

Professor Brock  
Office and email: Savery 326, plbrock@uw.edu  
Office hours: Thursdays 11:30-1:00

Autumn 2017  
Classroom: Savery 138  
Time: TTh 4:30-6:20

## Econ 421: Money, Credit, and the Economy

“The man who borrows in order to spend will soon be ruined, and he who lends to him will generally have occasion to repent of his folly.”

Adam Smith, *Wealth of Nations*

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

1. **The supply and demand for liquidity**
2. **Asymmetric information and financial system structure**
3. **Financial crises and central banks**

Two current issues covered by the course will be:

- Cryptocurrencies



JPMorgan Chase CEO Jamie Dimon took a shot at bitcoin, saying the cryptocurrency "is a fraud." Dimon said bitcoin mania is reminiscent of the tulip bulb craze in the 17th century. "It's worse than tulip bulbs. It won't end well. Someone is going to get killed," Dimon said at a banking industry conference organized by Barclays. "Currencies have legal support. It will blow up." *CNBC* September 12, 2017

- Tri-Party Repo Market



On June 22, a working group convened by the Federal Reserve Bank of New York [selected](#) the Secured Overnight Financing Rate (SOFR) – a broad index of US Treasury repo trades – to [replace Libor](#) as the reference rate for roughly \$70 trillion notional of US dollar interest rate swaps.

SOFR would include triparty repo data from BNY Mellon and cleared bilateral and GCF Repo data from the Depository Trust & Clearing Corporation.

Federal Reserve board governor Jerome Powell said: “SOFR will be derived from the deepest, most resilient funding market in the United States. As such, it represents a robust rate that will support US financial stability.” *Securities Lending Times* August 28, 2017

### **Course Book:**

*The Economics of Money, Banking, and Financial Markets*, by Frederic Mishkin (Professor of Economics, Graduate School of Business, Columbia University). Eleventh edition, 2016.

### **Course Coverage:**

- Lectures will form the most important part of the class and exams.
- The course will cover material in Chapters 1-15 of the textbook. I also have a number of handouts that cover Tobin's liquidity preference model, bank balance sheets, securitization, and the Fed's new operating procedures for monetary policy.
- Class discussion of current events (in the U.S., Europe, and China) is also important and will form part of the material on the exams.

### **My background:**

My research centers on the intersection of international economics with the macroeconomics of emerging market economies. I have a special interest in financial crises and closely follow monetary policy developments in the U.S., Europe, and China.

### **Course Website:**

<https://catalyst.uw.edu/workspace/plbrock/57423/>

This website will have the syllabus, class notes, practice problems, and journal articles.

### **Use of email:**

I will answer simple, clarifying email questions. For other questions, you will need to come to office hours.

### **Grading Policy:**

**Quizzes:** Your grade will be partially based on seven quizzes on material in the textbook and current events. The quizzes will be on October 3, 10, and 17; November 7, 14, and 21, and 28. The class website will contain an announcement of the relevant material for the quizzes prior to each quiz.

- I will count your top five quiz results. Each of the top five quiz results will be worth three percent of your grade. Missing a quiz for any reason will result in a zero for that quiz.

**Problem Sets:** There will be two problem sets, one due on October 24 and the other on December 3. Each problem set will be worth five percent of your grade.

**Exams: Midterms Thursday October 26 and Thursday December 7**  
**There is no final exam**

- The first exam is worth 30 percent of your grade; the second exam is worth 35 percent. The exams will cover all lectures, material in the textbook, handouts, and class discussions of current events. *I will pass out practice questions during the course to help you prepare for the exams.*

- If you miss one of the two exams you will be given an incomplete for the course, provided that you have been attending class, taking the quizzes, and furnish proof of illness or other circumstances beyond your control. *University procedures will be followed for converting the incomplete to a grade.* The relevant portion of university procedures for incompletes is included on the following page of the syllabus.
- Missing both exams will automatically result in a failing grade.
- *The Department's policy on exam taking is given on the last page of the syllabus.*

**Class Participation:**

- Ten percent of your grade is based on class participation. When I call on you in class I am trying to involve you in the learning process, and am not grading your answers.

**Recommendation letters:**

I am happy to write letters of recommendation for students who do well in the course and have the appropriate qualifications to be competitive for grad school programs or employment opportunities. In general, that requires a course grade of at least 3.7, an overall GPA of 3.5, and an appropriate level of math background.

## University Procedures for Incompletes

See website:

[http://www.washington.edu/students/genocat/front/Grading\\_Sys.html#GRADING](http://www.washington.edu/students/genocat/front/Grading_Sys.html#GRADING)

**I Incomplete** - An *Incomplete* is given only when the student has been in attendance and has done satisfactory work until within two weeks of the end of the quarter and has furnished proof satisfactory to the instructor that the work cannot be completed because of illness or other circumstances beyond the student's control. A written statement of the reason for the giving of the *Incomplete*, listing the work which the student will need to do to remove it, must be filed by the instructor with the head of the department or the dean of the college in which the course is given.

To obtain credit for the course, an undergraduate student must convert an *Incomplete* into a passing grade no later than the last day of the next quarter. For Spring Quarter, the following quarter is considered to be Fall Quarter. *The student should never reregister for the course as a means of removing the Incomplete.* An *Incomplete* grade not made up by the end of the next quarter is converted to the grade of 0.0 by the Office of the University Registrar unless the instructor has indicated, when assigning the *Incomplete* grade, that a grade other than 0.0 should be recorded if the *incomplete* work is not completed. The original *Incomplete* grade is not removed from the permanent record.

An instructor may approve an extension of the *Incomplete* removal deadline by writing to the Graduation and Academic Records Office no later than the last day of the quarter following the quarter in which the *Incomplete* grade was assigned. Extensions, which may be granted for up to three additional quarters, must be received by the Office of the University Registrar before the *Incomplete* has been converted into a failing grade.

In no case can an *Incomplete* received by an undergraduate be converted to a passing grade after a lapse of one year.

In no case shall an *Incomplete* on the record at the time a degree is granted be subsequently changed to any other grade.

An *Incomplete* grade does not count for registered hours nor in computation of grade-point averages.

## Department of Economics Exam Taking Rules

### 1. Material allowed during a closed book exam.

- i. All books, papers, notebooks etc. must be placed inside your bag (backpack etc.) and the bag must be securely and fully closed. If you do not have a bag, you must place all your material out of your reach (classroom window sill etc.) Note that individual instructors may have specific policies (open book exams etc.)
- ii. Only keep writing tools and **basic calculators** (i.e. simple 4-functions calculators). Graphing calculators or calculators with memories will not be allowed. ***Sharing of calculators is not permitted.***
- iii. **Cellular phones** must be turned off before entering the class and placed in your closed bag (not in your pocket). You are not allowed to use a cellular phone during an exam. Doing so will result in the termination of your exam time (your exam being taken from you at this point). Likewise **i-pads** or **i-pods** (or similar devices) are not allowed. The use of **personal computers** is not allowed during an exam.
- iv. Baseball caps with visors and any kinds of **headgear** hiding your eyes are not permitted.

### 2. Attendance and special accommodation

- i. You are expected **not to leave the room** during the exam except in case of emergency. This includes restroom use; be sure to use the restroom before the beginning of the exam.
- ii. If you arrive **late** to an exam, you cannot expect to get extra time after the official end of the exam to make up for the missing time at the beginning.
- iii. If you have a **documented disability**, please show your instructor your documentation from the Office of Disability Resources for Students on the first day of class, so that your instructor can make all the necessary arrangements if you wish to take your exam in a separate place.

### 3. Academic honesty

- i. Exams are individual work and **cheating will not be tolerated**. Students must not glance at their neighbors' exams. Students must not change their answers after they have turned their exam in.
- ii. Check the **student handbook** for further information about cheating, plagiarism etc. Cheating of any kind may result in expulsion from the university. The Department of Economics will follow university policy in case of academic dishonesty. These rules complement/supplement the university rules, which are spelled out at

<http://www.washington.edu/uaa/advising/help/academichonesty.php>

Academic integrity is the cornerstone of the Department's rules for student conduct and evaluation of student learning. Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions. Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses. Moreover, a grade of zero can be assigned by the instructor for the course.