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 around “financial economics”. The course emphasizes foundational topics such as asset-pricing theory, the effects of asymmetric information on the financial system, and the causes of aggregate economic fluctuations. The 2007-2009 financial crisis and ongoing slow economic growth are examined in light of these three topics. The course emphasizes theory, but also includes empirical literature.

Note regarding the course:

Due to a medical emergency this course was reassigned two hours before the first class. All of you taking the course should appreciate the extraordinary effort that the economics department made not to cancel the class. This is a testament to the quality of the department and to the value to you of attending a high-class university.

My background:

I teach the first-year graduate course on financial macroeconomics. I have worked at the World Bank and done consultation work at the central banks of Mexico, the Dominican Republic, and Chile. I am currently working with a Chilean professor and one of our grad students on interest rate spreads and macroeconomic fluctuations in Chile.

Course Book:


The textbook has a number of additional features, including real-time access to articles from the Economist magazine.

Course Website:

https://catalyst.uw.edu/workspace/plbrock/40752/

This website will have the syllabus, problem sets, and current event articles.
**Course prerequisites:** Econ 301 with a minimum grade of 2.0.

**Course coverage:**

Given that I haven’t taught this course before, the following is my best guess regarding the material we can cover:

Sections of chapters 1-3, 5-10, and 18. For chapter 4 we will primarily use the IS-LM model (much of chapter 4 is dumbed down for people who have not had intermediate macro). I will choose the sections of the chapters to cover as the course proceeds.

There will be no course meeting on October 10, since I had committed to attend an international/macroeconomics conference at UC Santa Cruz on that date before agreeing to teach this course this quarter.

**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 based on the following:

Two in-class tests and roughly five problem sets. The tests will be worth 45 percent each and the problem sets 10 percent total. Problem sets are due at the start of class for which they are assigned.

**Test dates:**

**Thursday, October 31 and Thursday, December 5**

If you miss either test due to a documented illness or emergency, you will be given an incomplete for the course, provided that you have been attending class and turning in problem sets. University procedures will be followed for converting the incomplete to a grade:

**University Procedures for Incompletes**

**See website:**

[http://www.washington.edu/students/gencat/front/Grading_Sys.html#GRADING](http://www.washington.edu/students/gencat/front/Grading_Sys.html#GRADING)
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.*