

Professor Brock
Savery 326, plbrock@uw.edu
Class meeting times: TTh 2:30-4:20

Spring 2023
Sieg Hall 224

Econ 421: Money, Credit, and the Economy

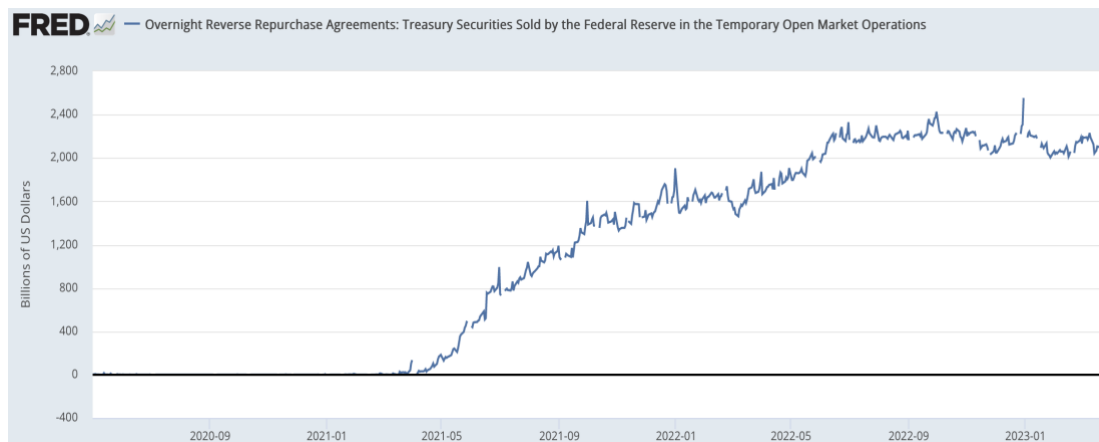
“The man who borrows in order to spend will soon be ruined, and he who lends to him will generally have occasion to repent of his folly.”

Adam Smith, *Wealth of Nations*

This course is centered on “monetary economics”. The course emphasizes four foundational topics:

1. **Safe Financial Assets**
2. **Liquidity Creation and the No-Questions-Asked Property**
3. **Securitized Banking**
4. **The Fed’s Operating Procedures**

The end objective of the course is to understand the Fed’s operating procedures and their impact on the economy. Most recently these procedures include the Fed’s use of overnight reverse repurchase agreements with financial institutions and the creation of the Bank Term Funding Program on March 12 following the collapse of Silicon Valley Bank.



Course Books:

- *Money, Banking, and Financial Markets* by Stephen Cecchetti and Kermit Schoenholtz. Fourth or Fifth Editions. The Fourth Edition will be on the class website as a pdf.
- *Misunderstanding Financial Crises: Why We Don't See Them Coming* by Gary Gorton. Oxford University Press, 2012. The relevant chapters will be on the course website as a pdf.

Course Coverage:

- Lectures will form the most important part of the class and exams.
- Material in Chapters 3-8 and 15-16 of the textbook. The course will also cover several chapters in Gary Gorton's book (I will put scanned copies on Canvas). I have several handouts that cover bank balance sheets, securitization, and the Fed's operating procedures for monetary policy.
- Class discussion of current events is also important and will form part of the material on the exams.

Course Canvas:

<https://canvas.uw.edu/courses/1633513>

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

Office hours:

- I will generally stop lecturing at 4 pm for after-class office hours.
- During the weeks before the midterms I will have additional office hours.
- I will also answer simple, clarifying email questions

Grading Policy:

- **Quizzes:** Your grade will be partially based on six quizzes on material in the textbook and other course readings. The quizzes will be on April 4, 11, 18; May 9, 16, and 22. 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 two 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 April 25 and the other on May 30. Each problem set will be worth five percent of your grade.

Exams: Midterm on Tuesday May 2

Final on Tuesday June 6, 4:30-6:20

- Each exam is worth 40 percent of your grade. The exams will cover all lectures, material in the books, handouts, and class discussions of current events.
- If you miss the first exam a makeup exam (different than the original exam) will be given during the eighth week of classes.
- If you miss the final exam you will be given an incomplete provided that you have been doing satisfactory work up until the last two weeks of the quarter, in conformance with University policy.

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:
<https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/>

Recommendation letters:

- Admissions to graduate school programs in areas such as computational finance and business analytics are highly competitive. To have a realistic chance of getting into any grad program, your overall academic record at the UW must be very strong. Double majoring in Econ and Math or Applied Math will greatly improve your chance of admission to a good program.
- As a result of these factors, I will write letters of recommendation for students who get a 3.8-4.0 in the course, have an overall GPA of at least 3.7, and have completed Math 207 and 208 or AMath 351 and 352.
- Over the past 3 years I have written 16 letters of recommendation for students with these qualifications. Five have gotten into grad programs.
- My requirements are more flexible for internships and job references.