ECON 423 – Financial Markets and Economic Fluctuations

UNC-Chapel Hill, Fall 2024

Course Information

Course number and section: ECON 423-001
Credit hours: 3
Class hours: Tues/Thurs 12:30-1:45pm
Class location: Gardner 308

Instructor: Irisa Lee (irisa@email.unc.edu)
Office hours: Tues/Wed 4:00-5:00pm or by appointment
Office hour location: Econ Aid Center

Teaching Assistant: Mariya Sviderskaya (mariyas@live.unc.edu)

Course Description

ECON 423 is 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.

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

Course Goals

By the end of this course, students should be able to:

- Recognize different financial instruments and examine the function of financial markets in the economy.
- Describe how financial intermediation and financial innovation affect banking and the economy.
- Identify linkages between monetary policy, business cycles, and economic variables.
- Explain the role and importance of exchange rates in the global financial system.
- Evaluate the factors that lead to current events in financial markets and to assess or critique relevant policies.

Course Materials

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 as an eText. Earlier editions (preferably the 11th) and the business school edition are acceptable.

Additional reading materials: The textbook cannot keep up with current events, so we will also look at information and data sources from the Federal Reserve, ECB, IMF, the World Bank and more for relevant topics. I will bring up any particularly important/relevant/interesting pieces in class or for assignments as they come up. I encourage you to follow real-time financial and economic news as well.

Canvas: Announcements, class materials, assignments, and grades can be found on the Canvas site. Please make sure you can log on and access the information for this class. The calendar on Canvas will be updated with exam dates and assignment deadlines.

Poll Everywhere: I will use Poll Everywhere sometimes during class. You can log in at pollev.com with your UNC-CH email address. If you don't already have an account, go to http://poll.unc.edu, click on "Student Account Registration", and follow the instructions to sign up.

Grading and Assessments

Grading scheme:

Item	Weight
Assignments	15%
Midterm I	25%
Midterm II	25%
Final Exam	35%

I will not formally grade for participation, but please participate in polls and in-class discussions when possible!

Assignments:
There will be approximately 6 problem sets, which will include multiple-choice and/or short answer questions. You will have at least 3 days to finish each (but I will try to upload assignments closer to a week ahead) and they shouldn't take more than several hours at most. Assignments should be submitted through Gradescope. I will drop the lowest assignment score at the end of the semester. The schedule is subject to change but is currently as follows:

- Assignment 1: due Sep 4 @ 11:59pm
- Assignment 2: due Sep 18 @ 11:59pm
- Assignment 3: due Oct 9 @ 11:59pm
- Assignment 4: due Oct 23 @ 11:59pm
- Assignment 5: due Nov 13 @ 11:59pm
- Assignment 6: due Nov 26 @ 11:59pm

Late policy: Late submissions will be accepted up to 24 hours after the due date, then no submissions will be accepted. Things happen, so there's no penalty for your first late assignment. However, for any late assignments beyond that, your assignment will be subject to 25% of points off.

Exams:
All exams will be in-class. The midterms are not cumulative, though some earlier related concepts may come up. The final exam will be cumulative.

- Midterm 1: Sept 24
- Midterm 2: Oct 29
- Final Exam: Dec 9 @ 4:00pm

Make-up policy:

(1) In general, make-up exams will not be given without a University Approved Absence. If you do have a University Approved Absence, contact me before the exam date to schedule a make-up.
(2) In any other case of a missed midterm, the exam weight will be automatically moved to the final exam (i.e. if you miss one midterm, your final exam will now count for 60% of your grade).

Regrade policy: Please make a regrade request through Gradescope within one week of the date an assignment or exam is returned. Include a description of the possible error or a reason you believe the grade is incorrect, and we will review your request.

Grading Scale: Unless you opt for a pass/fail grade, numerical grades will be mapped onto 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

Course Policies

Attendance Policy:

University Policy: As stated in the University's Class Attendance 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 Equal Opportunity and Compliance Office (EOC).

Class policy: Attendance for every class is expected but I will not keep regular track of class attendance. You are responsible for any announcements or notes you may have missed if you do not attend class. If you have a University Approved Absence, please let me know and we can plan accordingly.

Syllabus Changes: The instructor reserves the right to make changes to the syllabus including assignment due dates and test dates. These changes will be announced as early as possible.

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. If you unsure about which actions violate the honor code, please see me or consult the honor code outlined here: studentconduct.unc.edu.

Artificial Intelligence (AI) Use Policy: I am personally opposed to the usage of generative AI in most cases, but you may use it for assistance in tasks, such as reviewing or revising if you find it helpful. However, I expect that none of your work should be completely done with AI tools. Also note that you are liable for AI-generated content as if it was your own, and thus it is your responsibility to check for plagiarism, lack of citations, factual mistakes, etc.

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 University website "Safe Computing at UNC" for information about the data security policies, updates, and tips on keeping your identity, information, and devices safe.

Academic Resources

Accessibility resources: I am happy to work with you and with the Accessibility Resource and Service (ARS) Office to provide accommodations if you need them. ARS 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. See the ARS Website (https://ars.unc.edu) or email ars@unc.edu.

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

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 or the Gender Violence Services Coordinators (gvsc@unc.edul. Additional resources are available at safe.unc.edu.

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 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.

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, 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/.

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 any suggestions.

Tentative Schedule

I intend to follow the course outline below but if changes are necessary, I will announce them in class, via email, or on Canvas as early as possible.

Week	Date	Topics
1	8/20 8/22	Chp 1 + Appendix & Chp 2: course overview and preparation Chp 3: What is Money?
2	8/27 8/29	Chp 4: The Meaning of Interest Rates Chp 4: The Meaning of Interest Rates
3	9/3 9/5	*Well-being day* Chp 5: The Behavior of Interest Rates
4	9/10 9/12	Chp 5: The Behavior of Interest Rates Chp 6: The Risk and Term-Structure of Interest Rates
5	9/17 9/19	Chp 6: The Risk and Term-Structure of Interest Rates Review
6	9/24 9/26	**Midterm 1** Chp 7: The Stock Market, the Theory of Rational Expectations, and the Efficient Market Hypothesis
7	10/1 10/3	Chp 17: The Foreign Exchange Market Chp 8: An Economic Analysis of Financial Structure
8	10/8 10/10	Chp 9: Banking and the Management of Financial Institutions Chp 9: Banking and the Management of Financial Institutions
9	10/15 10/17	Chp 10: Economic Analysis of Financial Regulation *Fall Break*
10	10/22 10/24	Chp 11: Banking Industry: Structure and Competition Review
11	10/29 10/31	**Midterm 2** Chp 12: Financial Crises
12	11/5 11/7	Chp 13: Central Banks and the Federal Reserve System Chp 14: The Money Supply Process
13	11/12 11/14	Chp 15: Tools of Monetary Policy Chp 15: Tools of Monetary Policy
14	11/19 11/21	Chp 16: The Conduct of Monetary Policy Chp 18: The International Financial System
15	11/26 11/28	Chp 18: The International Financial System *Thanksgiving*
16	12/3	Final review
☺	12/9	**Final** (4:00 pm)