

ECON 423: FINANCIAL MARKETS AND ECONOMIC FLUCTUATIONS

Fall 2023

UNIVERSITY OF NORTH CAROLINA
DEPARTMENT OF ECONOMICS

Instructor: Neville Francis

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

Lectures: section 001: T/TH 12:30 PM – 1:45 PM, Gardner Hall 0307

Office Hours: T 10:00 AM – 11:00 AM or by appointment

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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 *The Wall Street Journal*, *Financial Times*, *The Economist*, Bloomberg, etc. We will discuss a few particularly important/relevant/exciting 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/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 significant 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 toward the final numerical grade as follows:

Item Weight

Assignments: 15%

Midterm I: 25%

Midterm II: 25%

Final Exam 35% Section 001: 12 noon, Friday, December 8th, 2023

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

Midterms: The two midterm exams will be held during the usual lecture hours in class. The midterms are not cumulative. If you must miss a midterm exam for reasons that fall into 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 a zero score on that exam. You are responsible for providing the 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 an 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

Section 001: 12:00 PM – 2:00 PM, Friday, December 8th, 2023