ECON 6235: MONETARY & FINANCIAL THEORY
Syllabus for Fall 2021
6:00 p.m. – 8:45 p.m. R
Friday 386

Instructor
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Office Hours
2:15 p.m. – 3:45 p.m. MW
4:00 p.m. – 5:30 p.m. R
If these hours are not convenient, feel free to make an appointment with me for another time or to stop by at another time when I am in the office.

Catalog Course Description
ECON 6235: Monetary & Financial Theory – Theory and empirical tests of money supply, money demand, and financial markets; portfolio theory with special attention to portfolio choices of banks; term structure of interest rates; dynamic models of money and economic activity. Prerequisites: ECON 6112 and either ECON 6201 or ECON 6202 or permission of the instructor.

Course Objective
The objective of this course is for students to become familiar with theoretical and empirical work that addresses the effect of monetary institutions and monetary policy actions on important variables like interest rates, prices, wages, employment, and production.

Textbook and Other Resources
There is no required textbook for this course. Copies of all required readings will be posted in the files section of the Canvas page for the course.

Means of Student Evaluation
Grades will be determined by your performance on 3 problem sets (20% each), a mid-term examination (20%), and a final examination (20%). Letter grades for the course will be based on the following scale: A, 90%-100%; B, 80%-89.99%; C, 70%-79.99%; U, below 70%. Grades will be based solely on your performance on the problem sets, the mid-term examination, and the final examination. Individual extra credit assignments will NOT be made.

Problem Sets
Problem sets must be typed and must be submitted by email on the assigned due date. A problem set may be submitted after the due date, but there will be a penalty of one letter grade for each
day that the submission is late. Once a problem set has been graded and returned, or once the solutions to a problem set have been distributed, no late submission will be accepted, and a grade of zero will be assigned. Problem sets are due on September 27, November 1, and November 29.

Mid-Term and Final Examinations
The mid-term examination is scheduled for our class period on October 7, and the final examination is scheduled for 5:00 p.m. – 7:30 p.m. on December 16 (the exam time slot assigned to this course).

Academic Integrity
All students are required to read and abide by the Code of Student Academic Integrity. Violations of the Code of Student Academic Integrity, including plagiarism, will result in disciplinary action as provided in the Code. Definitions and examples of plagiarism are set forth in the Code and on the Student Conduct and Academic Integrity website. The Code is available from the Dean of Students Office or online at legal.uncc.edu/policies/up-407. Additional resources are available on the Student Conduct and Academic Integrity website.

Faculty may ask students to produce identification at examinations and may require students to demonstrate that graded assignments completed outside of class are their own work.

Disability Accommodations
Students in this course seeking accommodations to disabilities must first consult with the Office of Disability Services and follow the instructions of that office for obtaining accommodations.

Revision of Syllabus during Semester
The standards and requirements set forth in this syllabus may be modified at any time by the course instructor. Notice of such changes will be by announcement in class and by email.

Face Coverings
It is the current policy of UNC Charlotte that as a condition of on-campus enrollment, all students are required to engage in safe behaviors to avoid the spread of COVID-19 in the 49er community. Such behaviors specifically include the requirement that all students properly wear CDC-compliant face coverings in all indoor spaces on campus, including classrooms and labs, regardless of vaccination status. Failure to comply with this policy in the classroom or lab may result in dismissal from the current class session. If the student refuses to leave the classroom or lab after being dismissed, the student may be referred to the Office of Student Conduct and Academic Integrity for charges under the Code of Student Responsibility.

Attendance
Students are expected to attend every class and remain in class for the duration of the session when it is safe to do so in accordance with University guidance about COVID-19. Failure to attend class or arriving late may affect your ability to achieve course objectives, which could affect your course grade. An absence, excused or unexcused, does not relieve a student of any
course requirement. Regular class attendance is a student’s obligation, as is a responsibility for all the work of class meetings, including tests and written tasks.

Students are encouraged to work directly with their instructors regarding their absence(s). For absences related to COVID-19, please adhere to the following:

- **Complete your Niner Health Check** each morning.

- **Do not come to class if you are sick**. Please protect your health and the health of others by staying home. Contact your healthcare provider if you believe you are ill.

- **If you are sick**: If you test positive or are evaluated by a healthcare provider for symptoms of COVID-19, indicate so on your Niner Health Check to alert the University. Submit a copy of your Niner Health Check notification email to your instructors. Upon learning that you have tested positive or have been diagnosed for symptoms of COVID-19, either from your reporting or from Student Health Center testing or diagnosis, representatives from Emergency Management and/or the Student Health Center will follow up with you, and your instructors will be notified of the need for accommodations, as necessary.

- **If you have been exposed** to COVID-19 positive individuals and/or have been notified to self-quarantine due to exposure, indicate so on your Niner Health Check to alert the University. Representatives from Emergency Management and/or the Student Health Center will follow up with you as necessary. Submit a copy of your Niner Health Check notification email to your instructors. If you need any additional support verifying your absence after you have communicated with your professors, contact Student Assistance and Support Services.

To return to class after being absent due to a period of self-quarantine, students should submit a copy of their Niner Health Check clearance email to their instructor(s). To return to class after being absent due to a COVID-19 diagnosis, students should submit an online request form to Student Assistance and Support Services (SASS). Supporting documentation can be attached directly to the request form and should be from a student's health care provider or the Student Health Center, clearly indicating the dates of absences and the date the student is able to return to class. Instructors will be notified of such absences.

If you are absent from class as a result of a COVID-19 diagnosis or quarantine, as instructor I will help you continue to make progress in the course by providing remote learning options and assignments on a case-by-case basis. The final decision for approval of all absences and missed work is determined by the instructor.

**Instructor Absence or Tardiness**
If I am late in arriving to class, you must wait a full 30 minutes after the start of class before you may leave without being counted absent, or you must follow any written instructions that I give you about my expected tardiness.
Computer Use in the Classroom
Students are permitted to use computers during class only for taking notes and for doing other class-related work. Those using computers during class for work that is not related to this class must leave the classroom for the remainder of the class period.

Recording in the Classroom
Electronic video, image capture, and/or audio recording is not permitted during class, whether conducted in person or online, unless the student obtains permission from the instructor. If permission is granted, any distribution of the recording is prohibited. Students with specific electronic recording accommodations authorized by the Office of Disability Services do not require instructor permission; however, the instructor must be notified of any such accommodation prior to recording. Any distribution of such recordings is prohibited.

Belk College of Business Diversity Statement
The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Course Outline & Required Readings (Listed in Recommended Order)
There are several interesting and accessible articles that provide useful background to the topics that we will be covering in this course:


I suggest reading Dimand’s *New Palgrave* essay on the history of monetary economics right away and then reading the remaining articles sometime between now and the mid-term exam.

I. **Basic Macroeconomic Framework with Applications & Extensions**

   A. The IS-LM Model & Aggregate Demand
   B. The Classical Aggregate Supply Function & the Classical AD-AS Model
   C. The Keynesian Aggregate Supply Function & the Keynesian AD-AS Model


D. Intermediate Targets and the Practice of Monetary Policy


E. Analysis of a Steady Inflation


F. Output-Inflation Tradeoffs


II. **Inflation: Its Mechanics & Welfare Costs**


### III. Money Demand: Theory & Evidence


### IV. Money Supply & Central Bank Policy


### V. Interest Rate Policy Rules & Inflation Targeting

**A. Interest Rate Policy Rules & the IS-MP Approach to Aggregate Demand**


**B. Inflation Targeting**

VI. Zero Lower Bound on Nominal Interest Rates, Credit Market Disruptions, & Quantitative Easing

A. Zero Lower Bound on Nominal Interest Rates


B. Credit Market Disruptions


C. Quantitative Easing


VII. Modern Monetary Theory


**VIII. Monetary Policy: Past & Future Challenges**


