

BA 5837/4837 – FINANCIAL MACROECONOMICS

Instructor:	Dr. İlkay ŞENDENİZ YÜNCÜ
Office:	FEAS Building B, H 102
Phone:	210 2050
E-mail:	sendeniz@metu.edu.tr
Office Hours:	Strictly by appointment
Course Web Page:	ODTUClass Course Page
Course Description:	
<p>This course aims to analyze how financial markets and financial institutions; financial systems as a whole, affect the macro economy. We discuss the risks to the macro economy due to the structure of financial systems. Moreover, the effects of international financial crises will be examined throughout the course. The course intends to focus on the empirics of the subjects that will be argued, with special emphasis on the different country examples.</p>	
Course Student Learning Objectives: (CSLOs)	
<p>Upon successful completion of this course, students should be able to:</p> <p>Course Specific Skills:</p> <ol style="list-style-type: none">1. Demonstrate an understanding on the notion of financial macroeconomics and the interaction between finance and macroeconomics.2. Demonstrate an understanding of the development of financial systems and the real economy.3. Realize the empirical support for the theory of finance and macroeconomics relationship. <p>Discipline Specific Skills:</p> <ol style="list-style-type: none">4. Interpret the effects of financial markets and financial structure to macro economy.5. Demonstrate broad knowledge of literature and concepts on financial macroeconomics.6. Understand research methodologies, analyze results and interpret empirical findings. <p>Personal and Key Skills:</p> <ol style="list-style-type: none">7. Develop critical reading and writing skills.8. Develop communication and presentation skills.9. Opportunity to participate in discussions.	
Learning and Teaching Methods:	
<p>Sessions consist of a mixture of lectures and students' presentations.</p>	
Required Reading:	
<p>Listed in the course schedule section below.</p>	
Suggested Reading:	
<p>Levine, R. 2005. "Finance and Growth: Theory and Evidence" in Handbook of Economic Growth, Philippe Aghion and Steven Durlauf, eds., Amsterdam: North-Holland Elsevier Publishers, Volume 1, Part 1, 865–934.</p>	

Tentative Assessment and Grading:			
Form of Assessment	% Contribution	CSLOs covered by the assessment	Feedback Method
Exam in the form of term project	70	1-7	Written
Article presentation and discussion report	30	1-9	Written and oral

Course Policies:
<p>Students who sign up for this course should have completed BA2802 Principles of Finance course (or equivalent), and should have an understanding of accounting, economics, algebra and statistics. Basic econometrics knowledge will be helpful. Each student is expected to be prepared for the assigned readings, i.e. expected to find and read the article assigned for that week. Each paper will be presented by students. Each student who present the paper will also write a 3-page discussion report for that paper. <u>Students are not expected to discuss the details of econometrics of the assigned articles in the presentations.</u></p> <p>There will be a term project due to the last day of class. There will be <u>no final examination</u> in this course. Since there is no final exam in this course, <u>a re-sit exam will not be given.</u> <u>No “extra” work</u> above the aforementioned will be accepted or credited.</p> <p>STUDENT DISABILITIES: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university’s Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.</p> <p>ACADEMIC DISHONESTY: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BA/MBA/MS degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.</p> <p>CHEATING: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty/Institute for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.</p> <p>PLAGIARISM: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately.</p> <p style="text-align: center;">METU HONOR CODE</p> <p>Every member of METU community adopts the following honor code as one of the core principles of</p>

academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

CIVILITY IN THE CLASSROOM: Students are expected to assist in maintaining a classroom environment which is conducive to learning. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true: **Students arrive on time.** Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

STUDENT EXCUSES: In case you cannot attend one of the examinations, **if and only if you can present an official (dean's or president's office approved) excuse or METU Medical Center certified Health Report, you will be eligible to take a make-up examination.** There will be one single, comprehensive make-up examination during the final period and it will be counted towards whichever exam(s) you are missing.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR!
<http://oidb.metu.edu.tr/en/academiccalendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

The following table gives the tentative schedule for the semester.

Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
March	16	Introduction		1-9
March	18	Introduction to Financial Macroeconomics		1-9
March	23	Financial Markets and Intermediaries		1-9
March	25	Theoretical and Empirical Background for Finance-Growth nexus		1-9
March	30	Information Economies		1-9
April	1	Fase M.M.G., R.C.N. Abma. 2003. "Financial Environment and Economic Growth in Selected Asian Countries," Journal of Asian Economics 14: 11–21	Fase, Abma (2003)	1-9
April	6	Impact of Banking Sector on Real Sector		1-9
April	8	Al-Yousif, K. 2002. "Financial Development and Economic Growth: Another Look at the Evidence from Developing Countries," Review of Financial Economics 11(132): 131–150.	Al-Yousif (2002)	1-9

April	13	Financial Integration and Economic Performance		1-9
April	15	Rioja, F., and Valev, N. 2004. "Does One Size Fit All?: A Reexamination of the Finance and Growth Relationship," <i>Journal of Development Economics</i> 74: 429–447.	Rioja, Valev (2004)	1-9
April	20	Foreign Bank Entry in Emerging Markets		1-9
April	22	Giannetti, M., Ongena, S., 2009. "Financial Integration and Entrepreneurial Activity: Evidence from Foreign Bank Entry in Emerging Markets", <i>Review of Finance</i> , 13: 181 – 223.	Giannetti, Ongena (2009)	1-9
April	27	Foreign Bank Lending to Small Businesses		1-9
April	29	Beck, T., and Levine, R. 2004. "Stock Markets, Banks, and Growth: Panel Evidence," <i>Journal of Banking and Finance</i> 28: 423–442.	Beck, Levine (2004)	1-9
May	4	Financial Structure and Macroeconomics		1-9
May	6	Tadesse, Solomon. 2002. "Financial Architecture and Economic Performance: International Evidence," <i>Journal of Financial Intermediation</i> 11: 429–454.	Tadesse (2002)	1-9
May	18	Bank-based vs Market-based Financial Systems		1-9
May	20	Demirgüç-Kunt, A., and Maksimovic, V. 2002. "Funding Growth in Bank-based and Market-based Financial Systems: Evidence from Firm-level Data," <i>Journal of Financial Economics</i> 65:337–363.	Demirgüç-Kunt, Maksimovic (2002)	1-9
May	25	Bank-based vs Market-based Financial Systems (cont'd)		1-9
May	27	Levine, R. 2002. "Bank-Based or Market-Based Financial Systems: Which is Better?," <i>Journal of Financial Intermediation</i> 11: 398–428.	Levine (2002)	1-9
June	1	Relationship Banking		1-9
June	3	Boot, A. W. A. 2000. "Relationship Banking: What Do We Know?," <i>Journal of Financial Intermediation</i> 9, 7–25	Boot (2000)	1-9
June	8	Optimal Financial Structure		1-9
June	10	Demirgüç-Kunt, A., Feyen, E. Levine, R. 2011. "Optimal Financial Structures and Development: The evolving Importance of Banks and Markets", World Bank working paper.	Demirgüç-Kunt, Feyen, Levine (2011)	1-9
June	15	Financial Environment and Economic Performance: Country Studies		1-9
June	17	Degryse, H. and Van Cayseele, P. 2000. "Relationship Lending within a Bank-Based System: Evidence from European Small Business Data", <i>Journal of Financial Intermediation</i> , 9, 90–109.	Degryse, Van Cayseele (2000)	1-9
June	22	Financial Environment and Economic Performance: Country Studies (cont'd)		1-9
June	24	Exam (Term Project)		1-7