Syllabus

Required Texts:


Prerequisites: Micro and Macro Theory, Statistics

Course Requirements and Grading:

- Midterm Exam (20%)
- Leadership of and Participation in Discussions (40%)
- Short Papers (20%)
- Final Paper (20%)

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 November 6 and the final paper will be due on December 4.

(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. Fractional Reserve Banking
D. The Impact of Leverage on Risk and Return.
E. The Formation of Expectations

Part II. The Crisis of 2008

A. Public Policy re. Home Ownership
B. New Financial Instruments
C. Changes in Mortgage Origination
D. The Housing Myth
E. The Failure of the Quants
F. The Failure of the Ratings Agencies
G. The Collapse in 2008
H. Subsequent Action by Government
I. The Financial Crisis of 2008 outside the U.S.

Part III. Early Speculative Booms and Busts

A. Banking and Possible Crises in Athens of 400 B.C.
B. Early Italian Banking
C. The Dutch Tulip Bulb Mania
D. John Law and the Mississippi Company
E. The South Sea Bubble
F. Emerging Markets of the 1820s
G. The Railway Mania of 1845
H. The U.S. crisis of 1792

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
G. The dot.com Bubble in the U.S.

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