S. 2012. Financial Markets and Institutions. New York: Pearson. 7th edition. This is an excellent resource. You can access the web site for this book, where you will find notes and exercises.

You should also read the Economist each week, plus the Wall Street Journal and the New York Times most days.

Lectures will not be a rehash of the textbook, but will include a good deal of additional information. The notes you take during class lectures will help you prepare for homework assignments and exams and identify which topics from the textbook are most important. It is vitally important that you read each chapter of the textbook thoroughly before class. The classes will not be spoon-feeding you through the material but instead will be focusing on elaboration, making connections between the tools and real world problems and ENCOURAGING YOU TO ACQUIRE RESEARCH SKILLS. This, in my judgment, is the most important skill that I wish you to take away from this course: the ability to think independently, in an organized and confident fashion and to be able to undertake research.

Thus this course will cover the same material as other money and banking courses: I will also try and stimulate you to go down to the library and pursue the themes that we have discussed. Economists tend to be fascinated and passionate about their subject – I want you to share that fascination and passion.
By the end of the course, you will be expected to have mastered most if not all the material in the chapters you have been set to read – I also hope that you will also see that studying economics is a worthwhile activity.

3. Course Organization
It is important that you attend lectures, since we will be covering a good deal of material that does not appear in the textbook.

4. E-mail and course website
Our Econ 111 course website is available at http://coursework.stanford.edu. Once you have registered for Econ 111 in Axess, you will automatically be registered in coursework. All homework assignments, answer keys, handouts and supplementary readings will be available on coursework, so it is important that you check it – plus your emails - frequently. The coursework website will also provide information about office hour times and locations.

5. Homeworks
details TBA

6. Midterm exam
There will be a mid-semester exam in class (date TBA).

7. Course evaluation This will be decided collectively in class.

8. Essays TBA

9. Honor Code
All students enrolled in this class, regardless of whether or not they are matriculated students, are expected to abide by the Stanford Honor Code. If you are not familiar with the honor code, you should read over the guidelines listed at the following link.
http://www.stanford.edu/dept/vpsa/judicialaffairs/guiding/honorcode.htm. Collaboration on exams and homeworks are violations of the honor code. Students are encouraged to work together on problem sets with each other; however, each student should write out their own separate answers.

10. Students with documented disabilities
Students who have a physical or mental impairment that may necessitate an academic accommodation or the use of auxiliary aids and services in a class must initiate a request with the Student Disability Resource Center (DRC). The DRC will evaluate the request along with the required documentation, recommend appropriate accommodations, and prepare a verification letter dated in the current academic term in which the request is being made. Please contact the DRC as soon as possible; timely notice is needed to arrange for appropriate accommodations. The DRC is located at 563 Salvatierra Walk (phone 723-1066 Voice; 725-1067 TTY).

11. Economics Department Common Course Policies
All courses taught in the Stanford Department of Economics are governed by a common set of course management rules. A document explaining these rules is included on our coursework website. Please be sure to read this document in its entirety, and let me know if you have any questions.

12. Course content for the first part of the course
1. Overview: Economics and the world economy: the future and the past
   The Global Financial Crisis
   Debt/equity
   Primary/secondary markets
   Exchange/OTC markets
   Money/capital markets
   Financial intermediaries
   Transaction costs Asymmetric information

Ch 1, 2 Financial Markets and Institutions

2. Interest rates:
   Present value
   Yield to maturity
   Real and nominal
   Interest rate risk
   Duration
   Asset demand
   Bond supply and demand
   Fisher effect

Ch 3, 4 Financial Markets and Institutions

3. Risk and term structure:
   Risk
   Liquidity
   Tax
   Term structure
   Yield curves
   Pure expectations theory
   Market segmentation theory
   Liquidity premium theory
   Forward/spot rates

Ch 5 Financial Markets and Institutions

4. Efficient market hypothesis:
   Weak and strong version
   Evidence
   Random walks
   Technical analysis
   Joyln and the dartboard
   Behavioral finance

Ch 6 Financial Markets and Institutions

5. Central Banking and Monetary Policy:
   Federal Reserve: structure and FOMC
   Central bank independence
Overseas central banks
The Fed’s balance sheet
Open market operations
Monetary policy: tools, targets and goals
Inflation targeting
Historical experience

Ch 7, 8 Financial Markets and Institutions

6. Financial markets, Money and Bonds:
Money markets, definition, purpose and participants
Instruments
Capital markets, definition, purpose and participants
Bond yields

Ch 9, 10 Financial Markets and Institutions

7. The Global Financial Crises: Causes and Solutions
Readings: TBA

8. Austrian Macroeconomics
Readings: TBA