

ECON 423: FINANCIAL MARKETS AND ECONOMIC FLUCTUATIONS

FALL 2019

UNIVERSITY OF NORTH CAROLINA

DEPARTMENT OF ECONOMICS

(Last update: August 18, 2019)

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Lectures: section 001: T/TH 12:30 PM – 1:45 PM, Gardner Hall 01
section 002: T/TH 2:00 PM – 3:15 PM, Gardner Hall 01
Office Hours: T 3:30 PM – 5:00 PM or by appointment
Website: https://sakai.unc.edu/portal/site/econ423_fall2019

Required textbook. Frederic S. Mishkin, *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 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 The Wall 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/find-a-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/chemistry-biochemistry/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%	≈ 8
Midterm I	25%	th, 2019 (tentative)
Midterm II	25%	st, 2019 (tentative)
Final Exam	35%	Section 001: 12:00 PM – 2:00 PM, Friday, December 6th, 2019 Section 002: 12:00 PM – 2:00 PM, Saturday, December 7th, 2019

Assignments: There will be around 8 problem sets, all of which will be posted and graded on Sakai course site. You will have at least 3 days to finish each and deadlines are re-enforced. Late submissions automatically result in forfeited points. I will drop the lowest 2 assignment scores. Then the averaged assignment score will be part of the final evaluation. You are *encouraged* to discuss homework assignments and more with your peers.

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/policies-procedures/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.

Grading scale. Numerical grades are mapped into letter grades according to the following scale.

A	90-100	A-	85-89.99		
B+	82-84.99	B	79-81.99	B-	76-78.99
C+	73-75.99	C	70-72.99	C-	67-69.99
D+	60-66.99	D	50-59.99	F	≤50

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
1	8/20	Ch.1 + Appendix & Ch.2 : course overview and preparation
	8/22	Ch.3: What Is Money?
2	8/27	Ch.4: The Meaning of Interest Rates
	8/29	Ch.4: The Meaning of Interest Rates
3	9/3	Ch.5: The Behavior of Interest Rates
	9/5	Ch.5: The Behavior of Interest Rates
4	9/10	Ch.6: The Risk and Term Structure of Interest Rates
	9/12	Ch.6: The Risk and Term Structure of Interest Rates
5	9/17	Ch.7: The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
	9/19	Ch.7: The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
6	9/24	Ch.17: The Foreign Exchange Market
	9/26	Catch-up and review
7	10/1	Midterm I
	10/3	Ch.8: An Economic Analysis of Financial Structure
8	10/8	Ch.9: Banking and the Management of Financial Institutions
	10/10	Ch.9: Banking and the Management of Financial Institutions
9	10/15	Ch.10: Economic Analysis of Financial Regulation
	10/17	Fall Break
10	10/22	Ch.11: Banking Industry: Structure and Competition
	10/24	Ch.12: Financial Crises
11	10/29	Ch.13: Central Banks and the Federal Reserve System
	10/31	Catch-up and review
12	11/5	Midterm II
	11/7	Ch.15: Tools of Monetary Policy
13	11/12	Ch.18: The International Financial System
	11/14	Ch.22: Aggregate Demand and Supply Analysis
14	11/19	Ch.22: Aggregate Demand and Supply Analysis
	11/21	Ch.23: Monetary Policy Theory
15	11/26	Ch.24: The Role of Expectations in Monetary Policy
	11/28	Thanksgiving
16	12/3	Catch-up and final review
Final	12/6	Section 001, 12:00 PM – 2:00 PM
	12/7	Section 002, 12:00 PM – 2:00 PM