

ECON 423: FINANCIAL MARKETS AND ECONOMIC FLUCTUATIONS

Spring 2022

UNIVERSITY OF NORTH CAROLINA
DEPARTMENT OF ECONOMICS

(Last update: January 10, 2022)

Instructor: Can Tian
Contact: tiancan@email.unc.edu
Mode: Remote Synchronous
Credit Hours: 3
Lectures: Section 001: T/TH 9:30 – 10:45 AM
Zoom: <https://unc.zoom.us/j/98955218740?pwd=ZVlxODV1allNTUtkUG4xUXdOQ09ldz09>
Section 002: T/TH 11 AM – 12:15 PM
Zoom: <https://unc.zoom.us/j/91694945157?pwd=R0xMZZ2Y2MklkejMvZVVCaFM0Qlo5QT09>
Links to Zoom recordings will be made available on Sakai
Office Hours: T 12:15 PM – 2 PM or by appointment
Zoom: use the link for section 002 for regular office hours
TA Office Hours: TBD
Website: <https://sakai.unc.edu/portal/site/econ423spring2022>

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) are *acceptable*. The business school edition of the same textbook is also acceptable.

Additional reading materials.

Textbooks cannot keep up with what is happening around us. We will use official information and data sources such as the Fed, ECB, IMF, the World Bank and more for relevant topics. 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.

Course description.

An examination of financial institutions and markets, their role in economic conditions, and the use of macroeconomic policies in affecting those conditions. 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.

Requisites.

Prerequisites, ECON 400, 410, and 420; a grade of C or better in ECON 400 and 410 is required.

Grading schedule.

I expect you to actively participate in the in-class discussions whenever possible. You are expected to work hard outside of the classroom as well. Assignments, two midterms, and a final exam counts towards the final numerical grade as follows:

Item	Weight	Date
Assignments	15%	TBD
Midterm I	25%	February 17
Midterm II	25%	March 31
Final Exam	35%	Available April 29, submission by 11 AM (EDT) May 3

Delivery: All assignments and exams (including the final) will be posted on the Sakai course site under **Tests & Quizzes**. You will receive email notifications when they are available.

Grading process: Sakai automatically grades all multiple choice questions and displays the scores. However, manually grading short answer questions takes time. Please be patient.

Assignments: There will be approximately 6 problem sets. You will have at least 3 days to finish each and deadlines are reinforced. Before the deadline, you are allowed *unlimited* attempts and only the highest score will be recorded. Late submissions automatically result in forfeited points. I will *drop the lowest 1 assignment score*. Then the averaged assignment score will be part of the final evaluation. Collaboration for assignments is encouraged.

Midterm exams: There will be no lectures on midterm days. The midterms are *not* cumulative. Each exam will be posted on Sakai and be available for approximately 24 hours until 11:59 PM on the scheduled date. Once you start taking the exam, you have **1.5 hours** to finish and submit it. Only **one** attempt is allowed. If you cannot take a midterm exam on time, one of the two cases applies:

- (1) **(conditional) a make-up midterm.** A make-up exam can be scheduled only if you contact me *before* the exam date with proof of University approved absences (see the Attendance Policy section below). Please be aware that you are bound by the **Honor Code** when making a request for a University approved absence.
- (2) **(default) weight moved to the final.** In any other cases of a missed midterm exam, the weight will be automatically moved to the final exam.

Final exam: The final exam is **cumulative**. The final exam will be posted on Sakai on **April 29** and must be submitted no later than **11 AM, May 3**. Once you start taking the exam, you have **3 hours** to finish and submit it. Only **one** attempt is allowed. If you are unable to take the final exam at the scheduled time, then you will receive the temporary grade **AB**. You need to contact me and schedule a make-up exam in time to avoid an eventual F*.

Grading scale.

Unless you opt for a pass/fail grade, numerical grades are mapped into letter grades according to the following scale.

A	≥ 93	A-	[90, 93)		
B+	[86, 90)	B	[83, 86)	B-	[80, 83)
C+	[76, 80)	C	[73, 76)	C-	[70, 73)
D+	[65, 70)	D	[60, 65)	F	< 60

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	1/11 1/13	Ch.1 + Appendix & Ch.2 : course overview and preparation Ch.3: What Is Money?
2	1/18 – 1/20	Ch.4: The Meaning of Interest Rates
3	1/25 – 1/27	Ch.5: The Behavior of Interest Rates
4	2/1 – 2/3	Ch.6: The Risk and Term Structure of Interest Rates
5	2/8 – 2/10	Ch.7: The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
6	2/15 2/17	Catch-up and review Midterm I , available 0:00 AM, submission by 11:59 PM (EST)
7	2/22 2/24	Ch.17: The Foreign Exchange Market Ch.8: An Economic Analysis of Financial Structure
8	3/1 – 3/3	Ch.9: Banking and the Management of Financial Institutions
9	3/8 3/10	Ch.10: Economic Analysis of Financial Regulation Ch.11: Banking Industry: Structure and Competition
10		Spring break, no classes
11	3/22 3/24	Ch.13: Central Banks and the Federal Reserve System Ch.14: The Money Supply Process
12	3/29 3/31	Catch-up and review Midterm II , available 0:00 AM, submission by 11:59 PM (EDT)
13	4/5 4/7	Ch.12: Financial Crises Ch.15: Tools of Monetary Policy
14	4/12 4/14	Ch.15: Tools of Monetary Policy Ch.16: The Conduct of Monetary Policy
15	4/19 – 4/21	Ch.18: The International Financial System
16	4/26	Catch-up and final review
	4/29 – 5/3	Final exam , available April 29, submission by 11 AM (EDT) May 3

Attendance Policy.

University Policy: No right or privilege exists that permits a student to be absent from any class meetings, except for these University Approved Absences:

- (1) Authorized University activities
- (2) Disability/religious observance/pregnancy, as required by law and approved by [Accessibility Resources and Service](#) and/or the [Equal Opportunity and Compliance Office \(EOC\)](#)
- (3) Significant health condition and/or personal/family emergency as approved by the [Office of the Dean of Students](#), [Gender Violence Service Coordinators](#), and/or the EOC.

Class Policy: I will not keep track of class attendance this semester given the unusual circumstances. If regular attendance is impossible, then please watch the recordings. 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.

Honor Code.

All students are expected to follow the guidelines of the UNC honor code. In particular, students are expected to refrain from lying, cheating, or stealing in the academic context. Collaboration is encouraged for an assignment but qualifies as cheating during an exam. Plagiarism will never be tolerated. If you are unsure about which actions violate the honor code, please consult <https://studentconduct.unc.edu/honor-system>.

Syllabus Changes.

I, the instructor, reserve the right to make changes to the syllabus, including project due dates and test dates. These changes will be announced as early as possible.

Grade Appeal.

If you feel you have been awarded an incorrect grade, please discuss with me. If we cannot resolve the issue, you may talk to our departmental director of undergraduate studies or appeal the grade through a formal university process based on arithmetic/clerical error, arbitrariness, discrimination, harassment, or personal malice. To learn more, go to [the Academic Advising Program website](#).

Accessibility Resources and Services.

The University of North Carolina at Chapel Hill facilitates the implementation of reasonable accommodations, including resources and services, for students with disabilities, including mental health disorders, chronic medical conditions, a temporary disability or pregnancy complications resulting in barriers to fully accessing University courses, programs and activities. Accommodations are determined through the Office of Accessibility Resources and Service (ARS) for individuals with documented qualifying disabilities in accordance with applicable state and federal laws. See the ARS Website for contact information: <https://ars.unc.edu> or email ars@unc.edu.

Counseling and Psychological Services (CAPS).

CAPS is strongly committed to addressing the mental health needs of a diverse student body through timely access to consultation and connection to clinically appropriate services, whether for short or long-term needs. Go to their website: <https://caps.unc.edu/> or

visit their facilities on the third floor of the Campus Health Services building for a walk-in evaluation to learn more. Students can also call CAPS 24/7 at 919-966-3658 for immediate support.

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. Reports can be made [online to the EOC](#). Please contact the University's Title IX Coordinator (Elizabeth Hall, interim-titleixcoordinator@unc.edu), Report and Response Coordinators in the Equal Opportunity and Compliance Office (reportandresponse@unc.edu), Counseling and Psychological Services (confidential), or the Gender Violence Services Coordinators (gpsc@unc.edu; confidential) to discuss your specific needs. Additional resources are available at safe.unc.edu.

Diversity Statement.

I value the perspectives of individuals from all backgrounds reflecting the diversity of our students. I broadly define diversity to include race, gender identity, national origin, ethnicity, religion, social class, age, sexual orientation, political background, and physical and learning ability. I strive to make this classroom an inclusive space for all students. Please let me know if there is anything I can do to improve. I appreciate suggestions.

Policy on Non-Discrimination.

The University is committed to providing an inclusive and welcoming environment for all members of our community and to ensuring that educational and employment decisions are based on individuals' abilities and qualifications. Consistent with this principle and applicable laws, the University's Policy Statement on Non-Discrimination offers access to its educational programs and activities as well as employment terms and conditions without respect to race, color, gender, national origin, age, religion, creed, genetic information, disability, veteran's status, sexual orientation, gender identity or gender expression. Such a policy ensures that only relevant factors are considered and that equitable and consistent standards of conduct and performance are applied. If you are experiencing harassment or discrimination, you can seek assistance and file a report through the Report and Response Coordinators (see contact info at safe.unc.edu) or the Equal Opportunity and Compliance Office, or online to the EOC at <https://eoc.unc.edu/report-an-incident/>.