A. Executive Summary

Financial Economics is the branch of economics that focuses on the underlying economic framework as it applies directly to financial systems and markets. Financial Economics focuses on the structures, institutions, and relationships which constitute the economy’s financial environment as well as the impact of macroeconomic stabilization policy on the financial system. In addition, students who major or minor in financial economics will gain an understanding of the most recent financial crisis and its impact on the U.S. economy. The study of financial economics is more specific than the broader scope of general economics yet can still be applied to many different fields of study. Students majoring in the social sciences and the humanities, as well as students in the College of Business Administration, may be attracted to this minor.

Since Financial Economics studies the interrelations of the financial system such as the role of banking, and the determination of interest rates and bond prices, it can serve as a supplement to the study of internal financial analysis in the public or private sector. Financial Economics provides the necessary background and analytical tools to provide a thorough understanding of the critical role of the financial system in the economy.

As with the proposed minor in Economics, understanding the economy is necessary to understand our culture, our beliefs, and our practices. This minor will open a door to many students and allow them to apply financial economics, in their own way, to their major field of study. In UDM’s urban setting the impact of the economy is especially important. The city’s current financial crisis, its ability to issue bonds and receive bank credit, and the problems of financing improvements to its infrastructure cannot be understood fully without first understanding the basics of economics, and particularly, financial economics. While leaving more detailed topics of financial economics to the major, the minor will provide students with the basic knowledge to be proficient in the financial economics field while still having their primary focus in their respective field of study.

Immersion in and understanding of Jesuit/Mercy values does not necessarily bring about effective change. UDM graduates will encounter problems of urban/central city decay and complexity; racial, economic and geographic divisiveness; globalization of industries and financial markets; financial crises, both domestic and international; as well as the growing burden of public debt upon the economy. Understanding and finding solutions to many of these problems will be enhanced by an understanding of financial economics.

The proposed financial economics minor is very specific. It focuses on financial markets and instruments such as stocks, bonds, and derivatives, as it integrates financial systems and financial policy. As such, the minor in Financial Economics requires a total of eighteen (18) credits, or six courses, ensuring that all financial economics minors will receive a basic yet thorough understanding of financial economics. Assessment of the minor will be conducted annually as with the major.
B. Description of the Minor

The Financial Economics Minor will require 18 credits/6 courses. Students majoring in Business Administration or Accounting will be required to complete 6 specific courses. For students majoring in other disciplines, 5 specific courses will be required, leaving room for one elective.

B1: Narrative Descriptions

The 18 credit minor in financial economics will be an asset to students majoring in various fields of study. While the Financial Economics minor does not provide much flexibility in course selection, the minor will provide students with a good understanding of the field of financial economics.

Required Economics Courses:
ECN 2950: Microeconomic Principles
ECN 2960: Macroeconomic Principles
* ECN 3050: Money and the Financial System
ECN 3580: Money and Capital Markets
ECN 3760: Monetary and Fiscal Policy

*ECN 3050 may not be counted toward the minor in Financial Economics by students majoring in Business Administration or Accounting.

** Electives:
ECN 4640: Practical Issues in Financial Economics
ECN 4660: International Finance

** Students majoring in Business Administration or Accounting must complete both ECN 4640 and ECN 4660.

B2: All courses in the Curriculum:

All courses are currently offered as part of the economics major. All classes listed are 3 credit classes.

ECN 2950 Microeconomic Principles (Pre-requisite: None)
Study of the scope and method of economics. The course focuses on: the allocation of resources and economic efficiency in production, demand and supply in consumption, pricing system, competition and monopoly, the pricing of factor services, and the distribution of income.
**ECN 2960 Macroeconomic Principles** (Pre-requisite: None)
Study of the scope and method of economics. Course topics include: measures and determinants of the level of aggregate income and demand, inflation, employment, economic development; monetary institutions and money supply, monetary policy; taxes, government borrowing; expenditures, fiscal policy, international trade and alternative systems of economic organization.

**ECN 3050 Money and the Financial System** (Pre-requisite: ECN 2950 & ECN 2960)
Introduction to international financial system, balance of payments, exchange rates and external currency markets. Course topics include: the nature and economic role of money and credit, financial intermediation and its control by monetary authority, financial markets, institutions and instruments, interest rate theory, level and term structure, yield curve strategies, control of monetary aggregates and their relationship to employment and prices, and controversies in monetary policy.

**ECN 3580: Money and Capital Markets** (Pre-requisite: ECN 3050)
A study of the U.S. financial system using a flow-of-funds approach. Class analyzes the nature and role of all financial institutions and markets and the policies of the Federal Reserve and Treasury operations.

**ECN 3760: Monetary and Fiscal Policy** (Pre-requisite: ECN 2950 & ECN 3050)
An analysis of the expected consequences of monetary and fiscal policies on investment, production, employment, pricing, balance of payments and economic growth. The course also covers some of the structural, allocational, and political constraints.

**ECN 4640: Practical Issues in Financial Economics**
Consideration of capital structures, debt and equity, business costs and financing methods are discussed in the context of mergers, acquisitions and financial forecasting for business/industry. The case study approach of analysis will be used to view various models of financial economic considerations.

**ECN 4660: International Finance** (Pre-requisite: ECN 3050)
An analysis of the monetary and financial framework of international trade. Course topics include: international payments methods and money markets; fluctuations in foreign exchange rates, devaluation, and exchange control; capital movements, international borrowing, and debt; balance of payments problems and gold flows; the International Monetary Fund and the World Bank; plans for international monetary reform.

**B3: Delivery Format**

The delivery format of the financial economics minor will be as flexible as the delivery format of the financial economics major. Offering a variety of classes through diverse classroom formats will allow this minor to be an easy addition to any student’s schedule.

All courses are offered in the traditional format on the McNichols campus as well as online (with the exception of the Business elective). The department has offered online courses for 3 years
now. However, the original 7 week online format has been changed to 14 weeks (except during the summer term) and a more predictable rotation for both online and McNichols courses has now been implemented helping both majors and minors better plan their completion of the program.

B4: Academic Integrity and Intellectual Merit

The proposed financial economics minor reflects both academic integrity and intellectual merit. The faculty members presenting the subject matter have the highest academic credentials and, significantly, apply their knowledge in ways beneficial to the broader community.

The proposed minor reflects a blend academic integrity and intellectual merit. It effectively blends the knowledge and practical experience of several full-time UDM faculty members. The entire full-time faculty in the Department of Economics is actively engaged in scholarship in their respective subfields of the discipline. They have developed close working relationships with several Chambers of Commerce in the metro-area.

The online courses are taught by both the full-time faculty and adjuncts. The department has recently made substantial adjustments to the online course requirements and adjunct oversight. A more predictable course rotation has now been implemented.

In addition to the university limitation that a student cannot major and minor in the same program, the department will limit students major and minors in crossing over between Economics and Financial Economics.

B5: Unique Features

The minor in Financial Economics is very specific to the study of financial systems with a focus on financial markets, structures, institutions, and instruments as well as the impact of financial policies. Courses dealing with money and capital markets, and with monetary and fiscal policy, help enhance the integration of financial systems and economic policy.

Another unique feature of this minor is that it gives the student a foundation of economic knowledge focusing specifically on financial issues, that would normally only be found in a curriculum for financial economics majors. Another unique feature of this minor is that it is well-suited to enhance the understanding and skill set of business students majoring in Accounting or having a concentration in Finance.

Financial economics is a growing field offering students starting salaries higher than most majors. According to the U.S. Department of Labor, employment prospects for financial economists are increasing since the expanding globalization of trade and commerce has contributed to brighter employment opportunities. The minor, paired with an appropriate major, provides an ideal preparation for students to enter the work force.

All financial economics courses are offered during the day and evening which will accommodate day and evening students in addition to full and part-time students.
The minor in Financial Economics should be very attractive for any student who wants to understand the role of financial markets and institutions. Students will also be provided basic economic theory preparing those that are not currently in Business but may be considering graduate work in Business Administration. Financial economics will open up further academic possibilities for undergraduate students in a variety of majors.

The distinction between the minor in Financial Economics and the minor in Economics is that the minor in Financial Economics specifically focuses on financial markets, systems, and institutions. Except for the two fundamental courses, the other courses are specifically focused on financial economics. For students more interested in the traditional preparation of Economics, that student should choose the minor in Economics instead of Financial Economics.

**B6: Effects on related departments or fields of concentration**

We expect the effect of the proposed minor to be positive. This minor will not have a negative effect on the department nor any fields of concentration. In fact the minor will allow other fields of concentration to incorporate the ever growing importance of understanding financial economics. Concentrations such as finance come full circle when the application of economic and financial policies and practices are understood more in depth.

The minor in Financial Economics is limited to non-Economics students. Students majoring in either Economics or Financial Economics are not eligible for selecting Financial Economics or Economics, respectively, as a minor. Also, no student will be allowed to minor in both Economics and Financial Economics.

**C: Mission**

The proposed financial economics minor contributes to both the Mission Statement of the University as well as that of the College of Liberal Arts and Education.

The proposed minor in financial economics will help prepare UDM students to fully engage our mission to fully integrate the intellectual, spiritual, ethical and social development of our students by understanding the financial and economic impact of decisions made by both the public and private sector. It is part of our responsibility to be sure that our graduates have the tools to compete in our local and global economic community. The understanding of traditional and contemporary financial economic theories are in line with both the university’s mission but also as part of the College of Liberal Arts and Education as it prepares students to participate in a diverse and changing world.

Employment opportunities for majors and minors in financial economics continue to grow at a rate higher than many majors. Financial economists are in high demand by both public and private institutions.

**D: Objectives, Outcomes, and Assessment**
The objective of this minor is to offer students a path to understanding financial economics and how it applies to their major field of study. The understanding of financial economics is an essential part of many disciplines and a successful completion of this minor will allow students to gain greater insights into the issues facing their field of study. The minor will help students be prepared to enter graduate programs in Economics, Financial Economics, Business Administration, Finance, and other related fields.

A written exit interview will be conducted with all undergraduate students completing the minor. The exit interview will be distributed by the department chairperson or advisor as the student applies for graduation. Each graduating minor student will be asked to respond to the same set of questions, which will be used to gauge basic economic concepts as well as student satisfaction with and the effectiveness of the curriculum. The qualitative and quantitative feedback from these exit interviews will be discussed at our annual departmental assessment meeting. Major weaknesses or criticisms reflected in this feedback will continue to be the basis of our discussion (and possible action) on potential curriculum revisions.

E: New Resources

The offerings required for a minor in economics do not require any additional resources. The current enrollment numbers will allow for additional students in each section without requiring additional sections.

No new courses will need to be developed. No new adjunct or full-time faculty will need to be hired. No new administrative staff will be required to operate the program. One of the full-time economics faculty members will serve as minor coordinator as part of their regular service.

No new facilities will be required. No net cost increase in library resources will be required.

**Changes to the minor will follow the same procedures as changes to the major.