Class Details

ECON-UA9225 Financial Crises
Fall 2015
Mondays, 1:00 pm – 4:00 pm*
Location to be confirmed.

*There is one non-Monday meeting time on Friday, September 11, 9:00 am to 12:00 pm

Instructor Details

Prerequisites

Both (1) ECON-UA 1/9001 Intro to Macroeconomics (or BPEP-UB 2, or ECON-AD 102), and
(2) ECON-UA2/9002 Intro to Microeconomics (or ECON-UB 1, or ECON-AD 101)

Class Description

This course will examine the global financial crisis of 2007-2009, including the hypotheses underlying
the origins and propagation of the crisis, and the policy responses that occurred along a variety of
dimensions. Topics covered will range from the role of financial institutions (banking and shadow
banking) and capital markets, overview of emergency measures taken including monetary and fiscal
policy, and regulatory reform both domestic and abroad. Other financial crises, such as the Mexican
financial crisis of 1994-1995 and the Asian financial crisis of 1997-1998, will also be examined in
depth.

The course will be a combination of lecture, discussion and occasional meetings with outside
participants (dates and participants to be determined) who have played a role in the financial crises
and policy responses.

Desired Outcomes
1. **What were the causes of the financial crisis of 2007-2009?**

2. What were the sources, if any, of market failure?

3. What emergency measures were taken in response to the financial crisis?

4. Were monetary and fiscal policies effective in mitigating the impact of the financial crisis?

5. What regulatory changes were put into place as a result of the financial crisis and will they be effective in preventing a future financial crisis?

6. What, if any, are the factors common to all financial crises, and which policy responses were more successful than others in alleviating financial crises when they occur?

7. Are the safeguards in place strong enough to withstand future financial crises?

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**Assessment Components**

Course grades will be based upon the following components:

a. Two exams based upon the scheduled topics/readings found in the syllabus (below), and a cumulative final exam, each of which is worth 20% of the final grade.

b. One term paper (12-15 pages in length), properly researched and footnoted, on a topic related to the 2007-2009 financial crisis, chosen by the student and approved by me. See course outline below for due date. The paper is worth 25% of the final grade. Each student will present his/her research findings to the class (10% of the final grade). See rubric at the end of the syllabus for the research paper/oral presentation grading criteria.

c. Attendance/participation in classroom discussions (5% of the final grade).

Failure to submit or fulfill any required course component results in failure of the class.
Grade conversion

NYU Washington, DC uses the following scale of numerical equivalents to letter grades:

<table>
<thead>
<tr>
<th>Numerical Range</th>
<th>Letter Grade</th>
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<tbody>
<tr>
<td>100-94</td>
<td>A</td>
</tr>
<tr>
<td>93-90</td>
<td>A-</td>
</tr>
<tr>
<td>89-87</td>
<td>B+</td>
</tr>
<tr>
<td>86-84</td>
<td>B</td>
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<td>83-80</td>
<td>B-</td>
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<td>79-77</td>
<td>C+</td>
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<td>76-74</td>
<td>C</td>
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<tr>
<td>73-70</td>
<td>C-</td>
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<tr>
<td>69-67</td>
<td>D+</td>
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<tr>
<td>65-66</td>
<td>D</td>
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<tr>
<td>below 65</td>
<td>F</td>
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Attendance Policy

Study abroad at Global Academic Centers is an academically intensive and immersive experience, in which students from a wide range of backgrounds exchange ideas in discussion-based seminars. Learning in such an environment depends on the active participation of all students. And since classes typically meet once or twice a week, even a single absence can cause a student to miss a significant portion of a course. To ensure the integrity of this academic experience, class attendance at the centers is mandatory, and unexcused absences will affect students' semester grades. Students are responsible for making up any work missed due to absence. Repeated absences in a course may result in failure. At all Global Academic Centers, unexcused absences will be penalized with a two percent deduction from the student’s final course grade.

To seek an excused absence for medical reasons, students must email or discuss with the Academic Program Coordinator in advance of their missed class. For an excused absence, students must produce a doctor’s note dated with the exact dates of the missed class and/or exam.

Non-medical absences must be discussed with the Academic Program Coordinator prior to the date(s) in question, who will communicate the absence to all relevant faculty members. If faculty members do receive notification, the student has not procured an excused absence.

NYU Washington, DC expects students to arrive to class promptly (both at the beginning and after any breaks), to be attentive, and to remain for the duration of the class. If full class attendance and participation becomes a problem, it is the prerogative of each instructor to apply the rule for unexcused absences, which may include a two percent deduction from the student’s final course grade.

Students are responsible for making up any work missed due to absence. This means they should
initiate email and/or office hour discussions to discuss any missed lectures and assignments and arrange a timeline for submitting missed work.

Please note that for classes involving a field trip or other external visit, transportation difficulties are never grounds for an excused absence. It is the student’s responsibility to arrive at the announced meeting point in a punctual and timely fashion. Staff members may always be reached by cell phone for advice regarding public transportation.

**Late Submission of Work**

1) Written work due in class must be submitted during the class time to the professor.

2) Late work should be emailed to the faculty as soon as it is completed. (If the assignment must be submitted in person, the Academic Program Coordinator can collect on behalf of the faculty between the hours of 9–5, M–F.)

3) Late work will be reduced for a fraction of a letter grade (e.g., A to A-, A- to B+, etc.) for every day it is late, including weekends.

4) Written work during the semester that is submitted 5 days after the submission date (including weekends) without an agreed extension fails and is given a zero.

5) Students who arrive to class late for an exam do not have automatic approval to take extra time to complete the exam.

6) Students who miss an exam (including the final) without previously arranged permission will receive a zero on that exam.

7) Assignments due during finals week that are submitted more than 3 days without previously arranged extensions will not be accepted and will receive a zero. Any exceptions or extensions for work during finals week must be discussed with the Site Director.

**Students with Disabilities**

Accommodations are available for students with documented disabilities. Please contact the Moses Center for Students with Disabilities at +1-212-998-4980 or see their website [http://www.nyu.edu/life/safety-health-andwellness/students-with-disabilities.html](http://www.nyu.edu/life/safety-health-andwellness/students-with-disabilities.html) for further information.
Plagiarism Policy

As the University's policy on "Academic Integrity for Students at NYU" states: "At NYU, a commitment to excellence, fairness, honesty, and respect within and outside the classroom is essential to maintaining the integrity of our community. By accepting membership in this community, students take responsibility for demonstrating these values in their own conduct and for recognizing and supporting these values in others." Students at Global Academic Centers must follow the University and school policies.

The presentation of another person’s words, ideas, judgment, images, or data as though they were your own, whether intentionally or unintentionally, constitutes an act of plagiarism.

NYU Washington, DC takes plagiarism very seriously; penalties follow and may exceed those set out by your home school. All your written work must be submitted as a hard copy AND in electronic form to the instructor. Your instructor may ask you to sign a declaration of authorship form.

It is also an offense to submit work for assignments from two different courses that is substantially the same (be it oral presentations or written work). If there is an overlap of the subject of your assignment with one that you produced for another course (either in the current or any previous semester), you MUST inform your professor.

For guidelines on academic honesty, clarification of the definition of plagiarism, examples of procedures and sanctions, and resources to support proper citation, please see:

http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/academic-integrity-for-students-at-nyu.html

http://gls.nyu.edu/page/gls.academicintegrity

http://cas.nyu.edu/page/academicintegrity


Required Text


Supplemental Text(s) (not required for purchase)


Useful Readings


Useful Videos

For a review of the origins and mission of the Federal Reserve, its actions during the post-World War II period, and most importantly for purposes of this class, the Federal Reserve’s response to the financial crisis and its aftermath, see former Fed Chair Ben Bernanke’s lectures at George Washington University [http://www.federalreserve.gov/newsevents/lectures/about.htm](http://www.federalreserve.gov/newsevents/lectures/about.htm)

See John Paulson and Tim Geithner reflecting on the financial crisis: [https://www.youtube.com/watch?v=0ougnrP_hdQ](https://www.youtube.com/watch?v=0ougnrP_hdQ)

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<thead>
<tr>
<th>Internet Research Guidelines</th>
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<tr>
<td>When utilizing resources from the Internet, please cite appropriately and whenever possible, reference specific documents (rather than home or menu pages) and provide an address that works.</td>
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<tr>
<th>Additional Required Equipment</th>
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<tbody>
<tr>
<td>None</td>
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<tr>
<th>Sessions 1, 2 – August 31 and September 11, 2015</th>
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<table>
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<tr>
<th>An Overview of the 2007-2009 Financial Crisis</th>
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<tbody>
<tr>
<td>• Acharya and Richardson, <em>Restoring Financial Stability: How to Repair a Failed System</em>, prologue – p. 25, pp. 57-60</td>
</tr>
</tbody>
</table>


• “Lessons Learned from the Financial Crisis, Federal Reserve Bank of St. Louis. https://www.stlouisfed.org/~/media/Files/PDFs/DWTF/Lessons-Learned-9-12-11.pdf


September 7, Labor Day, No Class

Sessions 3, 4 – September 14 and September 21, 2015

Objectives of Money and Capital Markets; the Role of Financial Institutions (Banking and Shadow Banking); Risk and Financial Instability in the Financial System


• Cassidy, John, “What Good is Wall Street?” The New Yorker, November 2010.

The Shadow Banking System


- Pozsar, Zoltan; Adrian, Tobias; Ashcraft, Adam; and Boesky, Hayley, “Shadow Banking,” Staff Report, Federal Reserve Bank of New York, July 2010.


Sessions 6, 7 – October 5 and October 19, 2015

October 12, Fall Break, No Class

Securitization and its Consequences; The Erosion of Lending Standards


Session 8 – October 26, 2015

The Critical Week: Early September 2008 – Lessons in Crisis Policy Making


Session 9 – November 2, 2015

The Fed Charges to the Rescue


Session 10 – November 9, 2015 Second In-Class Exam (one-half class period)

Global Repercussions – UK, Iceland, Greece, Ireland

• Eichengreen, Barry, “The Irish Crisis and the EU from a Distance,” IMF, January 2015.  


• Iceland Chamber of Commerce, “Iceland’s Financial Crisis.”  
  http://www.vi.is/files/1350175258Icelandic%20Financial%20Crisis.pdf

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**Session 11 – November 16, 2015**

**Basel I, II, and III – Capital and Liquidity Reforms**


• Caprio, Gerald Jr., “Safe and Sound Banking: A Role for Countercyclical Regulatory Requirements?” Department of Economics Williams College, June 2009.


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**Session 12 – November 23, 2015 Term Papers Due; Presentations Made**

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**Session 13 – November 30, 2015**

**The Interactions between the Financial Crisis and the Recession of ’08: Monetary Policy 2000-2011**


• Greenspan, Alan., The Age of Turbulence (2008, paperbound) epilogue (April 15, 2010).


Other Financial Crises – Mexico, Asia


**Session 14 – December 7, 2015; Presentations Made (Final Class Session)**

The Dodd-Frank Act (2010) and Thereafter

• Financial Stability Oversight Council, “Annual Report,” 2011, pp. 3-17, Ch. 6.


Policy Responses in the EU; EU Stress Testing; Financial Architecture


December 14, 2015: Final Exam

**Required Co-curricular Activities**

N/A

**Suggested Co-curricular Activities**

Occasional Guest Speakers will be scheduled when available.

**Your Instructor**

**RESEARCH PAPER/ORAL PRESENTATION GRADING CRITERIA**

<table>
<thead>
<tr>
<th>Objective Criteria Paper</th>
<th>Superior Paper Write-Up (90% - 100%)</th>
<th>Good Paper Write-Up (80% - 89%)</th>
<th>Satisfactory Paper Write-Up (70% - 79%)</th>
<th>Unsatisfactory Paper Write-Up (≤ 69%)</th>
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</thead>
<tbody>
<tr>
<td>Documentation</td>
<td>All references were important and effectively used in the research paper analysis, and were of strong scholarly quality, with at least eight references coming from scholarly</td>
<td>Most references were important and effectively used in the case analysis, and were of good scholarly quality, with six to seven references coming from scholarly resources (for example, journal articles);</td>
<td>Some references were important and effectively used in the case analysis, and only some were of good scholarly quality, with three to five references coming from scholarly</td>
<td>Most references were not important and not effectively used, only one or two references coming from scholarly resources (for example, journal articles);</td>
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<tr>
<th>Identification of Issues</th>
<th>The finished written document showed a complete understanding of the subject matter, and identified all of the key issues</th>
<th>The finished written document contained several minor errors in subject matter knowledge, and identified most of the key issues</th>
<th>The finished written document contained a number of errors in subject matter knowledge, and identified only some of the key issues</th>
<th>The finished written document demonstrated only a minimal understanding of the subject matter, contained a number of errors in subject matter knowledge, and did not effectively state the key issues</th>
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<tbody>
<tr>
<td>Grammar and Usage</td>
<td>The finished written document was consistently clear and concise, free of grammatical errors, and formatted according to the APA style</td>
<td>The finished written document was formatted according to APA style, but exhibited occasional lapses in sentence structure and organization, and contained several grammatical errors</td>
<td>The finished written document exhibited occasional lapses in APA format, and contained mechanical errors that made understanding the analysis and conclusions more difficult</td>
<td>The finished written document was unorganized, contained numerous grammatical errors, was not formatted according to the APA style, and was difficult to comprehend</td>
</tr>
<tr>
<td>Analysis</td>
<td>The finished written document was objective, and fully integrated the citations</td>
<td>The finished written document was generally objective, and mainly</td>
<td>The finished written document was only occasionally objective; it integrated only</td>
<td>The finished written document did not integrate the citations noted in the</td>
</tr>
<tr>
<td>Objective Criteria Paper Oral Presentation</td>
<td>Superior Oral Presentation (90% - 100%)</td>
<td>Good Oral Presentation (80% - 89%)</td>
<td>Satisfactory Oral Presentation (70% - 79%)</td>
<td>Unsatisfactory Oral Presentation (≤ 69%)</td>
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<td>noted in the bibliography; it thoroughly and completely answered the questions the author posed; and it made extensive and effective use of quantitative and qualitative analysis</td>
<td>integrated the citations noted in the bibliography; it mainly answered the questions the author posed; and it relied to some extent on quantitative and qualitative analysis</td>
<td>some of the citations noted in the bibliography in analyzing the questions the author posed; it made infrequent use of quantitative and qualitative analysis</td>
<td>bibliography; it did not answer the questions the author posed; it did not include quantitative and qualitative analysis and was mainly opinion-based</td>
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<tr>
<td><strong>Objective Criteria Paper Oral Presentation</strong></td>
<td><strong>Superior Oral Presentation (90% - 100%)</strong></td>
<td><strong>Good Oral Presentation (80% - 89%)</strong></td>
<td><strong>Satisfactory Oral Presentation (70% - 79%)</strong></td>
<td><strong>Unsatisfactory Oral Presentation (≤ 69%)</strong></td>
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<tr>
<td>Presenter had a strong command of the topic, spoke loudly and clearly, and strictly adhered to the time allotted; presenter dressed appropriately for the occasion; presenter effectively informed audience of the topic and key findings, made minimal use of notes and did not read the presentation; presenter made effective use of visual aids (charts, diagrams,</td>
<td>Presenter had a strong command of much but not all of the topic; presenter generally spoke clearly and adhered to the time limit imposed but did not allot equal time to all key points addressed; presenter, for the most part, dressed appropriately for the occasion; presenter informed audience of most of the key points of his/her topic, but not all of them; presenter</td>
<td>Presenter showed some gaps is his/her understanding of the topic; was sometimes difficult to hear/understand; used few visual aids, some of which are poorly written/designed; rushed through some of the key topics to be addressed; was only partly dressed for the occasion, provided a poorly designed handout for his/her audience</td>
<td><strong>Unsatisfactory Oral Presentation (≤ 69%)</strong></td>
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<td><strong>Presenters</strong></td>
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<td>graphs, etc.); presenter provided cogent summary handout for audience</td>
<td>occasionally read a portion of his/her remarks, presenter made use of some visual aids, but one or more were difficult to comprehend; provided a summary of most but not all of the key points of his/her research</td>
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