

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

Autumn 2019  
Classroom: Thompson 325  
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. **Financial Assets as Stores of Value**
2. **The Supply and Demand for Liquidity**
3. **Financial Crises and Central Banks**

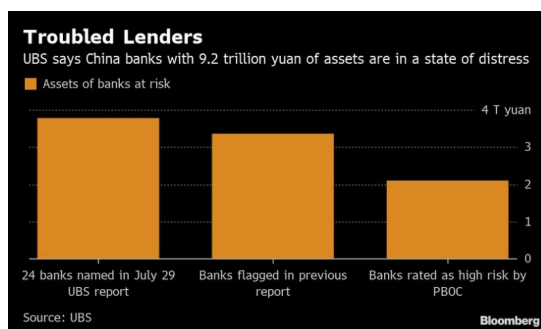
Two current issues covered by the course will be:

- 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

- China's Ongoing Liquidity/Solvency Crisis



(Bloomberg) -- Investors around the world have grown increasingly concerned about the risks lurking within smaller Chinese lenders after the shock government seizure of Baoshang Bank Co. in May. The takeover imposed losses on some creditors, casting doubt on the implicit guarantee that has underpinned the country's financial stability for decades. UBS says a broader universe of Chinese lenders in "distress" is 9.2 trillion yuan, or about 4% of the commercial banking system and nearly 10% of gross domestic product. Bloomberg August 2019

**Course Book:**

*Money, Banking, and the Financial System.* Glenn Hubbard and Anthony O'Brien. Pearson, 2018.

**Course Coverage:**

- Lectures will form the most important part of the class and exams.
- In addition to the textbook, I have a number of handouts that cover Tobin's liquidity preference model, securitization, and the Fed's 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:**

I am a macroeconomist with an area interest in Latin America. I have a special interest in financial crises and closely follow monetary policy developments in the U.S., Europe, and China.

**Course Website:**

<https://canvas.uw.edu/courses/1319494>

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 8, 16, and 22; November 5, 12, and 19, and 26. The class website will contain an announcement of the material for the quizzes prior to each quiz.

- I will count your top six quiz results. Each of the top six 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 October 30 and the other on December 4. Each problem set will be worth four percent of your grade.

**Exams: Midterms Thursday October 31 and Thursday December 5**  
**There is no final exam**

- Each exam is worth 35 percent of your grade. The exams will cover all lectures, material in the books, handouts, and class discussions of current events.
- If you miss one of the two exams you will be given a make-up exam on the University-scheduled final exam time for the class: Friday, December 13, 4:30-6:20.
- *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.

**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 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.

## Department of Economics Exam Taking Rules

### 1. Material not 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.