**ECON 423: FINANCIAL MARKETS AND ECONOMIC FLUCTUATIONS**

FALL 2020

UNIVERSITY OF NORTH CAROLINA

DEPARTMENT OF ECONOMICS

**Instructor:** Neville Francis

**Contact:** Gardner Hall 06G, nfrancis@unc.edu

**Lectures:** section 001: T/TH 9:45 AM – 11 AM, Gardner Hall 0106

section 002: T/TH 11:30 AM – 12:45 PM, Gardner Hall 0106

**Office Hours:** by appointment

**Title IX Resources:** *Any student who is impacted by discrimination, harassment, interpersonal (relationship) violence, sexual violence, sexual exploitation, or stalking is encouraged to seek resources on campus or in the community. Please contact the Director of Title IX Compliance (Adrienne Allison –*[*Adrienne.allison@unc.edu*](mailto:Adrienne.allison@unc.edu)*), Report and Response Coordinators in the Equal Opportunity and Compliance Office (*[*reportandresponse@unc.edu*](mailto:reportandresponse@unc.edu)*), Counseling and Psychological Services (confidential), or the Gender Violence Services Coordinators (*[*gvsc@unc.edu*](mailto:gvsc@unc.edu)*; confidential) to discuss your specific needs. Additional resources are available at safe.unc.edu.*

**Required textbook:** Frederic S. Mishkin, The Economics of Money, Banking and Financial Markets

(12th Edition), Pearson, 2019. (ISBN-13: 9780134734217) The book is available at the UNC bookstore

and eText is also available. Earlier editions (preferably the 11th or the 10th) are acceptable.

The business school edition of the same textbook is also acceptable. But chapter numbers are a

little different.

**Additional reading materials.** I encourage you to follow the real-time financial and economic

news. Some typical sources are TheWall Street Journal, Financial Times, The Economist, Bloomberg,

etc. We will discuss a few particularly important/relevant/interesting pieces in class.

**Where to get help and email policy.** I find it very helpful to form small study groups and I

strongly encourage you to do so. You can also go to peer tutoring http://learningcenter.unc.edu/finda-

tutor/. I am also available via email for shorter questions. Or you can schedule an appointment

with me. I will respond as soon as possible but please 1) include a specific reason for your meeting

request; 2) include all times in which you are available to meet; and 3) put “ECON 423” on the subject

line. Please use proper email etiquette (see, for example, http://www.usm.edu/chemistrybiochemistry/

e-mail-etiquette-adapted-academia for details).

**Course description and objectives.** This course studies the financial system from an economic

perspective. We will examine major financial assets and markets, financial intermediation, central

banking, and monetary policy.

**Grading schedule.** I expect you to take advantage of the small class size and actively participate in

the in-class discussions. You are expected to work hard outside of the classroom as well. Assignments,

two in-class midterms, and a cumulative final exam will count towards the final numerical

grade as follows:

**Item Weight**

Assignments: 15%

Midterm I: 25%

Midterm II: 25%

**Final Exam** 35%

**Assignments:** There will be around 8 in-class quizzes and problem sets. Late submissions of problem set automatically result in forfeited points.

**Midterms:** The two midterm exams will be held during usual lecture hours in class. The

midterms are not cumulative. If you must miss a midterm exam for reasons that fall in to

the University Approved Absences (see the university policy http://catalog.unc.edu/policiesprocedures/

attendance-grading-examination/), contact me before the exam date (or before

the lecture date after the exam date in cases of emergency) to schedule a make-up exam; or

no make-up exam will be arranged, and the weight will be moved to the final exam. There

are no make-up midterm exams for reasons other than University Approved Absences; but

if you contact me before the exam date with an acceptable explanation, the weight can be

moved to the final exam. Missing a midterm exam for other reasons or without approval

results in zero score of that exam. You are responsible to provide necessary documentation

to support your case.

**Final exam:** The final exam is cumulative. If you are unable to take the final exam at the

scheduled time, you need to get the “examination excuse” from the academic dean to avoid

receiving an AB or F grade. A make-up exam can be scheduled with such excuse.

All exams (two midterms and the final) are closed-book and closed-notes. Only a basic calculator

is allowed. Cellphones and other electronic devices must not be used during exams.

**Attendance:** Regular class attendance is expected by default. You are responsible for any

announcements that you may have missed if you choose not to attend class or if you cannot

attend class. You should get the missed notes/announcements from one of your peers.

**Academic integrity.** All students are bound to the Honor Code http://instrument.unc.edu. Any

violation will result in an F for the course, and other sanctions may apply.

**Tentative course outline.** I intend to follow the outline closely, but deviation may become necessary.

Changes will be announced in class, via email, or on Sakai as early as possible.

Week Date Topics

Ch.1 + Appendix & Ch.2: course overview and preparation

Ch.3: What Is Money?

Ch.4: The Meaning of Interest Rates

Ch.5: The Behavior of Interest Rates

Ch.6: The Risk and Term Structure of Interest Rates

Ch.7: The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis

Ch.17: The Foreign Exchange Market

**Midterm I**

Ch.8: An Economic Analysis of Financial Structure

Ch.9: Banking and the Management of Financial Institutions

Ch.10: Economic Analysis of Financial Regulation

Ch.11: Banking Industry: Structure and Competition

Ch.12: Financial Crises

Ch.13: Central Banks and the Federal Reserve System

**Midterm II**

Ch.15: Tools of Monetary Policy

Ch.18: The International Financial System

Ch.19: Quantity Theory, Inflation and the Demand for Money

Ch.20: The IS Curve

Ch.21: Monetary Policy and Aggregate Demand Curves

Ch.22: Aggregate Demand and Supply Analysis

Ch.23: Monetary Policy Theory

Ch.24: The Role of Expectations in Monetary Policy

**Final**

Check registrar’s webpage for dates