

Econ 421: Money, Credit, and the Economy

“A financial crisis is always about short-term debt. Find it. That is our primary and most essential inference drawn from both history and modern financial crisis episodes.”

Gary Gorton, *Fighting Financial Crises*, 2018

“Runs on short-term funding were a major contributor to the severity of the crisis.... The risk of short-term funding has not been eliminated, particularly the risk of runs on nonbank institutions not subject to the new liquidity rules.”

Ben Bernanke, *The Courage to Act*, 2015

This course is centered on “financial economics”. The course emphasizes three foundational topics:

- 1. Financial Assets as Stores of Value**
- 2. The Supply and Demand for Liquidity**
- 3. Securitized Banking**

Course TextBook:

Money, Banking, and Financial Markets by Stephen Cecchetti and Kermit Schoenholtz. Fifth Edition 2017.

I will use the textbook for teaching the fundamentals of the money and banking. The course will cover some, but not all, material in Chapters 1-7 and 11-16 of the textbook. I will scan the most important material and put it on the website.

Beyond that, I will be putting pdfs and other scanned documents on the website that cover more advanced material.

Learning Objective:

My goal is to help you learn fundamentals of financial markets so that you can understand important aspects of the current Covid-19 financial crisis. To do so we will build on the core concepts in the textbook. I will copy current event articles and write commentary on the class material.

Because we are not meeting in a classroom, the way we interact in the learning process will be new for all of us.

My plan is to assign readings to you rather than to lecture via Zoom or Panopto. I would like to try using Zoom sometimes for class discussions about the material. But my experience has been that connectivity problems with Zoom can waste a lot of time. There are also issues of fairness in terms of access across countries and different time zones.

Grading Policy:

This is a extremely difficult time for all us. I want the course to be as least stressful as possible for you. I will be giving quizzes and assigning problem sets throughout the course. I will not be giving a midterm or final. As long as the quality of your work shows that you are putting effort into the class, your grade will be between 3.7 and 4.0. Otherwise, your grade will be lower.

Course Website:

<https://canvas.uw.edu/courses/1372197>

Office hours:

I will try to hold office hours using Zoom. I will also answer simple, clarifying questions via Canvas.

Class Schedule:

I am working on a class schedule that will center on the current Covid-19 financial crisis. This means reading papers and current events as well as the textbook.

I will be giving you guidance and commentary as we go along. So that you can do the reading ahead of time, I will try very hard to work out the course schedule for at least two weeks into the future. I will post new material on Tuesdays and Thursdays to keep a rhythm of the course that feels familiar. I will also post material on other days, especially new material on current events.

Religious Accommodation:

The UW has developed a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at Faculty Syllabus Guidelines and Resources. Accommodations must be requested within the first two weeks of this course using the Religious Accommodations Request form available at <https://registrar.washington.edu/students/religious-accommodations-request/>.

Recommendation letters:

I am happy to write letters of recommendation for students who get a 3.9-4.0 in the course and have the appropriate qualifications to be competitive for grad school programs or employment opportunities.

For grad school programs (such as an MS degree program in Business Analytics) my requirements for writing a recommendation letter include an appropriate level of math background that covers at least Math 124, 125, and 126. Additional course work in math or statistics is important to make an application competitive for good programs. Ideally, students that I write letters for should have a minor in math or statistics in addition to the economics major (or a double major).

For job references, my requirements are more flexible and depend on the type of job.