

Introduction to Finance

Economics 71a: Spring 2007
Lecture notes 1

Course Syllabus

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- Prerequisites and other courses
 - Who should take this course
- Readings
- Exams/grading
- Topics

Contacts

- Professor Blake LeBaron
 - blebaron@brandeis.edu
 - www.brandeis.edu/~blebaron
 - www.brandeis.edu/~blebaron/classes/econ71a
 - Sachar 204, 736-2258
 - Office Hours (or by appointment)
 - Monday/Wednesday 11-12
- TA: Gillian Kagin
 - gkagin07@brandeis.edu

Prerequisites and Other Courses

- Prerequisites
 - Econ 2a (Principles of economics)
 - Math (basic algebra)
 - Statistics
 - means, expected values
 - variances
 - correlations

What is the course about?

- What function do financial markets serve?
- How do investors make decisions?
- How do firms make decisions?
- How should you approach finance and policy decisions in the future?

Who should take this course?

- Primarily intended for noneconomics majors
- Good for those who want basic finance information and
- Those interested in finance, but not really sure

What other finance courses are there?

- 171a: Financial Economics
- 174a: Corporate Finance
- 172b: Money and Banking
- 161a: International Finance
- Notes for econ majors
 - Econ71a can only be taken **before** Econ171a
 - Econ71a cannot be taken in the same semester as Econ171a

Readings

- Main books
 - H. B. Mayo, *Basic Finance: An Introduction to Financial Institutions, Investments, and Management*
 - Malkiel, *A Random Walk Down Wall St.*
- Other readings
 - Internet links
 - Handouts (email)

Exams and Grading

- Two quizzes (30%)
 - Wednesday, Feb 14th (1/2 class)
 - Wednesday, April 18th (1/2 class)
- Midterm exam (30%)
 - Wednesday, March 14th (in class)
- Final exam (30%)
 - Tuesday, May 8th 1:30-4:30pm (K Block)
- Problem sets (10 %)

Topics

- Go to web

Readings

- Reading for next week
 - Mayo, chapters 1, 2 and 3

What is Finance?

- Moving scarce resources over time and states of nature
- Examples:
 - Time
 - ♦ Car loan
 - States of nature:
 - ♦ Car insurance

Why Study Finance?

- Manage your own funds
- Manage a business' funds
- Fruitful career opportunities
- Informed policy choices
- Intellectual curiosity
 - Economist testing ground

Why is it Getting Complicated?

- Traditional players
 - Investment banks
 - Banks
 - Brokerages houses
 - Investment advisors
 - Insurance companies
- Nontraditional players
 - Quicken
 - Google
 - Microsoft

What Other Things are Changing?

- Internet
- Globalization
- Self-reliance