

ECON 423: FINANCIAL MARKETS AND ECONOMIC FLUCTUATIONS

Spring 2024

UNIVERSITY OF NORTH CAROLINA

DEPARTMENT OF ECONOMICS

(Last update: January 10, 2024)

Instructor:	Can Tian tiancan@email.unc.edu	
Credit Hours:	3	
Lectures:	Section 001: TuTh 11 AM – 12:15 PM	GA 309
	Section 002: TuTh 12:30 PM – 1:45 PM	GA 309
Office Hours:	Tuesday 1:45 PM – 3:45 PM or by appointment	GA 202
Teaching Assistant:	Section 001: Jieyao Wang Section 002: Orrin Li	
TA Office Hours:	TBD	
Website:	https://sakai.unc.edu/portal/site/econ423spring2024	

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.

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 your active participation 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	10%	TBD
Midterm I	25%	February 15, 2024, in class
Midterm II	25%	March 26, 2024, in class
Final Exam	40%	sec. 001 (class @ 11 AM): Tue May 7, 2024, 12 – 2 PM sec. 002 (class @ 12:30 PM): Mon May 6, 2024, 4 – 6 PM

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 5 – 6 problem sets. All assignments will be posted on the Sakai course site under **Tests & Quizzes**. You will receive email notifications when they are available.

You will have at least 3 days to finish each and deadlines are reenforced. 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. If you miss one or both midterm exams, 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.

All requests for regrading must be made in writing, for instance, through an email, and must be sent to the instructor or the teaching assistants within **one week** from the date that the exams are returned to the students. In case of an arithmetic mistake, the correction will be made promptly without reconsidering the answers. However, if the error is not related to an arithmetic mistake, the entire exam will be reviewed and regraded. To verify that the original answers have not been altered, students may be requested to provide evidence such as a photograph taken at the time of the exam return, which clearly shows the original answers and a time stamp. The responsibility of providing such evidence lies with the students.

Final exam: The final exam is **cumulative**. 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*. See the Grade Appeal section for the procedure of final grade appeal.

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	Ch.1 + Appendix & Ch.2 : course overview and preparation
2	1/16	Ch.3: What Is Money?
	1/18	Ch.4: The Meaning of Interest Rates
3	1/23	Ch.4: The Meaning of Interest Rates
	1/25	Ch.5: The Behavior of Interest Rates
4	1/30	Ch.5: The Behavior of Interest Rates
	2/1	Ch.6: The Risk and Term Structure of Interest Rates
5	2/6	Ch.6: The Risk and Term Structure of Interest Rates
	2/8	Catch-up and review
6	2/13	Wellbeing day, no class
	2/15	Midterm I , in class
7	2/20	Ch.7: The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
	2/22	Ch.17: The Foreign Exchange Market
8	2/27	Ch.8: An Economic Analysis of Financial Structure
	2/29	Ch.9: Banking and the Management of Financial Institutions
9	3/5	Ch.9: Banking and the Management of Financial Institutions
	3/7	Ch.10: Economic Analysis of Financial Regulation
10		Spring break, no classes
11	3/19	Ch.11: Banking Industry: Structure and Competition
	3/21	Catch-up and review
12	3/26	Midterm II , in class
	3/28	Wellbeing day, no class
13	4/2	Ch.12: Financial Crises
	4/4	Ch.13: Central Banks and the Federal Reserve System
14	4/9	Ch.14: The Money Supply Process
	4/11	Ch.15: Tools of Monetary Policy
15	4/16	Ch.15: Tools of Monetary Policy
	4/18	Ch.16: The Conduct of Monetary Policy
16	4/23 – 4/25	Ch.18: The International Financial System
17	4/30	Catch-up and final review
final	5/6, 4 – 6 PM	section 002 (class begins at 12:30 PM)
	5/7, 12 – 2 PM	section 001 (class begins at 11 AM)

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](#).

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 regular track of class attendance. 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>.

Acceptable Use Policy.

By attending the University of North Carolina at Chapel Hill, you agree to abide by the University of North Carolina at Chapel Hill policies related to the acceptable use of IT systems and services. The Acceptable Use Policy (AUP) sets the expectation that you will use the University's technology resources responsibly, consistent with the University's mission. In the context of a class, it's quite likely you will participate in online activities that could include personal information about you or your peers, and the AUP addresses your obligations to protect the privacy of class participants. In addition, the AUP addresses matters of others' intellectual property, including copyright. These are only a couple of typical examples, so you should consult the full [Information Technology Acceptable Use Policy](#), which covers topics related to using digital resources, such as privacy, confidentiality, and intellectual property. Additionally, consult the [Safe Computing at UNC](#) website for information about data security policies, updates, and tips on keeping your identity, information, and devices safe.

Accessibility Resources and Services.

Accessibility Resources and Service (ARS – ars@unc.edu) receives requests for accommodations, and through the Student and Applicant Accommodations Policy determines eligibility and identifies reasonable accommodations for students with disabilities and/or chronic medical conditions to mitigate or remove the barriers experienced in accessing University courses, programs and activities.

ARS also offers its Testing Center resources to students and instructors to facilitate the implementation of testing accommodations.

Counseling and Psychological Services.

UNC-Chapel Hill is strongly committed to addressing the mental health needs of a diverse student body. The **Heels Care Network** website is a place to access the many mental health resources at Carolina. CAPS is the primary mental health provider for students, offering timely access to consultation and connection to clinically appropriate services. Go to their website <https://caps.unc.edu/> or visit their facilities on the third floor of the Campus Health building for an initial evaluation to learn more. Students can also call CAPS 24/7 at 919-966-3658 for immediate assistance.

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 at <https://eoc.unc.edu/report-an-incident/> or by contacting the University's Title IX Coordinator (Elizabeth Hall, titleixcoordinator@unc.edu) or the Report and Response Coordinators in the Equal Opportunity and Compliance Office (reportandresponse@unc.edu). Confidential resources include Counseling and Psychological Services and the Gender Violence Services Coordinators (gvsc@unc.edu). 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/>.

Undergraduate Testing Center.

The College of Arts and Sciences provides a secure, proctored environment in which exams can be taken. The center works with instructors to proctor exams for their undergraduate students who are not registered with ARS and who do not need testing accommodations as provided by ARS. In other words, the Center provides a proctored testing environment for students who are unable to take an exam at the normally scheduled time (with pre-arrangement by your instructor). For more information, visit <http://testingcenter.web.unc.edu/>.

Learning Center.

Want to get the most out of this course or others this semester? Visit UNC's Learning Center at <http://learningcenter.unc.edu> to make an appointment or register for an event. Their free, popular programs will help you optimize your academic performance. Try academic coaching, peer tutoring, STEM support, ADHD/LD services, workshops and study camps, or review tips and tools available on the website.

Writing Center.

For free feedback on any course writing projects, check out UNC's Writing Center. Writing Center coaches can assist with any writing project, including multimedia projects and application essays, at any stage of the writing process. You don't even need a draft to come visit. To schedule a 45-minute appointment, review quick tips, or request written feedback online, visit <http://writingcenter.unc.edu>.