

BA 4837/5837 – FINANCIAL MACROECONOMICS

Tue and Thu 11.00-12.15 G109

Instructor:	Dr. İlkay ŞENDENİZ YÜNCÜ
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Office Hours:	Tuesdays: 14:00-15:30 (online and by appointment)
Course Web Page:	ODTUClass Course Page (please check ODTUClass and your METU email accounts regularly for the course materials, announcements and any updates).

Course Description:

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 financial structure of the countries 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.

Course Student Learning Objectives: (CSLOs)

Upon successful completion of this course, students should be able to:

Course Specific Skills:

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.

Discipline Specific Skills:

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.

Personal and Key Skills:

7. Develop critical reading and writing skills.
8. Develop communication and presentation skills.
9. Opportunity to participate in discussions.

Learning and Teaching Methods:

Sessions consist of a mixture of formal lectures, in-class discussions and presentation sessions.

Required Reading:

Listed in the course schedule section below.

Suggested Reading:

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.

Tentative Assessment and Grading:			
Form of Assessment	% Contribution	CSLOs covered by the assessment	Feedback Method
Written examination 1	35	1-7	Written
Written examination 2	35	1-7	Written
Article presentation (15 min.)	15	1-9	Oral
Article discussions and class participation	15	1-9	Oral

Course Policies:

Students who sign up for this course should have completed BA2802 Principles of Finance course (or equivalent), and should have an understanding of algebra and statistics. Students are required to actively participate during the lecture hours. Each student is expected to be prepared for the required readings. Assigned readings will be presented by students, and there will be class discussions after presentations. Presentations will be on Tuesdays. Students are not expected to discuss the details of econometrics of the assigned articles during the presentations.

There will be two written midterm examinations. There will be no final examination in this course. A re-sit exam will not be given. No "extra" work above the aforementioned will be accepted or credited.

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.

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.

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.

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.

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of

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. In order to assure that all students have an opportunity to gain from time spent in class, students are prohibited from making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. 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 at the end of the semester and it will be counted towards the exam 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 (**subject to change**). The lectures will stress the most important material.

Tentative Course Schedule			
Date	Topic	Reading/ Assignment	CSLO
Week 1	Introduction to Financial Macroeconomics		1-9
Week 2	Theoretical Background for Finance-Growth nexus		1-9
Week 3	Empirical Background for Finance-Growth nexus	Al-Yousif (2002). "Financial Development and Economic Growth: Another Look at the Evidence from Developing Countries," Review of Financial Economics 11(132): 131–150.	1-9
Week 4	Impact of Banking Sector on Real Sector	Claessens, Hassib, Van Horen (2017). "The Role of Foreign Banks in Trade," Bank of England, Staff Working Paper No. 656	1-9

Week 5	Impact of Stock Market on Real Sector	Rioja, Valev (2004). "Does One Size Fit All? A Reexamination of the Finance and Growth Relationship," <i>Journal of Development Economics</i> 74: 429–447.	1-9
Week 6	Written Exam 1 (March 28th, Thursday)	Fase, Abma (2003). "Financial Environment and Economic Growth in Selected Asian Countries," <i>Journal of Asian Economics</i> 14: 11–21	1-9 1-7
Week 7	Financial Environment and Economic Performance: Country Studies	Andres, Hernando, Lopez–Salido (2004). "The Role of the Financial System in the Growth–Inflation Link: the OECD Experience," <i>European Journal of Political Economy</i> , 20: 941–961.	1-9
Week 8	Religious Holiday		
Week 9	Firm and Industry Level Studies on Finance-Growth nexus	Tadesse (2002). "Financial Architecture and Economic Performance: International Evidence," <i>Journal of Financial Intermediation</i> 11: 429–454.	1-9
Week 10	National Holiday (Tuesday) Financial Structure and Macroeconomics		1-9
Week 11	Financial Structure and Macroeconomics (Cont'd)	Levine (2002). "Bank–Based or Market–Based Financial Systems: Which is Better?" <i>Journal of Financial Intermediation</i> 11: 398–428.	1-9
Week 12	How Do Financial Systems Differ?	Lin, Sun, Jiang (2009). "Toward a Theory of Optimal Financial Structure", <i>World Bank Policy Research Working Paper</i> , 5038.	1-9
Week 13	Optimal Financial Structure	Demirgüç-Kunt, Feyen, Levine (2011). "Optimal Financial Structures and Development: The evolving Importance of Banks and Markets", <i>World Bank</i> .	1-9
Week 14	Empirical Applications	Lin, Sun, Jiang (2013). "Endowment, industrial structure, and appropriate financial structure: a new structural economics perspective", <i>J Econ Policy Reform</i> , 16 (2): 109-122.	1-9
Week 15	Review Written Exam 2 (May 30th, Thursday)		1-9 1-7