

Professor Brock  
Office and email: Savery 326, plbrock@uw.edu  
Office hours: after class and MW 2:30-3:00

Autumn 2015  
Classroom: MEB 242  
Time: MW 3:30-5:20

### **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 foundational topics:

- portfolio diversification and the demand for money
- maturity transformation and asymmetric information as fundamental determinants of bank structure
- causes of financial crises stemming from 1) idiosyncratic risk, 2) non-diversifiable risk, 3) macroeconomic fluctuations, and 4) financial innovations made by banks to evade prudential regulations.

The 2007-2009 financial crisis will be examined in light of these three topics. The course will emphasize theory, but will also include empirical literature.

#### **Course Book:**

Money, Banking, and Financial Markets, by Laurence Ball (Professor of Economics at Johns Hopkins University). Second edition, 2012.

#### **Course Coverage:**

- Lectures will form the most important part of the class and exams.
- Chapters 1-5, 7-10, and 13 of the textbook will be background reading for the course.
- Class discussion of current events (in the U.S., Europe, and China) is also important and will form part of the material on 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 am closely following the Fed’s interest rate policy this Fall as well as the current problems of the financial sector in China.

#### **Course Website:**

<https://catalyst.uw.edu/workspace/plbrock/51246>

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:**

Your grade will be partially based on seven quizzes on material in the textbook on the following dates:

Monday October 5	chapter 7, pages 189-207
Monday October 12	chapter 3, pages 53-73
Monday October 19	chapter 3, pages 74-80; chapter 4, pages 104-117
Monday November 9	chapter 8, pages 221-234
Monday November 16	chapter 10
Monday November 23	chapter 8, pages 235-248
Monday November 30	chapter 13, pages 380-406

- 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.
- Two in-class tests. The first test is worth 40 percent of your grade; the second test is worth 45 percent. The tests will cover all lectures, material in the textbook, and class discussions of current events. *I will pass out practice questions during the course to help you prepare for the exams.*

*The Department's policy on exam taking is given on the last page of the syllabus.*

### **Please note the test dates:**

#### **Wednesday October 28 and Wednesday December 9.**

- If you miss one of the two tests you will be given an incomplete for the course, provided that you have been attending class and taking the quizzes. *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 tests will automatically result in a failing grade.

## University Procedures for Incompletes

*See website:*

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