

## Term Information

Effective Term Spring 2018

## General Information

Course Bulletin Listing/Subject Area Economics  
Fiscal Unit/Academic Org Economics - D0722  
College/Academic Group Arts and Sciences  
Level/Career Graduate, Undergraduate  
Course Number/Catalog 5262  
Course Title Financial Economics II  
Transcript Abbreviation Financial Econ II  
Course Description Examination of academic literature and econometric analysis of topics involving financial markets, financial institutions, and financial market participants. Does not count as course credit towards the completion of a business major.  
Semester Credit Hours/Units Fixed: 3

## Offering Information

Length Of Course 14 Week, 12 Week, 8 Week, 7 Week, 6 Week, 4 Week  
Flexibly Scheduled Course Never  
Does any section of this course have a distance education component? No  
Grading Basis Letter Grade  
Repeatable No  
Course Components Lecture  
Grade Roster Component Lecture  
Credit Available by Exam No  
Admission Condition Course No  
Off Campus Never  
Campus of Offering Columbus

## Prerequisites and Exclusions

Prerequisites/Corequisites Prereq: ECON 5261 and ECON 4001.01, 4001.02, or 4001.03, and 4002.01, 4002.02, or 4002.03, and Math 1151, 1152, 1161, or 2182H, or equiv.; or Grad standing.  
Exclusions  
Electronically Enforced Yes

## Cross-Listings

Cross-Listings

## Subject/CIP Code

Subject/CIP Code 45.0601  
Subsidy Level Doctoral Course  
Intended Rank Junior, Senior, Masters, Doctoral, Professional

## Requirement/Elective Designation

The course is an elective (for this or other units) or is a service course for other units

## Course Details

### **Course goals or learning objectives/outcomes**

- In this course we will take a critical/objective view of academic research on a variety of issues in financial economics.

### **Content Topic List**

- Commercial Banking Industry in the United States: Are mergers beneficial? Is there an alternative to TBTF? Why did the Basel Accords fail? Will commercial banking survive?
- Commercial Banking Industry outside of the United States: The British big bang, The European Banking crisis, Banking in developing economies, Why Canadian banks don't fail
- Alternative Assets: Hedge Funds, Why defining hedge funds is difficult, Evolution of Hedge Funds, The agency issue in hedge funds, The Hedge Funds debate: role in the global financial crisis
- Alternative Assets: Private Equity, Evolution of the PE industry, Incentives in PE: are they well aligned? Efficient long term capital allocation or vulture capitalism? The future of Private Equity
- Consumer or Household Finance: Unbanked Americans, Alternative credit sources: Payday loans, title loans, etc. Inelastic supply of consumer credit, HELOC: good or evil? Why the lack of consumer protection?
- The Global Financial Setting: Evolution of the Sisters: IMF & World Bank, Sisters Success and Failures, Why the lack of reform? Sovereign debt crisis.

### **Sought Concurrence**

Yes

## Attachments

- Rationale for the new courses Financial Economics I and Financial Economics II v3 (002).docx: Rationale  
*(Other Supporting Documentation. Owner: Ramirez,Ana G)*
- International Studies Concurrence Econ 5261 & 5262.pdf: Intlstds Concurrence  
*(Concurrence. Owner: Ramirez,Ana G)*
- Sociology Concurrence Financial Economics Econ 5261 & 5262.pdf: Sociology Concurrence  
*(Concurrence. Owner: Ramirez,Ana G)*
- Curriculum Map Update 2016.xlsx: Econ Curriculum Map  
*(Other Supporting Documentation. Owner: Ramirez,Ana G)*
- AEDE Concurrence Financial Economics Econ 5261 & 5262.pdf: AEDE Concurrence  
*(Concurrence. Owner: Ramirez,Ana G)*
- FCOB Financial Economics syllabus NO concurrence.pdf: FCOB Non-Concurrence  
*(Concurrence. Owner: Ramirez,Ana G)*
- Glenn College Concurrence Financial Economics Econ 5261 & 5262.pdf: Glenn College Concurrence  
*(Concurrence. Owner: Ramirez,Ana G)*
- RE\_ Financial Economics syllabus & concurrence forms Finance Chair.pdf: FCOB FinanceDepartment  
*(Other Supporting Documentation. Owner: Ramirez,Ana G)*
- BusFin 4265 syllabus Spring 2017 Fuller.pdf: BusFin4265SyllabusFuller  
*(Other Supporting Documentation. Owner: Ramirez,Ana G)*
- Syllabus\_BusFin4265-2017SpringSemester\_IsilErel.pdf: Busfina4265SyllabusErel  
*(Other Supporting Documentation. Owner: Ramirez,Ana G)*
- RE\_ Financial Economics syllabus & concurrence forms Brandl rebuttal.pdf: FCOBBrandlRebuttal  
*(Other Supporting Documentation. Owner: Ramirez,Ana G)*
- FCOB non-Concurrence response.docx: Econ Rebuttal  
*(Other Supporting Documentation. Owner: Ramirez,Ana G)*
- Financial Econ Concurrence Request.docx: Revised Concurrence List  
*(List of Depts Concurrence Requested From. Owner: Ramirez,Ana G)*
- FCOB concurrence issue re\_ Economics 5261 and 5262.pdf: FCOB Concurrence  
*(Concurrence. Owner: Ramirez,Ana G)*
- ECON 5262 Financial Economics II syllabus BRANDLv5.docx: Rev5 Syllabus  
*(Syllabus. Owner: Ramirez,Ana G)*

## Comments

- Revised Syllabus and FCOB concurrence email. *(by Ramirez,Ana G on 05/17/2017 11:45 AM)*
- See 3-27-17 e-mail to T Logan and A Ramirez. *(by Vankeerbergen,Bernadette Chantal on 03/27/2017 11:46 AM)*
- 2/20/17: Useful updates. *(by Haddad,Deborah Moore on 02/20/2017 05:42 PM)*

**COURSE REQUEST**  
5262 - Status: PENDING

Last Updated: Haddad,Deborah Moore  
05/17/2017

**Workflow Information**

Status	User(s)	Date/Time	Step
Submitted	Ramirez,Ana G	01/18/2017 04:07 PM	Submitted for Approval
Approved	Ye,Lixin	01/18/2017 10:43 PM	Unit Approval
Approved	Haddad,Deborah Moore	01/19/2017 11:41 AM	College Approval
Revision Requested	Vankeerbergen,Bernadette Chantal	02/09/2017 04:28 PM	ASCCAO Approval
Submitted	Ramirez,Ana G	02/20/2017 03:50 PM	Submitted for Approval
Approved	Ye,Lixin	02/20/2017 05:29 PM	Unit Approval
Approved	Haddad,Deborah Moore	02/20/2017 05:42 PM	College Approval
Revision Requested	Vankeerbergen,Bernadette Chantal	03/27/2017 11:46 AM	ASCCAO Approval
Submitted	Ramirez,Ana G	05/17/2017 11:45 AM	Submitted for Approval
Approved	Logan,Trevon D'Marcus	05/17/2017 11:59 AM	Unit Approval
Approved	Haddad,Deborah Moore	05/17/2017 12:53 PM	College Approval
Pending Approval	Nolen,Dawn Vankeerbergen,Bernadette Chantal Hanlin,Deborah Kay Jenkins,Mary Ellen Bigler	05/17/2017 12:53 PM	ASCCAO Approval

According to the United States Department of Commerce, in 2015 the finance and insurance industry represented 7.2 percent (or \$1.293 trillion) of U.S. gross domestic product. The size of this already large and influential sector is expected to grow over the next several years. Despite the size and importance of this industry, most economics departments do not offer undergraduate courses in financial economics.

### Finance v. Financial Economics

Many people often confuse the field of finance and the field of financial economics. The field of finance, roughly speaking, comprises three major divisions and several subdivisions. Finance is made up of Corporate Finance, Asset Pricing (often referred to as Investments) and Financial Institutions and Markets. Subdivisions in finance include real estate, behavioral finance, private equity, consumer finance, etc. In most of finance, prices are determined exogenously and emphasis is often placed on the management of financial assets. These areas of finance are often taught in business schools in American Universities.

Financial economics, on the other hand, applies the tools of economics (the building of formal economic models, econometric testing, examination of incentives, cost/benefit analysis, etc.) to examine how and why prices are determined in financial markets. Thus, unlike finance, prices are determined endogenously in financial economics. Financial economics also poses questions of efficiency. Questions addressed include: How efficiently do markets allocate capital? Why do financial markets and instruments exist? How and why do markets shift risk? Why do financial markets fail? What is the role of regulation in financial markets? These are important questions for students to address. However, currently in the United States, financial economics is rarely taught at the undergraduate level.

### Why Undergraduate Financial Economics is needed

The tools of economics are needed to examine, objectively, how and why financial markets are playing such a large role in our economy and society. The tools of financial economics are also needed to understand how financial markets contributed to the greatest economic slowdown since the Great Depression. Undergraduates who wish to engage in the forming of our economy and society in the future will be well served to study the field of financial economics.

The two-course Financial Economics sequence will equip students with a broad knowledge of important theoretical and empirical aspects of financial economics. The courses will push students to ask demanding questions and use their training to pursue answers on their own. These are not courses designed to mimic corporate training programs. These are not courses designed to “get students a job.” Instead, these courses are designed to equip students with the skills they will need to understand the complexity of financial markets – where they have been, where they are now, and where they might be headed.

The first course in the two-semester sequence focuses on the theoretical and institutional aspects of financial economics. The second course focuses more on empirical academic research into topics and issues developed in the first semester course. Along the way, students will be evaluated on their ability to develop the analytic and critical thinking skills needed to objectively evaluate financial markets and institutions, both domestically and globally.

**From:** [Mughan, Anthony](#)  
**To:** [Logan, Trevon](#); [Herrmann, Richard](#); [Martin, Andrew](#); [Buchmann, Claudia](#); [Roe, Brian](#); [Bruno, John](#); [Foster, Karlene](#); [Greenbaum, Robert](#); [Brown, Trevor](#); [West, Patricia](#); [O'Neill, Jill](#); [Haab, Timothy](#)  
**Cc:** [Ramirez, Ana](#)  
**Subject:** RE: Financial Economics syllabus & concurrence forms  
**Date:** Tuesday, January 17, 2017 9:14:02 AM  
**Attachments:** [image001.png](#)

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Trevon,

International Studies concurs with the Department of Economics's proposal to introduce an undergraduate course sequence in Financial Economics (ECON 5261 and ECON 5262).

Tony

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Anthony Mughan  
Professor, Political Science &  
Director, International Studies  
2140 Derby Hall  
The Ohio State University  
Columbus, OH 43210

*Phone:* (614) 292-9657  
*Fax:* (614) 688-3020  
*E-mail:* [mughan.1@osu.edu](mailto:mughan.1@osu.edu)

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**From:** Logan, Trevon  
**Sent:** Tuesday, January 17, 2017 8:16 AM  
**To:** Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy  
**Cc:** Ramirez, Ana  
**Subject:** Financial Economics syllabus & concurrence forms

Hello,

We would like to solicit your concurrence on a new advanced undergraduate course sequence in Financial Economics Econ 5261 (3 credit hours) and Econ 5262 (3 credit hours).

These courses will become part of our applied microeconomics advanced undergraduate offerings, and we expect that the course will serve the demand our students have for rigorous applied theory courses. The prerequisites for this course are the second course in our microeconomics and macroeconomics sequence (4001 and 4002), and this course is therefore specifically tailored to our majors. At present, there is no course being offered at the undergraduate level which exposes students to the economic theory of financial markets. Attached, I provide both the concurrence form and the example syllabi for the courses. Additional details are provided in the attached rationale for the course for you to review.

I hope that you will be able to extend your concurrence for the courses. Please let me know if you have questions.

Sincerely,



**Trevon D. Logan, Ph.D.**

Hazel C. Youngberg Trustees Distinguished Professor  
**College of Arts and Sciences** Department of Economics  
410 Arps Hall | 1945 N. High Street Columbus, OH 43210  
614-292-0762 Office | 614-292-3906 Fax  
[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

**From:** [Logan, Trevon](#)  
**To:** [Ramirez, Ana](#)  
**Subject:** FW: Financial Economics syllabus & concurrence forms  
**Date:** Tuesday, January 17, 2017 10:05:02 AM  
**Attachments:** [image001.png](#)

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**From:** Martin, Andrew  
**Sent:** Tuesday, January 17, 2017 10:04 AM  
**To:** Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>  
**Subject:** RE: Financial Economics syllabus & concurrence forms

Hi Trevon,

Sociology concurs with the Department of Economics's proposal to introduce an undergraduate course sequence in Financial Economics (ECON 5261 and ECON 5262).

Best

Andrew Martin

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**From:** Logan, Trevon  
**Sent:** Tuesday, January 17, 2017 8:17 AM  
**To:** Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy  
**Cc:** Ramirez, Ana  
**Subject:** Financial Economics syllabus & concurrence forms

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410 Arps Hall | 1945 N. High Street Columbus, OH 43210  
614-292-0762 Office | 614-292-3906 Fax  
[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

**From:** [Logan, Trevon](#)  
**To:** [Ramirez, Ana](#); [Brandl, Michael W.](#)  
**Subject:** FW: Financial Economics syllabus & concurrence forms  
**Date:** Tuesday, January 17, 2017 11:06:27 AM  
**Attachments:** [image001.png](#)  
[image002.png](#)

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**From:** Haab, Timothy  
**Sent:** Tuesday, January 17, 2017 11:00 AM  
**To:** Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>  
**Cc:** Roe, Brian <[roe.30@osu.edu](mailto:roe.30@osu.edu)>; Hnytka, Gina <[hnytka.4@osu.edu](mailto:hnytka.4@osu.edu)>; Sohngen, Brent <[sohngen.1@osu.edu](mailto:sohngen.1@osu.edu)>; Sheldon, Ian <[sheldon.1@osu.edu](mailto:sheldon.1@osu.edu)>  
**Subject:** RE: Financial Economics syllabus & concurrence forms

Understand (and we encourage the rigor). Thanks.

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**From:** Logan, Trevon  
**Sent:** Tuesday, January 17, 2017 10:58 AM  
**To:** Haab, Timothy <[haab.1@osu.edu](mailto:haab.1@osu.edu)>  
**Cc:** Ramirez, Ana <[ramirez.159@osu.edu](mailto:ramirez.159@osu.edu)>; Brandl, Michael W. <[brandl.4@osu.edu](mailto:brandl.4@osu.edu)>  
**Subject:** RE: Financial Economics syllabus & concurrence forms

Tim,

Thanks. We may need to have the 1131 count with a restriction on the grade in that course. The instructor, Mike Brandl, will be doing a rigorous course and the calculus requirement will be similar to our game theory course. The reason for the 4001.01 allowance is that there are some BS majors who cannot enroll in 4001/2.02 or 4001.2.03. To be clear, we are planning these course for our BS students, but the changes you have suggested can be accommodated for the most part. We do not want students to be surprised by the level of rigor here.



**Trevon D. Logan, Ph.D.**

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[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

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**From:** Haab, Timothy  
**Sent:** Tuesday, January 17, 2017 10:49 AM  
**To:** Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>

**Subject:** RE: Financial Economics syllabus & concurrence forms

Trevon,

AEDE concurs with the offering of the new advanced undergraduate course sequence in Financial Economics (5261 and 5262) with the following request: that you include AEDE 4001 as an alternative prerequisite to Econ 4001.01 and allow Math 1131 as alternative prerequisite to Math 1151. We require Math 1131 as a prerequisite for AEDE 4001. Given that Econ 4001.01 is the non-calculus based section and accepted as a prerequisite for the , it seems advantageous to all to allow students who have completed our version of intermediate micro (Managerial Econ) which requires Business calculus as a pre-requisite into the course.

Thanks,

Tim

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**From:** Logan, Trevon

**Sent:** Tuesday, January 17, 2017 8:17 AM

**To:** Herrmann, Richard <[herrmann.1@osu.edu](mailto:herrmann.1@osu.edu)>; Martin, Andrew <[martin.1026@osu.edu](mailto:martin.1026@osu.edu)>; Buchmann, Claudia <[buchmann.4@osu.edu](mailto:buchmann.4@osu.edu)>; Roe, Brian <[roe.30@osu.edu](mailto:roe.30@osu.edu)>; Bruno, John <[bruno.1@osu.edu](mailto:bruno.1@osu.edu)>; Mughan, Anthony <[mughan.1@polisci.osu.edu](mailto:mughan.1@polisci.osu.edu)>; Foster, Karlene <[foster.24@osu.edu](mailto:foster.24@osu.edu)>; Greenbaum, Robert <[greenbaum.3@osu.edu](mailto:greenbaum.3@osu.edu)>; Brown, Trevor <[brown.2296@osu.edu](mailto:brown.2296@osu.edu)>; West, Patricia <[west.284@osu.edu](mailto:west.284@osu.edu)>; O'Neill, Jill <[oneill.139@osu.edu](mailto:oneill.139@osu.edu)>; Haab, Timothy <[haab.1@osu.edu](mailto:haab.1@osu.edu)>

**Cc:** Ramirez, Ana <[ramirez.159@osu.edu](mailto:ramirez.159@osu.edu)>

**Subject:** Financial Economics syllabus & concurrence forms

Hello,

We would like to solicit your concurrence on a new advanced undergraduate course sequence in Financial Economics Econ 5261 (3 credit hours) and Econ 5262 (3 credit hours).

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Sincerely,



**Trevon D. Logan, Ph.D.**

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614-292-0762 Office | 614-292-3906 Fax  
[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

**From:** [Logan, Trevon](#)  
**To:** [Brandl, Michael W.](#); [Ramirez, Ana](#)  
**Subject:** FW: Financial Economics syllabus & concurrence forms  
**Date:** Wednesday, January 18, 2017 10:58:55 AM  
**Attachments:** [image001.png](#)

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As expected.



**Trevon D. Logan, Ph.D.**

Hazel C. Youngberg Trustees Distinguished Professor  
**College of Arts and Sciences** Department of Economics  
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614-292-0762 Office | 614-292-3906 Fax  
[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

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**From:** O'Neill, Jill  
**Sent:** Wednesday, January 18, 2017 10:54 AM  
**To:** Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>; Palma, Anthony <[palma.16@osu.edu](mailto:palma.16@osu.edu)>  
**Subject:** RE: Financial Economics syllabus & concurrence forms

Hi Trevon,

The department of Finance in the College of Business is going to decline concurrence. Dr. Minton (dept. chair) will be following up with you directly.

Best,

**Jill O'Neill**

Director, Operations and Enrollment  
Chair, Scholarship Committee  
**The Ohio State University**  
**Fisher College of Business** Undergraduate Programs and Advising  
120R Schoenbaum Hall | 210 W. Woodruff Ave. | Columbus, OH 43210  
614-292-2715 Main Office | 614-292-5735 Fax  
[oneill.139@osu.edu](mailto:oneill.139@osu.edu) [fisher.osu.edu](http://fisher.osu.edu)

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**From:** Logan, Trevon  
**Sent:** Tuesday, January 17, 2017 8:16 AM  
**To:** Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy  
**Cc:** Ramirez, Ana  
**Subject:** Financial Economics syllabus & concurrence forms

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in Financial Economics Econ 5261 (3 credit hours) and Econ 5262 (3 credit hours).

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Sincerely,



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[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

**From:** [Logan, Trevon](#)  
**To:** [Ramirez, Ana](#)  
**Subject:** FW: Financial Economics syllabus & concurrence forms  
**Date:** Tuesday, January 17, 2017 9:38:06 AM  
**Attachments:** [image002.png](#)  
[image003.png](#)

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Ana,

I think Tony cc'd you on his concurrence. If sot, let me know and I'll forward it.



**Trevon D. Logan, Ph.D.**

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[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

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**From:** Greenbaum, Robert  
**Sent:** Tuesday, January 17, 2017 9:37 AM  
**To:** Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>  
**Cc:** Brown, Trevor <[brown.2296@osu.edu](mailto:brown.2296@osu.edu)>; Lavertu, Stephane <[lavertu.1@osu.edu](mailto:lavertu.1@osu.edu)>; Hallihan, Kathleen <[hallihan.3@osu.edu](mailto:hallihan.3@osu.edu)>  
**Subject:** RE: Financial Economics syllabus & concurrence forms

Hi Trevon,

The Glenn College is pleased to offer concurrence for the two-course sequence in financial economics. I'm glad that these courses will now be offered.

Rob Greenbaum



**Robert T. Greenbaum**

Associate Professor, Associate Dean for Curriculum  
**John Glenn College of Public Affairs**  
350E Page Hall, 1810 College Road, Columbus, OH 43210  
614-292-9578 Office / 614-292-2548 Fax  
[greenbaum.3@osu.edu](mailto:greenbaum.3@osu.edu) [glenn.osu.edu/faculty/glenn-faculty/greenbaum/](http://glenn.osu.edu/faculty/glenn-faculty/greenbaum/)

*Buckeyes consider the environment before printing.*

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**From:** Logan, Trevon

**Sent:** Tuesday, January 17, 2017 8:17 AM

**To:** Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy

**Cc:** Ramirez, Ana

**Subject:** Financial Economics syllabus & concurrence forms

Hello,

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Sincerely,



**Trevon D. Logan, Ph.D.**

Hazel C. Youngberg Trustees Distinguished Professor

College of Arts and Sciences Department of Economics

410 Arps Hall | 1945 N. High Street Columbus, OH 43210

614-292-0762 Office | 614-292-3906 Fax

[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)



**From:** [Logan, Trevon](#)  
**To:** [Bendoly, Elliot](#)  
**Subject:** RE: Financial Economics syllabus & concurrence forms  
**Date:** Friday, January 27, 2017 9:17:04 AM  
**Attachments:** [image001.png](#)  
[image002.png](#)

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Dear Elliot,

Thanks for your reply. I do have a few follow up questions for you:

- 1) Could you be more specific as to what courses comprise the overlap? As I mentioned in my original email we have structured this sequence to be for economics majors and it is unclear what combination of your courses this sequence overlaps with.
- 2) More specifically, what are the prerequisites of the courses which comprise this overlap?

Many thanks!



**Trevon D. Logan, Ph.D.**

Hazel C. Youngberg Trustees Distinguished Professor  
**College of Arts and Sciences** Department of Economics  
410 Arps Hall | 1945 N. High Street Columbus, OH 43210  
614-292-0762 Office | 614-292-3906 Fax  
[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

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**From:** Bendoly, Elliot  
**Sent:** Thursday, January 26, 2017 12:17 PM  
**To:** Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>  
**Subject:** FW: Financial Economics syllabus & concurrence forms

Hello Trevon,

Thank you for asking for input on this course proposal.

We've now had discussions among our Finance faculty with regards to possible overlaps in the curriculum. Ultimately the consensus is that the coursework proposed largely mimics that which is already covered in electives, particularly as topics relate to financial institutions and markets. Some of content is in fact connected to discussions present in the Business Minor we offer to non-Fisher students. Since it is unlikely that the University wants to have courses offered by two different units that cover predominantly the same materials, in large part for consistency purposes but also for resource utilization purposes, Fisher isn't in the position to concur with the proposed course offering.

I personally believe that there may be value in near-term joint discussions between Finance faculty and faculty in the Economics department that may open up new avenues for exploring novel offerings that are less likely to create these issues. I would expect that a collaborative effort might give rise to some outstanding possibilities for extending the already excellence curriculum offerings at OSU. Please let me know if you would like for me to facilitate.

Best wishes,  
Elliot

**Professor Elliot Bendoly, PhD**

Associate Dean of Undergraduate Students and Programs  
& Fisher College of Business Distinguished Professor  
Management Sciences, The Ohio State University  
[www.fisher.osu.edu](http://www.fisher.osu.edu) [www.bizbreed.com](http://www.bizbreed.com) [www.ma-vis.com](http://www.ma-vis.com)

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**From:** Logan, Trevon  
**Sent:** Tuesday, January 17, 2017 8:16 AM  
**To:** Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy  
**Cc:** Ramirez, Ana  
**Subject:** Financial Economics syllabus & concurrence forms

Hello,

We would like to solicit your concurrence on a new advanced undergraduate course sequence in Financial Economics Econ 5261 (3 credit hours) and Econ 5262 (3 credit hours).

These courses will become part of our applied microeconomics advanced undergraduate offerings, and we expect that the course will serve the demand our students have for rigorous applied theory courses. The prerequisites for this course are the second course in our microeconomics and macroeconomics sequence (4001 and 4002), and this course is therefore specifically tailored to our majors. At present, there is no course being offered at the undergraduate level which exposes students to the economic theory of financial markets. Attached, I provide both the concurrence form and the example syllabi for the courses. Additional details are provided in the attached rationale for the course for you to review.

I hope that you will be able to extend your concurrence for the courses. Please let me know if you have questions.

Sincerely,



**Trevon D. Logan, Ph.D.**  
Hazel C. Youngberg Trustees Distinguished Professor

College of Arts and Sciences Department of Economics  
410 Arps Hall | 1945 N. High Street Columbus, OH 43210  
614-292-0762 Office | 614-292-3906 Fax  
[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)



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**BUSINESS FINANCE 4265**  
**Financial Institutions**

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Professor: Prof. Robert A Fuller  
Email: [fuller.469@osu.edu](mailto:fuller.469@osu.edu)  
Office Hours: by appointment.

Office: 310 Fisher Hall  
Phone: 415-244-1334  
Room: 220 Schoenbaum  
TuTh 2:20-3:40 pm

**Course Description**

Financial Institutions play an extremely important role in the functioning of the global economy and in the operation of our firms. The financial crisis of 2007-2008 and recent global financial turbulence demonstrated both how important financial institutions are in the economy and how they are often times greatly misunderstood because of their complexity. Today, banks and other financial institutions are undergoing a great deal of change. The challenges they face are daunting and historic. Our goal is to examine financial institutions, these challenges and problems in depth. In doing so this class will not offer simple solutions to the complex problems financial institutions. Instead, this course will force you to think and engage in conversations so that you can gain insight into the problems and opportunities that await financial institutions and our global economy.

At the end of this course, students will be able to demonstrate that they understand

- The history and essential functions of banks in the economy.
- Important asset, liability and capital components in a bank balance sheet.
- How banks earn revenues and profits.
- The risks banks assume and how they are measured and manage.
- Key elements of the Financial Crisis and subsequent regulatory developments.
- The basic character of other types of Financial Institutions and roles they play in the Economy (including how they are regulated)
- Technological and other developments impacting the future of Financial Institutions.

**Course Resources:**

1. *Course lecture notes* are posted on the course website. Please bring your notes to class each day to participate in the class discussion.
2. *Required Readings* include sections from the *required textbook* (see #3) and other readings posted on the class website and in the course schedule.
3. *Required Textbook*: Brandl, Michael W. *Money, Banking, Financial Markets and Institutions*, Mason, OH: Cengage Learning, 2017. ISBN-10: 0538748575 | ISBN-13: 9780538748575. Please note that new and used versions of the textbook are available on [www.amazon.com](http://www.amazon.com).

4. *Harvard Business School Course Packet*: Please follow this link <http://cb.hbsp.harvard.edu/cbmp/access/57442843> and follow the instructions below:
  - a. Click “Register Now.”
  - b. Enter name, email, and educational program, and create a username and password.
  - c. Click “Register.”
  - d. Login with the username and password you just created.
  - e. Purchase the course packet contents (Cases and Background Note)
  
5. *Additional Resources*: This course stresses the impact financial institutions have on business practices. Below are some national and international news resources that are relevant to the course and excellent sources of information for any serious business student.
  - The *Wall Street Journal* (WSJ) provides national and international news as well as detailed information on financial markets and institutions.
  - The *Financial Times* is a daily newspaper out of London with a US edition. The *Financial Times* offers a much more extensive coverage of economic and business activity outside of the United States, compared to mostly domestic news sources such as the WSJ.
  - The *Economist* is an outstanding weekly British newsmagazine that analyzes the week’s events and surveys financial market developments. Its target audience includes senior executives as well as high ranking government official.

## Course Requirements:

The course requirement include the following components.

Component	% of total course grade
Cases	30%
Exams-2	40%
Assignments	15%
Class participation-cases	10%
-lecture	5%

1. **Cases:** The course has 6 cases to be analyzed. Case briefs should NOT exceed two pages of text with no limit on exhibits. You must use the 12-point font, double-spaced paragraphs, and default Microsoft Word margins. Cases will either be done as group work or individual assignment as directed. Groups can have 3-4 members and you must give me a list of members by the start of the 3<sup>rd</sup> class on Jan 17<sup>th</sup>. If necessary, I will assign students to groups already formed. You will be given questions to answer for each case. Case briefs are due at the beginning of class and late submissions will not be accepted.
2. **Assignments:** The assignments may include exam-style problems, questions related to assigned readings and completion of in-class exercises to be completed outside of class. All assignments are due at the beginning of class on the date indicated in the assignment.

*Each assignment grade will contribute equally towards the Assignments component grade.*

3. **Exams:** There will be a two exams on the following dates:

***Exams: February 28<sup>th</sup> and April 25<sup>th</sup> during class time.***

4. **Class Attendance and Participation:** Students are expected to **attend class** and to **arrive on time**. To a significant extent, the value you get from the course depends on your presence in class, and your classmates' opportunities to learn from your insights depend on your presence in class. Each student is permitted to have NO MORE than Two excused absences during the semester. Please notify me of your absence before the specific date by email. Exceptions can be made for serious circumstances.

As noted above, students are expected to have completed the assigned reading and exercise posted on the course content page before class. To encourage preparation and facilitate class discussion, students will be called on in class to share their insights. As is the case with real world work environments, you are judged not by what you know but by what you **contribute**. Even if you feel that you know the material, unless you share your insights with the class, we cannot adequately evaluate your preparedness and contribution. Students are never penalized for making comments which do not

appear to be the “right answer.” It is only through consideration of many diverse opinions and viewpoints that we will move toward a greater shared understanding of the multi-dimensional material which this course entails.

*Please chose a seat for the entire term and always bring your nameplate. Class participation for cases will be marked for each class by 1 or 2 students and also by myself. For each class, points will be given for comments-0 for no comments, and up to 3 points for observations. Extra points will be given for insightful comments. I strongly recommend that you bring a hard copy of the case to class as I may refer to exhibits or case comments. Class participation for lectures and guest speakers will be considered when determining a student’s final grade.*

**Exam Policy:**

Everyone will take the exams on assigned dates.

**Extra Credit/Grade Change Policy:**

Extra credit will not be offered unless it is available to the entire class. For example, if a student wishes to improve his grade at the end of the course, extra credit will not be available for this purpose, as it unfairly penalizes students who have consistently worked hard throughout the course.

**Electronic Devices Policy:**

The absence of unnecessary distractions and interruptions is essential for a positive and effective learning environment. Thus, students *may not use any electronic device* in class, unless explicitly permitted by the instructor. All electronic devices must be turned off and put away prior to the start of class.

Students who want to take electronic notes may do so *but only* if it is on a tablet device and that tablet must remain on the flat table top for the entire class time.

**Office hours and reviews:**

Unless announced otherwise, I am available to meet with students on an individual basis during office hours or by appointment. Please speak to me before class or email me to make an appointment for an office visit. Please give me a general idea of the topic you’d like to discuss so that I can be as prepared as possible for your visit.

**Course website:**

I will maintain a website through Carmen (using the University’s new Canvas system). The URL is <https://carmen.osu.edu>. I will use the website to post course slides, readings, and assignments. Please check it on a regular basis.

**Communication:**

The quickest way to contact me is by email. I will usually respond within a few hours.

**ACADEMIC INTEGRITY**

Academic integrity is essential to maintaining an environment that fosters excellence in

teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have



read and understand the University's *Code of Student Conduct*, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's *Code of Student Conduct* and this syllabus may constitute "Academic Misconduct."

The Ohio State University's *Code of Student Conduct* (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's *Code of Student Conduct* is never considered an "excuse" for academic misconduct, so I recommend that you review the *Code of Student Conduct* and, specifically, the sections dealing with academic misconduct. (You can find the full Code at [http://studentlife.osu.edu/pdfs/csc\\_12-31-07.pdf](http://studentlife.osu.edu/pdfs/csc_12-31-07.pdf))

**If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct.**

### **DISABILITY SERVICES**

The Student Life Disability Services (SLDS) ([www.ods.ohio-state.edu](http://www.ods.ohio-state.edu)) verifies students with specific disabilities and develops strategies to meet their needs. Students requiring accommodations based on identified disabilities should contact the instructor at the beginning of the term to discuss their particular needs. Students with a specific disability are encouraged to contact SLDS to explore potential accommodations available to them.

## COURSE SCHEDULE

<b>PART 1: THE BIG PICTURE: Financial Institutions, The What, How and Why We Care</b>		
<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
1	TU, JAN 10 TH, JAN 12	<p style="text-align: center;"><b>Topics</b> Overview of Syllabus and Class Financial Institutions (FI) through Time</p> <p><b>Required Readings:</b> 1. Textbook: Chapters 1, 2, and 5</p> <p><b>Assignments:</b> 1. COMPLETE Student Survey</p>
2	TU, JAN 17 TH, JAN 19	<p style="text-align: center;"><b>Topic:</b> <i>Changing Landscape of the Financial Services Industry:</i> Bank fundamentals</p> <p><b>Required Readings:</b> 1. Textbook, Chapter 7. 2. Bank of America (in 2010) and the New Financial Landscape Case (<i>HBS Course Packet</i>)</p> <p><b>Assignment:</b> Bank of America Case brief due Jan 19</p>
3	TU, JAN 24 TH, JAN 26	<p style="text-align: center;"><b>Topic:</b> <b><i>The Balance Sheet and Income statement</i></b></p> <p><b>Required Readings:</b> Textbook, Chapter 12</p> <p><b>Assignment:</b>  Chase and Hong Kong Disney (a) Case brief due Jan 26</p>

**PART 2: BANKS: Their OPERATIONS, BALANCE SHEET and RELATED RISKS**

<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
4	TU, Jan 31 TH, Feb 2	<p align="center"><b>Topic</b> <i>Credit Risk Guest Lecturer Professor Isil Erel</i></p> <p><b>Required Reading:</b> Textbook, Chapter 13-1 Assigned by speaker</p> <p><b>Assignment:</b></p>
5	TU, Feb 7 TH, Feb 9	<p align="center"><b>Topic</b> <i>Managing Related Risks</i> Interest Rate, Liquidity, Operational Risk Bank Regulation</p> <p><b>Required Readings:</b> 1. Textbook, Chapter 13.2-6 2. Textbook, Chapter 14</p> <p><b>Assignment:</b> TBA</p>
6	TU, Feb 14 TH, Feb 16	<p align="center"><b>Topics</b> <i>More Bank Regulation</i> <b>Feb 16: Guest Speaker:</b> Trends in Bank Regulation</p> <p><b>Required Readings:</b> 1. Readings for Guest Speaker TBA and posted on course website</p> <p><b>Assignment:</b> <b><i>Deutsche bank and the Road to Basel III (HBS) due Feb 14</i></b></p>
7	TU, Feb 21 TH, Feb 23	<p align="center">Topics</p> <p>Feb 21: S&amp;L's, Finance Companies, Community Banks</p> <p>Readings: Textbook, Chapter 21</p> <p>Assignment: Community Bank Loan Case due Feb 21</p> <p>Feb 23: Review for Exam</p>

**PART 3: 2007-2008 FINANCIAL CRISIS and FINANCIAL INSTITUTIONS**

<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
8	TU, Feb 28 TH, Mar 2	<p align="center"><b>Topic</b> <i>Review and Mid-Term Exam</i></p> <p>Feb 28: EXAM in class            Mar 2: No class this day. Watch "Inside the Meltdown", PBS Frontline <a href="http://www.pbs.org/wgbh/frontline/film/meltdown/">http://www.pbs.org/wgbh/frontline/film/meltdown/</a>            Assignment: Answer questions re video due Mar 7</p>
9	TU, Mar 7 TH, Mar 9	<p align="center"><b>Topics</b> <i>Governance and Financial Crisis</i> <i>Speaker: Financial Crisis, David Berson SVP &amp; Chief Economist Nationwide</i></p> <p>Mar 7: Speaker            Mar 9: Governance  <b>Required Readings:</b>            As assigned by speaker   <b>Assignment: TBA</b></p>
<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
10	TU, Mar 21 TH, Mar 23	<p align="center"><b>Topics</b> <i>Shadow Banking</i> <i>Guest Speaker: FinTech: Haledane King, King Brown Partners</i></p> <p><b>Required Readings:</b>            1. Readings for guest Speaker</p> <p><b>Assignment:</b>            GE and the Shadow Banking Landscape (HBS) due Mar 21</p>
11	TU, Mar 28 TH, Mar 30	<p align="center"><b>Topics</b> <i>Alternate Capital</i> <i>Alternate Capital Leveraged Loan Market</i></p> <p><b>Required Readings:</b>            1. Textbook, Chapter 23            2. Readings for Guest Speaker            3. Lim, Minton, and Weisbach, Syndicated Loan Spreads and the Composition of the Syndicate,(FAME summary of 2014 Journal of Financial Economics version)</p>

**PART 4: NON-BANK INSTITUTIONS/SHADOW BANKING**

<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
12	TU, Apr 4 TH, Apr 6	<p align="center"><b>Topics</b> <i>Investment banking</i></p> <p><b>Required Readings</b> 1. Textbook, Chapter 24</p> <p>Assignment: Blackstone at Age 30 case due APR 6 (HBS)</p>
13	TU, Apr 11 TH, Apr 13	<p align="center"><b>Topics</b> <i>Private Equity</i></p> <p align="center"><b>Guest Speaker, Matthew McDonough, Drive Capital</b></p> <p><b>Required Reading:</b> 1. Textbook, Chapter 24  2. Readings for Guest Speaker TBA and posted on Course website</p> <p><b>Assignments:</b>  1. Guest Speaker Assignment <b>due</b></p>
14	TU, Apr 18 TH, Apr 20	<p align="center"><b>Topic</b> <i>Insurance</i> <b>Guest Speaker; Insurance</b></p> <p><b>Required Reading:</b> 1. Textbook, Chapter 22 2. Guest speaker readings</p> <p>Assignment: Guest Speaker Assignment</p>
<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
15	TU, Apr 25	<p><b>Topics</b>  <b>Second Exam</b></p>





**BUSFIN 4265 –FINANCIAL INSTITUTIONS**  
**Professor Isil Erel**  
**Spring 2017**

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**Classroom:** Schoenbaum Hall 209

**Meeting Times:** Session 1 (32824): Mondays and Wednesdays: 9:35AM - 10:55AM  
Session 2 (32825): Mondays and Wednesdays: 11:10AM - 12:30PM

**Professor:** Isil Erel

<https://fisher.osu.edu/people/erel-koksal.1>

*Office:* 832 Fisher Hall

*Email:* erel@fisher.osu.edu

**Office Hours:** Tuesdays 1:00-2:30pm or by appointment

**Course Webpage:** on Canvas

**Course Description**

This course will introduce students to financial institutions and their important economic function. The course will examine the structure and operation of financial institutions in the U.S., with particular attention paid to the various risks and complex challenges facing these institutions. While there are no easy solutions to the challenges and problems faced by financial institutions, we will cover these issues in depth, with the objective of developing a solid understanding of them.

**Prerequisites**

There are no official prerequisites for this course. Students are expected to have a basic knowledge of finance, accounting, and statistics.

**Required Reading**

Course Packet [*referred to as "CP" below*], available at HBS Publishing. Please follow this link <http://cb.hbsp.harvard.edu/cbmp/access/57182441> and follow the instructions below:

- Click "Register Now."
- Enter name, email, and educational program, and create a username and password.
- Click "Register."
- Login with the username and password you just created.
- Purchase the material.

**Recommended Reading**

Saunders and Cornett [*referred to as "SC" below*], *Financial Institutions Management: A Risk Management Approach*, 8<sup>th</sup> edition, McGraw-Hill. ISBN 9780078034800. Textbook is not required but highly recommended. A few copies of this textbook are available on the Closed Reserves at the Thompson Library.

**Supplemental Readings**

Articles are available on the course webpage [*referred to as "CW" below*]. Please see the tentative course outline below for a list. Also note that these readings are OPTIONAL.

Students are strongly encouraged to read financial press, such as the *Wall Street Journal* or *Financial Times*, to reinforce the applicability of the topics that we cover in class.

## Pedagogy

The course will be structured as a combination of lectures, discussions, and cases. I will post my PowerPoint slides on the course website on Canvas before each class to help you follow the lectures and take notes. Please remember that posted slides are not complete. For completeness, you should attend the lectures. Please also note that we will have a few guest lecturers throughout the semester. Please see the *tentative course outline* below for their names and affiliations.

## Grading

The final course grade will be allocated as follows:

Individual Class Participation	5%
Individual Assignments	15% (5% each)
Group Case Write-ups	15% (5% each)
Exam I	30%
Exam II	35%

**Class Participation:** Students are expected to attend each class in a timely fashion and take part in discussions. Class participation will be graded based on my assessment of both the quantity and quality of an individual's contribution to case and lecture discussions.

Please *choose a seat for the entire term*, no later than the second-class session. This makes it easier for you to interact during class discussions and easier for me to facilitate grading for class participation.

**Case Write-up:** Cases are in the course packet [CP]. You will write a case report/executive summary for three of the cases in groups. Detailed instructions with questions for each case will be posted on Canvas. Please form a study group of **3 to 5 students** for the case write-up. You can work with students from the other section as well. You must give me a list of your group members by the end of second week of classes (**by January 18 at the latest**). If necessary, I will assign students to groups already formed, starting with the smallest groups. However, I would prefer you to find a team yourself (please talk with friends in the same classroom as soon as you can).

All groups should come fully prepared to discuss their case solution with the rest of the class and should **hand in or email** a typed case write-up (one per team) **before the class discussion starts** (you should also retain a copy for yourself for class discussion).

Also, you will have the opportunity to evaluate your team members at the end of the quarter. Evaluation sheets with a detailed explanation will be posted on Canvas and they are **OPTIONAL**.

**Individual Assignments:** There will be three individual assignments. They will be posted on the course website on Canvas. **It is very important that you complete the assignment individually.** I will also post sample problems from the textbook with solutions on Canvas.

**Exams:** There will be two exams. Each exam will cover all material taught until the date of the exam. The second exam will be during Finals' Week. It will be comprehensive in scope, including materials from every part of the course. Both exams will be closed-book. You can use nonprogrammable functions of a calculator.

## Absences and Late Assignments

Absence from the exams will not be excused, except for the most serious circumstances. Such circumstances must be validated in writing by an appropriately accredited professional (e.g. medical doctor). *Any unexcused absences in exams will result in a grade of zero.* Late assignments will not be accepted for credit. As a matter of professional courtesy, please notify me *in advance* if you are unable to attend a particular class.



## **Regrading Policy**

Grading errors will be corrected. All regrade appeals must be submitted within *one week after the graded test is returned*. Any exam submitted for regrading of a question is subject to complete regrade. As a result, the regraded score may increase, stay the same, or decrease after a careful consideration. *I will not consider any regrade requests after the one-week deadline has passed.*

## **Disenrollment Policy**

Fisher College of Business strongly enforces University attendance policies. As per University rule 3335-8-33 (<http://trustees.osu.edu/rules/university-rules/rules8/ru8-33.html>), any student may be disenrolled from a course for failure to attend by the first Friday of the term, or by the 3<sup>rd</sup> instructional day of the term, or by the second class meeting, *whichever occurs first*.

## **Disability Services**

The Office of Disability Services verifies students with specific disabilities and develops strategies to meet the needs of those students. Students requiring accommodations based on identified disabilities should contact the instructor at the beginning of the quarter to discuss his or her individual needs. All students with a specific disability are encouraged to contact the Office of Disability Services to explore the potential accommodations available to them.

## **Academic Misconduct**

All students are expected to abide by the Fisher College Honor Code: *“As a member of the Fisher College of Business Community, I am personally committed to the highest standards of behavior. Honesty and integrity are the foundations from which I will measure my actions. I will hold myself accountable to adhere to those standards. As a future leader in the community and business environment, I pledge to live by these principles and celebrate those who share these ideals.”* All students are also expected to adhere to the University’s Code of Academic Integrity. Academic misconduct will not be tolerated. According to the university rules, all suspected cases of academic misconduct will be reported to the Committee on Academic Misconduct.

## **Tentative Course Outline**

This outline is tentative and subject to change. Please refer to the course website on Canvas for updates on readings, homework problems, and case assignments. It is the students’ responsibility to check the course website for updates and announcements.

Class 1            Course Overview and Introduction  
*Jan 9*

**Topics:**            Course Organization and Requirements  
                         Introduction to Financial Institutions

### **Recommended Readings:**

Saunders & Cornett: *Financial Markets and Institutions: A Risk Management Approach* (“S&C”) Ch. 1

**Supplemental Readings:**

**Some examples of recent academic research, on Canvas course website [CW]:**

A Theory of Risk Capital (Isil Erel, Stewart Myers, and James Read, Jr.), 2015, Journal of Financial Economics, 118/3, 620-635.

Why did Holdings of Highly-Rated Securitization Tranches Differ So Much Across Banks?, 2014, (Isil Erel, Taylor Nadauld, and Rene Stulz), 2014, Review of Financial Studies, 2014, 27/2, pages 404-453.

Governance, Risk Management, and Risk-Taking in Banks (Rene Stulz), 2014, Ohio State University Working Paper.

Banks Are Where Liquidity Is (Oliver Hart and Luigi Zingales), 2014, Harvard University Working Paper

Classes 2&3 Commercial Banks

*January 11&18*

**Topics:** Functioning of the Commercial Banks  
Financial Statements and Analysis

**Recommended Readings:**

S&C Ch. 2, Appendix 2A, and Appendix 2B

**Supplemental Readings:**

Lessons from the Great Credit Crisis, S&P [CW]

Class 4 Governance of Commercial Banks and Community Banks

*January 23*

**Guest Lecturer: Robert Fuller, Ohio State University**

**Supplemental Readings:**

Corporate Governance and Banks: What Have We Learned from the Financial Crisis? (Hamid Mehran Alan Morrison Joel Shapiro), 2011, Working Paper.

Corporate Governance Principles for Banks, 2014, Basel Committee on Banking Supervision, Consultative Document.

Class 5 Case: Hong Kong Disneyland Loan

*January 25*

*Note: Case write-up is due at the beginning of the class.*

**Topics:** Syndicated Lending

**Required Readings:**

Case: Chase's Strategy for Syndicating the Hong Kong Disneyland Loan (A) [CP]

**Supplemental Readings:**

A Syndicated Loan Primer, April 2016, S&P [CW]

Classes 6      Other Lending Institutions  
**January 30**

**Topics:**      Saving Institutions  
                  Credit Unions  
                  Finance Companies

**Recommended Readings:**

S&C Ch. 2 and Ch.3

**Supplemental Readings:**

Savings and Loan Crisis (Ely), *The Concise Encyclopedia of Economics [CW]*

Class 7      Shadow Banking

**February 1**

**Note: First Individual Assignment is due at the beginning of the class.**

**Required Readings:**

*Case:* GE and the Shadow Banking Landscape [CP]

**Supplemental Readings:**

Shadow Banking, Background Note, Soley Sans and Sánchez de Leon, HBS Publishing [CP]

Thinking Critically about Nonbank Financial Intermediation (Tarullo), The Brookings Institution, 2015 [CW]

Classes 8&9      Bank Regulation (Deposit Insurance & Capital Requirements)

**February 6&8**

**Topics:**      Creation of FDIC  
                  Moral Hazard due to Deposit Insurance  
                  Savings and Loan Crisis  
                  Capital Requirements (Basel Capital Accords)

**Recommended Readings:**

S&C Ch. 19 and Ch. 20

**Supplemental Readings:**

Ticker Cushions, When You're Ready, *Economist.com*, 2010 [CW]

Class 10      A Case on Basel III

**February 13**

**Note: Case write-up is due at the beginning of the class.**

**Required Readings:**

*Case:* Deutsche Bank and the Road to Basel III [CP]

**Supplemental Readings:**

Deutsche Bank: Still Struggling on Capital, *WSJ [CW]*

Deutsche Bank: What to Know, *WSJ [CW]*

Class 11      Recent Changes in Bank Regulation

**February 15**

**Guest Speaker: PJ Petersen, Huntington Bank**

**Supplemental Readings:**

Dodd-Frank Act Stress Test 2016: Supervisory Stress Test Methodology and Results [CW]

Class 12      Liquidity Creation; Federal Reserve System

**February 20**

**Note: Second Individual Assignment is due at the beginning of the class.**

**Topics:**            Federal Reserve System  
                  Liquidity Creation  
                  Managing Liquidity  
                  1998 Liquidity Crises

**Recommended Readings:**

S&C Ch. 12

**Supplemental Readings:**

How do Banks Manage Liquidity Risk? Evidence from the Equity and Deposit Markets in the Fall of 1998 (Gatev, Schuermann, and Strahan), *NBER*, 2005 [CW]

Class 13      IN-CLASS MIDTERM EXAM

**February 22**

Class 14      Insurance Companies

**February 27**

**Topics:**            Risk and Insurance

**Recommended Readings:**

S&C Ch. 6

**Supplemental Readings:**

A Lively Market in 'Death Bonds' (Pleven and McDonald), *WSJ*, 2007 [CW]

Class 15      Trends and Challenges in the Insurance Industry

**March 1**

**Guest Speakers: Susan Haack, CPCU, Treasurer and CFO, Motorists Insurance Group  
                          Phil Renaud, Executive Director, Risk Institute**

Classes 16&17 Measuring Interest Rate Risk

**March 6 & 8**

**Topics:**            The Case of Homeside Lending  
                  Repricing GAP  
                  Duration and Convexity

**Recommended Readings:**

S&C Ch. 8

**Supplemental Readings:**

NAB Lesson in How to Burn \$3 billion (Hooper), *Radio National*, 2001 [CW]

Classes 18&19 Measuring Credit Risk

March 20&22

**Topics:** Calculating Return on a Loan  
CreditMetrics of JP Morgan (VaR)  
RAROC Models

**Recommended Readings:**

S&C Ch. 10 and Chapter 11 (only the VaR calculation)

**Optional Reading:**

If you want to learn about Moody's KMV, which is not covered in this class: Modeling Default Risk (Crosbie and Bohn), *Moody's KMV*, 2003 [CW]

Class 20 Credit Risk from a Practitioner's Perspective

**March 27**

**Guest Speaker: Don Kimble, CFO, KeyBank**

Classes 21&22 Off-Balance-Sheet Banking & Loan Securitization

**March 29 and April 3**

**Topics:** Off-Balance-Sheet Assets/Liabilities  
Loan Commitments  
Securitization of Mortgages  
Fannie Mae and Freddie Mac

**Recommended Readings:**

S&C Ch. 16 and Ch. 26

**Supplemental Readings:**

The Economics of Structured Finance (Coval, Jurek, and Stafford), 2009 [CW]

Understanding the Securitization of Subprime Mortgage Credit (Ashcraft and Schuermann), 2008 [CW]

Fussing and Fuming over Fannie and Freddie: How Much Smoke, How Much Fire? (Frame and White), 2005 [CW]

Classes 23 Mutual Funds and Hedge Funds

**April 5**

**Recommended Readings:**

S&C Ch. 5

**Supplemental Readings:**

Investment Company Fact Book, *Investment Company Institute*, 2016 [CW]

Class 24 Pension Funds

**April 10**

**Guest Lecturer: Brian Grinnell, Chief Actuary, STRS Ohio**

**Note: Third Individual Assignment is due at the beginning of the class.**

Class 25      Investment Banks  
***April 12***

**Topics:**      Investment Banks and Securities Firms  
                  Securities Underwriting  
                  Bookbuilding  
                  Underpricing of IPOs

**Recommended Readings:**

S&C Ch. 4  
Role of the Investment Bank (Connelly, Fox, and Klausner), UBS, 2005 [CW]  
Initial Public Offerings: Going by the Book (Benveniste and Wilhelm), *Journal of Applied Corporate Finance*, 1997 [CW]

**Optional Readings:**

IPO Statistics (Ritter), 2016 [CW]  
Secondary Market Stabilization of IPOs (Wilhelm), *Journal of Applied Corporate Finance*, 1999 [CW]  
SEC Sues Morgan Stanley and Goldman Sachs for Unlawful IPO Allocation Practices, 2005 [CW]

Class 26      Case Discussion: Chase Manhattan Corporation  
***April 17***

***Note: Case write-up is due at the beginning of the class.***

**Topics:**      Bank Mergers  
                  Value Creation in Corporate Restructurings

**Required Reading:**

Case: Chase Manhattan Corporation: The Making of America's Largest Bank [CP]

Class 27      Private Equity  
***April 19***

**Guest Lecturer: Andy Jenks, Partner, Drive Capital**

Class 28      Review Session  
***April 24***

Review of the Past Exams

Final Exam

***Friday April 28<sup>th</sup> @ 6:00PM***  
***EL1008***

**From:** [Logan, Trevon](#)  
**To:** [Brandl, Michael W.](#)  
**Cc:** [Ramirez, Ana](#)  
**Subject:** RE: Financial Economics syllabus & concurrence forms  
**Date:** Monday, January 30, 2017 11:36:04 AM  
**Attachments:** [image001.png](#)  
[image002.png](#)

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Mike,

I cc Ana on this as we will need this in the concurrence process. I think we'll be told by OAA to present our case to the curricular committee.

It certainly can't hurt that you literally wrote the book!!



**Trevon D. Logan, Ph.D.**

Hazel C. Youngberg Trustees Distinguished Professor  
**College of Arts and Sciences** Department of Economics  
410 Arps Hall | 1945 N. High Street Columbus, OH 43210  
614-292-0762 Office | 614-292-3906 Fax  
[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)

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**From:** Brandl, Michael W.  
**Sent:** Monday, January 30, 2017 9:51 AM  
**To:** Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>  
**Subject:** RE: Financial Economics syllabus & concurrence forms

Trevon,

As I suspected they are claiming BUSFIN 4265 *Financial Institutions* as a "similar" course to ours. Here is my rebuttal:

- 1) As we discussed, the numerous business prerequisite courses for this course mean that it is almost impossible for a non-Fisher student to take this course. Our Financial Economics courses, on the other hand, are designed to suit the needs of economics majors as well as other undergraduate and graduate students from across the University, not just Fisher students.
- 2) The only math prerequisite for this course is Math 1131 (Calculus for Business) or 1151. The only economics required are the 2001 and 2002. Our courses require both intermediate theory courses and students are highly suggested to have completed Math 1152 (Calculus II) and 2153. Thus, the level of quantitative rigor in this course is significantly less than in our courses.

- 3) The section offered by Professor Erel focuses on the risk management aspects of financial institution management. Thus, the focus of this course is much more narrow in scope than are our courses.
- 4) The section offered by Professor Fuller uses the textbook I wrote...thus I am very familiar with the level of that material. I can assure you what we are doing in our courses is much more rigorous, and significantly different from what is in that textbook I produced.
- 5) Both sections rely on outside speakers, all of whom (I believe) are practitioners, and none, save for Professor Fuller, who does NOT have a terminal degree, speaking Professor Erel's course, that I am aware of, hold an academic position. Our courses focus much more on academic research as opposed to the practitioner's point of view.

Thus, you can see our courses are significantly different from what Fisher offers. Thus, there is, I would argue, no redundancy.

Regards,  
Mike



**Michael W. Brandl, PhD**

JMCB Alumni Senior Lecturer

Director of Special Projects

**The Ohio State University**

**Department of Economics**

407 Arps Hall, 1945 N. High Street, Columbus, OH 43210-1172

614-247-0092 Office

[brandl.4@osu.edu](mailto:brandl.4@osu.edu) [osu.edu](http://osu.edu)

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**From:** Logan, Trevon

**Sent:** Sunday, January 29, 2017 2:48 PM

**To:** Brandl, Michael W. <[brandl.4@osu.edu](mailto:brandl.4@osu.edu)>

**Subject:** FW: Financial Economics syllabus & concurrence forms

Sorry about that.



**Trevon D. Logan, Ph.D.**

Hazel C. Youngberg Trustees Distinguished Professor

**College of Arts and Sciences** Department of Economics

410 Arps Hall | 1945 N. High Street Columbus, OH 43210

614-292-0762 Office | 614-292-3906 Fax

[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](http://osu.edu)



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**From:** Bendoly, Elliot

**Sent:** Friday, January 27, 2017 1:37 PM

**To:** Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>

**Subject:** FW: Financial Economics syllabus & concurrence forms

Hello Trevon,

I'm forwarding the two syllabi that the Finance faculty have identified the greatest overlap in, with respect to your proposal.

---

**Professor Elliot Bendoly, PhD**

Associate Dean of Undergraduate Students and Programs

& Fisher College of Business Distinguished Professor

Management Sciences, The Ohio State University

[www.fisher.osu.edu](http://www.fisher.osu.edu) [www.bizbreed.com](http://www.bizbreed.com) [www.ma-vis.com](http://www.ma-vis.com)

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Dear Elliot,

Thanks for your reply. I do have a few follow up questions for you:

- 1) Could you be more specific as to what courses comprise the overlap? As I mentioned in my original email we have structured this sequence to be for economics majors and it is unclear what combination of your courses this sequence overlaps with.
- 2) More specifically, what are the prerequisites of the courses which comprise this overlap?

Many thanks!

- 1) The proposed Econ courses Econ 5261 and 5262 will require students to have complete both intermediate economics theory courses (Econ 4001 and 4002), additionally it is suggested to students to have completed Calculus II (Math 1152 ) and Calculus III (Math 2153). The economics course requirements for BUSFIN 4265 are the principals of micro and macroeconomics (Econ 2001 and 2002). A deeper understanding of economics theory will be required for Econ 5261 and 5262. The only math prerequisite for the FCOB course Financial Institution (BSUFIN 4265) is Calculus for Business (Math 1131) or Math 1151. Thus, the level of quantitative rigor for BUSFIN 4265 is significantly less than for proposed Econ courses.
- 2) BUSFIN 4256 focuses on the risk management aspects of financial institution management. Thus, the focus of these courses is much narrower in scope than the Econ course proposal are our courses. Econ 5261 is an examination of the evolution of and economic issues facing financial markets, financial institutions, and financial market participants. While Econ 5262 exams the academic literature and econometric analysis of topics involving financial markets, financial institutions, and financial market participants.
- 3) The prerequisites for BUSFIN4265 are BUSFIN 4211 and 4221. These courses also have prerequisites BUSFIN 3220, BUSMgt 2320, BUSMgt 2321, and AcctMIS 2200. These courses mean that it is almost impossible for a non-Fisher student to take BUSFIN4265. The Financial Economics courses, on the other hand, are designed to suit the needs of economics majors as well as other undergraduate and graduate students from across the University, not just Fisher students.

**NO Response**

**Richard Herrmann (.1)**  
Chair Political Science  
College of Arts & Sciences  
[Herrmann.1@osu.edu](mailto:Herrmann.1@osu.edu)

**Concurrence**

**Claudia Buchmann (.4)**  
Chair Sociology  
**Andrew Martin (.1026)**  
Director of Undergraduate Studies Sociology  
[Martin.1026@osu.edu](mailto:Martin.1026@osu.edu)  
[Buchmann.4@osu.edu](mailto:Buchmann.4@osu.edu)

**Concurrence**

**Tim Hadd (.1)**  
Chair AEDE  
**Brian Roe (.30)**  
Undergraduate Program Leader  
[Haad.1@osu.edu](mailto:Haad.1@osu.edu)  
[Roe.30@osu.edu](mailto:Roe.30@osu.edu)

**NO Response**

**John Bruno (.1)**  
Chair Psychology  
College of the Arts and Sciences  
[Bruno.1@osu.edu](mailto:Bruno.1@osu.edu)

**Concurrence**

**Tony Mughan (.1)**  
**Karlene Foster (.24)**  
International Studies  
College of Arts and Sciences  
[Mughan.1@osu.edu](mailto:Mughan.1@osu.edu)  
[Foster.24@osu.edu](mailto:Foster.24@osu.edu)

**Concurrence**

**Trevon Brown (.2296)**  
Dean of John Glenn College of Public Affairs  
**Robert Greenbaum (.3)**  
Associate Dean for Curriculum  
John Glenn College of Public Affairs  
[Greenbaum.3@osu.edu](mailto:Greenbaum.3@osu.edu)  
[Brown.2269@osu.edu](mailto:Brown.2269@osu.edu)

**Non-Concurrence**

**Patricia West (.284)**  
Associate Dean of Undergraduate Program  
**Jill O'Neill (.139)**  
Director Administrative Services  
FCOB  
[West.284@osu.edu](mailto:West.284@osu.edu)  
[Oneill.139@osu.edu](mailto:Oneill.139@osu.edu)

**From:** [Logan, Trevon](#)  
**To:** [Brandl, Michael W.](#); [Ramirez, Ana](#)  
**Subject:** Fwd: concurrence issue re: Economics 5261 and 5262  
**Date:** Wednesday, May 3, 2017 8:33:31 AM

---

Success!! Please see below.

**Trevon D. Logan, Ph.D.**

Hazel C. Youngberg Trustees Distinguished Professor  
College of Arts and Sciences  
Department of Economics  
410 Arps Hall | [1945 N. High Street Columbus, OH 43210](#)  
[614-292-0762](#) Office | [614-292-3906](#) Fax  
[logan.155@osu.edu](mailto:logan.155@osu.edu) [osu.edu](#)

Sent from my iPad

Begin forwarded message:

**From:** "Fink, Steven" <[fink.5@osu.edu](mailto:fink.5@osu.edu)>  
**Date:** May 3, 2017 at 8:19:46 AM EDT  
**To:** "Logan, Trevon" <[logan.155@osu.edu](mailto:logan.155@osu.edu)>  
**Cc:** "Haddad, Deborah" <[haddad.2@osu.edu](mailto:haddad.2@osu.edu)>, "Vankeerbergen, Bernadette" <[vankeerbergen.1@osu.edu](mailto:vankeerbergen.1@osu.edu)>, "Hood, Linda" <[hood.82@osu.edu](mailto:hood.82@osu.edu)>  
**Subject:** FW: concurrence issue re: Economics 5261 and 5262

Trevon,

Associate Dean Elliot Bedoly's memo below constitutes FCOB/Finance's concurrence for Economics 5261 and 5262, with the stipulation that the course descriptions add the wording "Does not count as course credit towards the completion of a business major." I am therefore sending back the 5261 request (Bernadette already sent back 5262, I believe) for you to 1) attach Elliot's memo as FCOB's concurrence letter, and 2) revise the course descriptions as indicated.

Consequent to FCOB's concurrence, I am cancelling the meeting we had set up for you, me, Elliot, and Bernadette Minton.

Thank you,

Steve

---

**From:** Bendoly, Elliot  
**Sent:** Tuesday, May 2, 2017 1:18 PM  
**To:** Fink, Steven <[fink.5@osu.edu](mailto:fink.5@osu.edu)>

**Cc:** Hood, Linda <[hood.82@osu.edu](mailto:hood.82@osu.edu)>

**Subject:** Re: concurrence issue re: Economics 5261 and 5262

Thank you Steve - Yes that is entirely adequate. We just don't want student mislead by the offering. The following should suffice as additional wording in both course descriptions: "Does not count as course credit towards the completion of a business major."

I think this would eliminate any need to meet further. Thank you.

Elliot

Sent from my iPhone

On May 2, 2017, at 1:07 PM, Fink, Steven <[fink.5@osu.edu](mailto:fink.5@osu.edu)> wrote:

Hello Elliot,

Thank you for your comments. If I understand your message correctly, you are saying that the Econ 5261 and 5262 courses may be offered with your approval as long as we are absolutely clear and transparent that these courses cannot be counted toward the Business major or minor. We can add this caveat to the course descriptions if you would favor that (and if so, let me know if there is any specific wording you want). If my understanding is correct, then I take it also to be the case that we no longer need to convene a meeting of you, me, Bernadette, and Trevon. Is this correct? If so, I will have my assistant notify everyone of the cancellation.

Thanks, and regards,

Steve

---

**From:** Bendoly, Elliot

**Sent:** Tuesday, May 2, 2017 10:15 AM

**To:** Fink, Steven <[fink.5@osu.edu](mailto:fink.5@osu.edu)>

**Subject:** RE: concurrence issue re: Economics 5261 and 5262

Hi Steve,

I realize there have been a number of conflicts that have resulted in meeting cancellations, but perhaps it is just useful to reiterate where we stand on this issue.

For clarity, the rationale for the non-concurrence was a simple concern

with duplication across the university coursework in a time where budgetary constraints force us to make thoughtful choices in resource deployment across the University. Since the courses in question were developed by the same faculty that originally developed the overlap courses at Fisher, the concern for duplication was heightened.

Ultimately, our interest is in helping with decisions that serve the entire student body at the University. Since it is argued that there is a demand for this coursework outside of the Fisher College of Business majors and minors, it seems reasonable for Economics to offer this course for such non-majors/non-minors. We believe this would be a useful skillset for students not majoring or minoring through FCOB.

Having said this, the standing policy at FCOB is to avoid alternative paths into the Business major through non-major-intended coursework. It is for this reason that coursework taken specific to the Business minor cannot count towards the Business major. Similarly, we have argued that the related courses in the Business Minor are distinct enough to not qualify as transferable to the major. This same rule would have to apply to Econ 5261/2, since again the argument made is that they are sufficiently distinct and cater to a fundamentally distinct audience. Again, this of course should not matter, since the course are not intended for Business majors, however it is a point worth communicating to students under full transparency.

Thanks,  
Elliot

Professor Elliot Bendoly, PhD  
Associate Dean of Undergraduate Students and Programs  
& Fisher College of Business Distinguished Professor  
Management Sciences, The Ohio State University  
<https://u.osu.edu/bsbareources> [www.ma-vis.com](http://www.ma-vis.com)

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**From:** Fink, Steven  
**Sent:** Friday, April 21, 2017 8:05 AM  
**To:** Bendoly, Elliot <[bendoly.2@osu.edu](mailto:bendoly.2@osu.edu)>  
**Cc:** Hood, Linda <[hood.82@osu.edu](mailto:hood.82@osu.edu)>  
**Subject:** RE: concurrence issue re: Economics 5261 and 5262

Will do.

Linda, can you work on scheduling a meetin for me, Trevon Logan, Elliot Bendoly, and Bernadette Minton?

Thank you,

Steve

---

**From:** Bendoly, Elliot  
**Sent:** Friday, April 21, 2017 7:49 AM  
**To:** Fink, Steven <[fink.5@osu.edu](mailto:fink.5@osu.edu)>  
**Cc:** Hood, Linda <[hood.82@osu.edu](mailto:hood.82@osu.edu)>  
**Subject:** Re: concurrence issue re: Economics 5261 and 5262

Thank you Steve. I think having all four present would be most effective.  
Let's plan accordingly.  
Best,  
Elliot

Dr. E. Bendoly, PhD  
Associate Dean and Fisher College of Business Distinguished Professor  
(Sent from my iPhone)

On Apr 21, 2017, at 7:46 AM, Fink, Steven <[fink.5@osu.edu](mailto:fink.5@osu.edu)> wrote:

Hello Elliot,

I could be available between 1 and 1:50 on the 2<sup>nd</sup> or between 9:40 and noon on the 5<sup>th</sup>, but I had originally been thinking that if we meet it would be useful to have the two chairs—Bernadette and Trevon Logan—as part of the conversation. Would you prefer that just the two of us meet (at any of the mutually convenient times we've determined here), or should I have my assistant, Linda Hood, coordinate a meeting for the four of us?

Regards,

Steve

---

**From:** Bendoly, Elliot  
**Sent:** Thursday, April 20, 2017 9:40 PM  
**To:** Fink, Steven <[fink.5@osu.edu](mailto:fink.5@osu.edu)>  
**Subject:** RE: concurrence issue re: Economics 5261 and 5262

Hello Steve,  
I've had the chance to discuss the matter with Bernadette Minton. I think it might be useful to schedule a face-to-face, just to go over some particulars. Do you have any availability

between 1pm and 2pm on the 2<sup>nd</sup>, or between 8:30am and noon on the 5<sup>th</sup>?

Elliot

---

**From:** Fink, Steven

**Sent:** Friday, April 14, 2017 3:01 PM

**To:** Bendoly, Elliot <[bendoly.2@osu.edu](mailto:bendoly.2@osu.edu)>; Minton, Bernadette <[minton.15@fisher.osu.edu](mailto:minton.15@fisher.osu.edu)>; Logan, Trevon <[logan.155@osu.edu](mailto:logan.155@osu.edu)>

**Cc:** Hood, Linda <[hood.82@osu.edu](mailto:hood.82@osu.edu)>; Smith, Randy <[smith.70@osu.edu](mailto:smith.70@osu.edu)>; Haddad, Deborah <[haddad.2@osu.edu](mailto:haddad.2@osu.edu)>

**Subject:** concurrence issue re: Economics 5261 and 5262

Dear Elliot, Bernadette, and Trevon,

A conflict has come up for me that will require the cancellation of our scheduled meeting on April 28, to discuss the issue of FCAB's non-concurrence with the course proposals for Economics 5261 and 5262 (Financial Economics I and II); but let me briefly review the issues here, and perhaps we can resolve them via e-mail. If not, I will have my assistant Linda Hood reschedule the meeting for us if that still seems advisable.

FCOB (through Associate Dean Elliot Bendoly) has declined to provide concurrence for these two Financial Economics courses (concurrence was obtained from International Studies; Sociology; Agricultural, Environmental, and Developmental Economics; and the Glenn College of Public Affairs). The argument against concurrence is essentially that the courses are too similar to FCOB's Business Finance 4265, for which Dean Bendoly provided two sample syllabi upon request from Trevon Logan, Chair of Economics, in response to the initial response of non-concurrence.

Economics then composed a rebuttal response to the non-concurrence, but it is not entirely clear from the documents (all of which are attached here) whether these were sent to Dean Bendoly or just to the ASC Curriculum Committee to consider when evaluating these course proposals. The course proposals went to the Social and Behavioral Sciences Curriculum Panel (a subcommittee of the Arts and Sciences Curriculum Committee), including the non-concurrence



letter and the rebuttal argument (All curriculum panels include non-Arts and Sciences voting faculty members; the current non-ASC member of the SBS panel is from the College of Engineering). The panel was persuaded by the rebuttal arguments and therefore recommended approval of the courses without concurrence from FCOB. This recommendation was brought to the full ASC Curriculum Committee for discussion and a vote, and the full committee also voted to approve the course proposals and advance them to OAA, the next step in the approval process. Vice-Provost Randy Smith (who attended the ASC Curriculum Committee meeting) understood the actions taken (although he has made it clear that he strongly prefers that such disagreements be resolved at the local level if at all possible rather than passed on to OAA), but he also advised me, as ASC Associate Executive Dean for Curriculum, to have a conversation about this with Elliot before advancing the courses to OAA. Because it was not entirely clear how much information was exchanged between the Chairs of the two departments (Professors Logan and Minton), particularly the final rebuttal statements from Econ, it seemed advisable for me to include you two Chairs, as well, in this conversation. At this point--with the curriculum committee recommendation already made, the point of our meeting would really be simply to offer the courtesy of explaining to FCOB why we approved advancing the courses in spite of the non-concurrence. We would of course be delighted if we could persuade you to change your position and share that with Vice Provost Smith, but if that is not the case we will advance the courses anyway and let OAA determine whether they, in turn, will approve the courses.

All the documents, including initial course proposal and the e-mail exchanges about FCOB concurrence, as well as the rebuttal statement, are included in the attachment here (actually, just for 5261; I will send the 5262 documents separately, but the relevant documents regarding concurrence are identical). Let me summarize briefly here the points in Economics' rebuttal that the curriculum found most compelling. The rebuttal memo from Economics makes several points about the differences between Econ 5261/5262 and BUSFIN 4265, and between the broader disciplinary differences between the two programs that inform these courses respectively. They also pointed out, incidentally, that the section of BUSFIN 4265 offered by

Professor Fuller uses the textbook written by Michael Brandl, from the Department of Economics, so it is not really a question of academic (or disciplinary) authority to teach courses on Financial Economics. But really the most compelling argument was that the very substantial prerequisites for the respective courses virtually preclude the possibility of Economics majors or graduate students from taking BUSFIN 4265, and therefore FCOB is not in a position to deny the Economics Department the right to teach a course to their own students, developed using their own disciplinary lens, and which is a legitimate component in their larger programmatic design and goals. To be more specific: BUSFIN 4265 has as prerequisites BUSFIN 4211 (Corporate Finance) *and* 4221 (Investments). [I note as an aside that Professor Isil Erel's syllabus for 4265 states that "There are no official prerequisites for this course," in fact 4211 and 4221 are required prerequisites or corequisites.] BUSFIN 4211, in turn, has as prerequisites BUSFIN 3220, AcctMIS 2220, 2300, 2321, *and* BUS MHR 2291 or 2292, which each also have their own prerequisites. BUSFIN 4221 has as prerequisites BUSFIN 3220, and BusMgt 2320 and 2321. The ASC curriculum committee agreed with the rebuttal statement from Econ that these prerequisites "mean that it is almost impossible for a non-Fisher student to take BUSFIN 4265." The math requirement for 4265, on the other hand, is only 1131 or 1151, whereas the math prerequisites for Economics 5261 are Math 1151, 1152, 1161, or 2182H, or equiv.; or grad standing (as a dual career course, which BUSFIN 4265 is not), which are more demanding quantitative prerequisites than BUSFIN 4265. In sum, the BUSFIN course and the Econ courses seem, for all practical purposes, from a student's perspective, mutually exclusive. That being the case, and both programs having demonstrable expertise in the subject matter as articulated in their proposals and their programs more generally, the ASC Curriculum Committee voted to approve the Econ 5261 and 5262 proposals without concurrence from FCOB.

I would therefore ask Dean Bendoly and Professor Minton to please review the rebuttal included in the attached materials, decide whether you want to pursue this through a face-to-face meeting among us, or else please compose a brief memo addressed to Vice-Provost Randy Smith (and copied to Professor Logan and me) either re-affirming your position of non- concurrence or offering your concurrence.

Thank you all for your time and consideration,

*Steve*



Steve Fink, Associate Executive Dean

College of Arts and Sciences

114 University Hall, 230 N. Oval Mall

Columbus, OH 43210

[fink.5@osu.edu](mailto:fink.5@osu.edu)



THE OHIO STATE UNIVERSITY

Department of Economics

ECON 5262

**Financial Economics II**

**3 Credit Hours**

Semester 201X

May 15, 2017 version

Days and Times of class meeting stated here.

Professor Michael Brandl

Office: 407 Arps Hall

Office Hours: TBA and by appointment

Phone: 614-247-0092

Email: [brandl.4@osu.edu](mailto:brandl.4@osu.edu)

### Course Description

This course is a continuation of ECON 5261 Financial Economics I. The topics in this course reflect the current academic research in corporate finance. The course also examines alternative corporate financial structures such as social finance and the economics of venture capital. These are topics which are not typically found in undergraduate or MBA finance level courses. This course will examine both theoretical and empirical academic research. In doing so we will investigate whether or not there is empirical support for the different theoretical approaches.

**NOTE: This course does not count as course credit towards the completion of a business major.**

### Learning Outcomes

At the end of the course the student is expected to know:

- The role of agency costs in corporate finance
- Macroeconomic implications of corporate finance decisions.
- The different types of investors and their impact on corporate finance decisions.
- The role consumers play in corporate finance decision making.

**Official Description:** Examination of academic literature and econometric analysis of topics involving financial markets, financial institutions, and financial market participants.

**Course Prerequisite:** ECON 5261

## **Required Textbooks**

Tirole, Jean, *The Theory of Corporate Finance*, Princeton University Press, 2006. ISBN 9780691125565.

Note: Tirole, is currently chairman of the Foundation JJ Laffont-Toulouse School of Economics (TSE), and scientific director of the Institute for Industrial Economics (IDEI), University of Toulouse Capitole in France. He won the Nobel Prize in Economics in 2014. As you can imagine this text is written at a very high level but is suitable for this course.

As *The Economist* explained “This is far more than the mere textbook it purports to be; it has a plausible claim to be the first truly comprehensive overview of corporate finance by an economist.”

Nicholls, Alex, Rob Paton and Jed Emerson, *Social Finance*, Oxford University Press, 2015. ISBN 9780198703761. Referred to as NPE below.

Metrick, Andrew and Ayako Yasuda, *Venture Capital and the Finance of Innovation*, 2<sup>nd</sup> Edition, John Wiley & Sons, Inc., 2011. ISBN 9780470454701. Referred to as M&Y below.

## **Grade Determination**

4 Homework Assignments:	20%
Midterm Exam:	40%
Cumulative Final Exam:	40%

## **Exams**

Note the specific time and location of the cumulative final exam are determined by the University and cannot be changed to meet individual schedules. Taking an exam early to accommodate travel plans is NOT possible. Failure to show up for an exam does not warrant a make-up exam. If a medical emergency arises resulting in a student being unable to take an exam at its scheduled time the weight of that exam will be shifted to the final exam.

Documented proof, including a signed letter of explanation for a non-relative health care provider must be provided for this exemption. Make-up final exams will be granted under only the most extreme circumstances such as the above described documented serious illness.

All of the exams will be a closed book, closed notes exam. No study sheets, crib notes or other aids will be allowed to be used during the exams. Students may expect time pressure on the exams. The exams will cover material covered in class, the assigned readings, and other material assigned.

The exams are designed to test students’ abilities to solve problems as well as recall and organize information rapidly. Exam questions will require one to solve mathematical problems, be able to explain theoretical concepts and models, require one to tie concepts together, expect one to be able to apply concepts and models to everyday situations, and require one to be familiar with historical occurrences relative to key concepts and models.

### Homework Assignments

The Homework assignments are designed to help prepare students for the exams. The homework assignments will be made available through Carmen and will be collected on the dates announced ahead of time in class. Some of the questions on the homework will follow the material covered in class, while others will focus on results that extend material covered in class. The questions on the homework assignments are designed to mimic questions that will appear on the exam.

### The Final Grade

The final grade assigned is an informed and final evaluation and not the beginning offer in a bargaining process. If an error occurs in the calculation of your grade, please notify Professor Brandl or his TA during the beginning of the following semester and actions will be taken to correct any errors. Please do NOT contact Professor Brandl or any TA to "lobby" for a higher grade. Any lobbying efforts (i.e. asking for a higher grade simply because you want one or need one) will not be tolerated.

*Make-up or extra work* to improve your grade is not possible. Your final letter grade is determined by the above stated method. Your general academic situation (For example, "I need a 'C' in this course to graduate.") and/or personal problems cannot be considered. The final grade in the course, once assigned, will not be changed except in the event of a recording error.

*Religious Conflicts.* Students whose religious observations conflict with the assignment schedule will not be penalized in any way. If your religious observation conflict with the published schedule of assignments for the course, however, you must notify the instructor in writing no later than the third class period so that alternative arrangements can be made.

### Electronic Devices

Electronic devices (e.g. laptops, smart phones, smart watches, etc.) are not to be used in class. They should be put away during class time. This includes the sending and receiving of text messages. Note: the use of laptops for taking of notes is strictly forbidden. The only exception to this electronic devices rule is the use of a tablet ONLY for taking notes – in that case the tablet must remain flat on the writing surface during the course. Tablets are not allowed during quizzes and exams. Persistent violation of this rule will result in a final grade reduction of one full letter grade.

### Attendance Policy

Attendance to each and every lecture is expected and assumed. Each lecture assumes that audience members have read the assigned readings and/or watched the assigned videos before the lecture. If you do not attend a lecture it is entirely your responsibility to determine what you have missed, including any administrative announcements that may have made.

### Disability Services

The University strives to make all learning experiences as accessible as possible. If you anticipate or experience academic barriers based on your disability (including mental health,

chronic or temporary medical conditions), please let me know immediately so that we can privately discuss options. To establish reasonable accommodations, I may request that you register with Student Life Disability Services. After registration, make arrangements with me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion. **SLDS contact information:** [slds@osu.edu](mailto:slds@osu.edu); 614-292-3307; [slds.osu.edu](http://slds.osu.edu); 098 Baker Hall, 113 W. 12<sup>th</sup> Avenue.

### **Academic Misconduct**

Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have read and understand the University's Code of Student Conduct, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's Code of Student Conduct and this syllabus may constitute "Academic Misconduct."

The Ohio State University's Code of Student Conduct (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's Code of Student Conduct is never considered an "excuse" for academic misconduct, so I recommend that you review the Code of Student Conduct and, specifically, the sections dealing with academic misconduct.

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct. If COAM determines that you have violated the University's Code of Student Conduct (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

If you have any questions about the above policy or what constitutes academic misconduct in this course, please contact me.

Other sources of information on academic misconduct (integrity) to which you can refer include:

- The Committee on Academic Misconduct web pages  
<http://oaa.osu.edu/coam.html>

**Tentative Course Outline** (subject to change – see Carmen for updates)

**Part A. Introduction and Overview**

Week 1: Introduction, Review & Corporate Governance

Required Readings: Tirole Ch. 1

Topics:

- Course overview
- Review of key concepts from microeconomics
- Corporate ownership
- Managerial incentives
- The Board of directors
- Investors
- Takeovers and Mergers

Week 2: Stylized facts

Required Readings: Tirole Ch. 2

- Early corporate financing
- Corporate finance in the early 20<sup>th</sup> Century
- Corporate finance after WWII
- Corporate finance since 1980s
- Debt instrument facts
- Equity instrument facts
- Financing patterns
- The Five Cs of Credit analysis
- Loan covenants

**Part B. Corporate Finance and Agency Costs**

Week 3: Outside Financing

Required Readings: Tirole Ch. 3

- Credit Rationing model
- Why we care about credit rationing
- Debt overhang
- The equity multiplier
- Overview of venture capital

Week 4: Expanding Borrowing Constraints

Required Readings: Tirole Ch. 4

- Advantages and Disadvantages of Diversification
- Advantages and Disadvantages Collateralization
- Introduction to Microfinance and group lending

Week 5: Liquidity

Required Readings: Tirole Ch. 5

- Financial statements



- Earnings per share
- Free cash flows
- Dividend policy

### Part C. Consumers and Corporate Finance

#### Week 6: Consumer Liquidity Demand

Required Readings: Tirole Ch. 12

- The Diamond-Dybvig Model of banks and liquidity provision
- How economists model bank runs
- Heterogeneous consumer horizons and securities
- Aggregate uncertainty among consumers

#### Week 7: More on Consumers and Finance

Required Readings: Inderst, Roman and Marco Ottaviani (2012) "Financial Advice" *Journal of Economic Literature*, 50:2, pp. 494-512. Provided on Carmen.

- The different types of "financial advisors."
- Who follows what advice?
- Modelling advice and commissions
- The role of disclosures
- Commissions and naïve consumers
- Educating the naïve
- Can cancellation policies be effective?
- Irresponsible lending and minimum holding periods
- How should consumers be protected and informed?

### MidTerm Exam

### Part D. Social Finance

#### Week 8: Social Finance Overview

Required Readings: NPE Ch. 1 & 2

- What social finance is and what it is not.
- Social finance v. "traditional" corporate finance.
- Life cycle of social finance
- Social Impact Bonds or SIBs
- Where should social finance investments be made?
- Social investments as a profit making venture

#### Week 9: Co-operative and Mutual Finance

Required Readings: NPE Ch.5

- Mutual finance association over time.
- Credit union v. commercial banks.
- The membership debate in credit unions.
- Government regulation of credit unions.
- Should credit unions make more business loans.
- Mutual insurance organizations.

Week 10: Fair Trade and Corporate Finance

Required Reading: The Thousand Villages Annual Report. Available on Carmen

- How and why did the fair trade finance model develop?
- Goals of fair trade financial model.
- Fair trade stumbles and mistakes: bottom up v. top down
- Is Fair trade part of Social Finance or separate from it

**Part E. Venture Capital**

Week 11: Venture Capital Overview

Required Reading: M&Y Ch. 1 & 2

- What is Venture Capital?
- What do VCs do?
- Historical evolution of the VC industry in the US.
- The VC market in Europe.
- VC Firms and Funds
- Limited Partners
- Limited Partnership Agreements

Week 12: The Economics of Venture Capital

Required Reading: M&Y Ch. 3 & 4

- The VC industry reported returns
- Can industry reported returns be trusted?
- Fund reported returns.
- The Bi-model problem.
- Cost of capital for VCs.

Week 13: Venture Capital around the world

Required Reading: M&Y Ch. 6

- The Global distribution of VC investing
- The cost of capital for international VCs
- Why VCs have so much trouble in developing countries.
- Why VCs have so much trouble in Europe.

Week 14: The merger of Venture Capital and Social Finance.

- Can the venture capital market be used to create economic develop in de-industrialized Ohio?

Week 15: Final Exam: Time and location to be determined by the University.