PEPPERDINE UNIVERSITY
THE GEORGE L. GRAZIADIO
SCHOOL OF BUSINESS AND MANAGEMENT

DR. MARSHALL NICKLES
BSM 477.42
MONEY AND FINANCIAL MARKETS
FALL 2003
TUESDAYS
6:00 PM – 10:00 PM
ORANGE COUNTY CENTER

SYLLABUS
BSM 477.42 - Money & Financial Markets
Pepperdine University
Fall 2003

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Office hours will be held before class, by phone, or appointment.

COURSE OBJECTIVE

The purpose of this course is to provide a learning experience that will allow you to accomplish the following:

(1) To be able to apply domestic and international macroeconomic theories (with emphasis on money and capital markets), concepts, and philosophies to your professional and personal lives.

(2) To be able to appreciate and apply theories and concepts contained in economic and business related journals and contemporary literature to business decisions.

(3) To be able to apply money and capital market theory and related technology to capital market investments.

(4) To be able to prepare money and capital market contingency planning (with an ethical emphasis) in both the public and private sectors.

PEDAGOGICAL APPROACH

The above will be achieved by including lectures, computer games, projects and other learning tools. It is important that we all openly discuss the issues, concepts and applications of materials contained in this course. It is through this process that the subject will come alive and become relevant to our business and private lives.

CLASS REQUIREMENTS

(1) All class assignments should be prepared prior to attending class in order to encourage lively discussion of the subject matter.

(2) Attendance is important. Let me know in advance if a missed class is necessary.

(3) There will be MIDTERM EXAMS (1 & 2) over the core of macroeconomic theory. See meetings 7 and 12 below for details.

(4) Participation in the (group) macroeconomic simulation games is necessary.
(5) An individual effort that is part of a team oral presentation in satisfying the requirements for the trimester project is required.

THE ABOVE CLASS REQUIREMENTS ARE REQUIRED FOR EVERY CLASS MEMBER UNLESS SPECIAL ARRANGEMENTS HAVE BEEN MADE.

GRADING SCALE AND PROCEDURES

A class member needs to attend the entire weekly class sessions regularly, read and complete all assignments, unless special arrangements have been made; and earn the following total percentages out of a MAXIMUM of 250 points for a final letter grade as follows: total grade percentages below 65% are figured individually and can carry grades of F- D, 66-68% = D+ or 1.3 grade points; 69-70% = C- or 1.7 grade points; 71-74% = C or 2.0 grade points; 75-78% = C+ or 2.3 grade points; 79-81% = B- or 2.7 grade points; 82-84% =B or 3.0 grade points; 85-87% = B+ or 3.3 grade points; 88-90% = A- or 3.7 grade points; 91-100% = A or 4.0 grade points.

IMPORTANT: AN EXAM NOT TAKEN ON THE SCHEDULE DATE WILL BE SUBJECT TO A 5 POINT PENALTY PER DAY UNTIL MADE UP UNLESS OTHER ARRANGEMENTS HAVE BEEN MADE.

CLASS REQUIREMENTS BY WEIGHT

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Points</th>
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</thead>
<tbody>
<tr>
<td>Midterm Exam 1</td>
<td>100pts</td>
</tr>
<tr>
<td>Computer Game</td>
<td>5pts.</td>
</tr>
<tr>
<td>Trimester Project</td>
<td>40pts.</td>
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<tr>
<td>Articles (in class)</td>
<td>5pts.</td>
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<tr>
<td>Midterm Exam 2</td>
<td>100pts</td>
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Total Points = 250 pts.

Example of final grade: (82% x 250pts. = 205 pts. or B)

REQUIRED TEXTS AND BOOKS

Individually Required:
Macroeconomics by Byrns & Stone (A)
Annual Editions: Macroeconomics : 2002-2003 (B)

Group (Team) Required to Purchase:
Beating the Dow (paperback) by O'Higgins and Downes,
(Chapters 6-7), other chapters optional but recommended (C).
Conduct

"The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
- Interference with the academic or administrative process of the University or any of the approved activities.
- Otherwise unprotected behavior that disrupts the classroom environment.
- Theft or damage to property.
- Violation of civil or criminal codes of local, state, or federal governments.
- Unauthorized use of or entry into University facilities.
- Violation of any stated policies or regulations governing student relationships to the University.

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

**Dismissal** – separation of the student from the University on a permanent basis.
**Suspension** – separation of the student from the University for a specified length of time.
**Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.” See current GSBM Catalog.

Policy on Disabilities

**Assistance for Students with Disabilities**

“Students with disabilities, whether mental or physical, are encouraged to contact the Equal Opportunity Office before the academic year begins or soon after classes are in session. This office will assist each student by providing general information about campus facilities and available resources. The office will assist in providing reasonable accommodation to students with disabilities pursuant to applicable laws. Inquiries should be directed to equal opportunity officer, Lauren Breeding (310) 506-6500. (Students who wish
to file a formal grievance should refer to the “Nondiscrimination Policy,” which is listed in
the “Legal Notices” section of this catalog.)” See current GSBM Catalog.

SCHEDULE OF CLASSES

MEETINGS AND TOPICS ASSIGNED

Meeting 1: (Introduction) The evolution of economic thinking. The role of government. The
changing social/political/economic environment. The evolution of American economic market
structures. The structure, conduct and performance of American industry. Assignment: Ch. 1
(A).

Meeting 2: History of U.S. business cycle with emphasis on 1930’s. Full employment issues.
Inflation and the problems it can create. Recession and depression. Trends in U.S. business
cycles. Economic indicators. Assignment: Ch.’s 5-7 in (A). Art.’s 2, 8, 10 in (B).

Meeting 3: GDP (calculation and use). Aggregate demand and need for capital formation.
Aggregate equilibrium. NNP=Income. Savings and why it is important. Keynesian analysis.
Introduction to public policy. Assignment: Ch.’s 8-9 in (A). Art.’s 15, 16,17 in (B).

Meeting 4: Aggregate equilibrium and the business cycle. Multiplier and Accelerator principles.
Full employment equilibrium. Fiscal policy. Assignment: Ch.’s 10-11 in (A). Art.’s 27, 28, 33 in
(B).

Meeting 5: Money and the economy. The financial system. Money and banking. The creation
and destruction of money. Assignment: Ch.’s 12-13 in (A). Monetary policy and the U.S.
economy. Monetary policy vs. fiscal policy. Discussion of capital markets (stock, bond and
mortgage markets), how they work and the purpose they serve in a capitalistic economy.
Additional Assignment: Skim Ch.’s 14-15 for key points (Note key points at end of chapters) in
(A).

Meeting 6: In class: Economic computer simulation. ECONOMIC RECESSION GAME. This
group exercise allows for "hands on" observation and experience of how a "closed" economic
system could work during a recessionary period. No special preparation is necessary before
class. Assignment: Art.’s 40,41 in (B).

Meeting 7: MIDTERM EXAM
The midterm exam will be limited to Ch.’s 5-10 in (A) and selected Art.’s in (B). One page of
notes may be used on the midterm, no other materials may be used. Questions will come from
class notes, chapter readings in main text and selected assigned articles stated above in (B) are
also included. The midterm will contain mostly objective (M/C & T/F) and some subjective
questions. The objective questions will come from (A). The subjective questions could come
from in class discussion and or readings in (A). Assignment: Prepare for MIDTERM and read
Ch’s 6-7 in (C). Others chapters in (C) are optional but recommended. Read Art.’s 21, 22, 26 in
(B).
Meeting 8: Further discussion of capital markets and the capital formation process within a capitalistic system. How an IPO comes about and how it is part of the capital formation process. How disruptions in the process can happen—the crash of 1987 and its implications. Introduction to personal stock selection portfolio construction. Assignment: In class presentations of "Beating the Dow" project (approximately 10 min. per group). Assignment: Prepare for above in class presentations. Read Art.'s 42, 45 in (B).

Meeting 9: In class presentation and discussion (by groups) of ASSIGNED ARTICLES in (B). Each group needs to type up a "take away" summary of their assigned articles and briefly discuss how each article is relevant to business decision marking. The above, must be done on one page with hand out copies made for all class members. Assignment: Group 1 = Art.'s 2, 8, 10, 15. Group 2 = Art.'s 16, 17, 27, 28. Group 3 = Art.'s 33, 40, 41, 21. Group = Art.'s 22, 26, 42, 45.

Meeting 10: A discussion of how the macro economic environment has influenced the capital markets during the last two years. Introduction to international trade and business. How and why free trade is important. China and the WTO. The future success of the EU and its currency. Information gathering on international issues using internet research. In class group case presentations. Assignment: Read Ch.'s 20-21 in (A).

Meeting 11: How to approach the construction and monitoring of a personal stock portfolio given an economic recovery for 2002. Assignment: TBA

Meeting 12: Final Exam
Assignment: Prepare for midterm exam and trimester project. Some class time during Meeting 14 will be given to preparation of trimester project. I will help with any last minute questions.

Meeting 13: Guest Speaker
(The Economy and Capital Market Investing)

Meeting 14: Presentation of Trimester Projects
(All members must present the parts they prepared).

Meeting 15: Continue with Meeting 14.
BSM 477 - TRIMESTER PROJECT

DIRECTIONS: After reading the handout article "The Environment", each group needs to select a company for study that is part of an industry that is influenced by economic, demographic, social/cultural, political/legal and technological forces. Each group's one hour (in class) group presentation will address how the above forces can and do directly and or indirectly affect marketing decision making. Marketing decision making is assumed here to include the impact on the 4 P's of marketing, i.e., product, pricing, promotion and place (or channels of distribution), or 4C’s, relative to the company selected for study. Each group is encouraged to garner research from the internet as well as any other appropriate sources to complete your assignment.

Your group is asked to select a company that is part of the technology industry. For this trimester project, your group needs to assume that the company that was selected for study is subject to many of the same forces that influenced The Merton Company in "The Environment" article.

Each group member will undertake a specific part of the above project and present his or her own work during the presentation.

The above assignment is intentionally opened ended for the purpose of encouraging creativity and thought on the part of group. Your group is encouraged to "stretch your thinking". Assume the role of consultants that will present the project to senior management of the firm studied.

BSM 477 - STOCK MARKET PROJECT

DIRECTIONS: This project requires the reading of Ch.’s 6-7 in (C). The book that is referenced here is the 1992 edition of Beating The Dow by O'Higgins and Downes, Harper Collins Publishers. ISBN # 0-06-98404-X (Paperback).


2. If interest rates are rising during a period of study, your group needs to put 8% stop losses on any purchases during those times and a 7% stop loss on all other purchases.

3. For the (in class presentations), your group needs to present a comparison between the method described in (C) and the returns from a simple money market, with an assumed 5% return during the period studied. In addition, to presenting the actual results, each group needs to briefly discuss the economic conditions that existed during the study period and what influence those conditions likely had on stock prices.

4. The entire group need not participate in the 10-15 min. presentation.

Hope you find this course interesting, educational and fun.

Dr. Marsh Nickles