BOSTON COLLEGE
Department of Economics

Ec. 381.01
History of Financial Crises
Fall, 2012
Carney 317, T, Th., 12:00

Harold Petersen
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Syllabus

Required Texts:


Prerequisites: Micro and Macro Theory, Statistics, Econometrics

Course Requirements and Grading:
Midterm Exam (15%) October 11
Leadership of and Participation in Discussions (30%)
Papers (30%)
Final Exam (25%)

Course Organization and Expectations:
This is a small seminar in which students are expected to play a major role in leading discussions. Students will take turns in leading discussions and will be expected to contribute when others are taking the lead. One week after leading a discussion, the student should turn in a written paper on the topic covered. Students are also to select a topic for a final paper. A progress report on this paper will be due by October 19 and the final paper will be due on December 6. There will be a mid-term exam on October 11 and a Final Exam on Dec. 19.

(over)
Tentative Outline of Topics to be Covered

Part I. An Overview of Speculative Bubbles and Financial Crises

A. Minsky’s Financial Instability Hypothesis.
B. The Corporation and Limited Liability
C. The Impact of Leverage on Risk and Return.
D. The Formation of Expectations

Part II. The Crisis of 2008

A. Public Policy re. Home Ownership
B. Fannie Mae and Freddie Mac
C. Securitization, Mortgage Bonds, and Collateralized Debt Obligations
D. The Housing Myth
E. The Failure of the Quants
F. The Failure of the Ratings Agencies
G. The Collapse in 2008
H. The Continuing Crisis of Government Finance

Part III. Early Speculative Booms and Busts

A. Early Italian Banking
B. The Dutch Tulip Bulb Mania
C. John Law and the Mississippi Company
D. The South Sea Bubble

Part IV. More Recent Crises

A. The Panic of 1837
B. The Railway Boom and Bust of 1873
C. Panic of 1907
D. the Roaring Twenties and the Crash of 1929.
E. The Japanese Boom of the 1990s
F. The Asian Crises of 1997

Part V. Pulling it all Together

A. Can Bubbles be Detected?
B. Too Big to Fail?
C. Regulation and Financial Crises
D. Another Look at Minsky’s Model