Financial Crises (ECON-UA 9225)

Spring 2013, [Thursday, 6:15-9:15]
Room 304

Mike Tae
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M: 703-989-8725

I will not have scheduled office hours, but will make myself available weekday evenings. Please arrange an appointment with me either in person or phone/email.

N/A

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.

The course will be a combination of lecture, discussion and special meetings with outside participants, such as the U.S. Department of Treasury, the Senate Finance Committee, the Federal Housing Finance Agency, and the Financial Stability Oversight Council, all who have played a role in the financial crisis and policy response.

Several broad questions will be addressed over the course of the semester:
1) What were the origins of the crisis, and what were the sources of market failure?
2) How do we assess financial conditions in a crisis, and what are the range of emergency measures that can be taken?
3) What role did monetary policy and fiscal policy play in the crisis response, and were they effective?
4) What is the lasting impact of the crisis on our regulatory system, and what tools will we have to prevent future ones?
Course grades will be based on the following:
* One mid-term paper (10 pages), represents 35% of semester grade; mid-March date to be determined
* One final paper (15 pages), represents 50% of semester grade
* Attendance and class participation, represents 15% of semester grade

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

**Assessment Components**

**Grade A:** The student makes excellent use of empirical and theoretical material and offers well-structured arguments in his/her work. The student writes comprehensive essays and his/her work shows strong evidence of critical thought and extensive reading.

**Grade B:** The candidate shows a good understanding of the problem and has demonstrated the ability to formulate and execute a coherent research strategy.

**Grade C:** The work is acceptable and shows a basic grasp of the research problem. However, the work fails to organize findings coherently and is in need of improvement.

**Grade D:** The work passes because some relevant points are made. However, there may be a problem of poor definition, lack of critical awareness, poor research.

**Grade F:** The work shows that the research problem is not understood; there is little or no critical awareness and the research is clearly negligible.

**Assessment Expectations**

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

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<thead>
<tr>
<th>Grade</th>
<th>Numerical Range</th>
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<tbody>
<tr>
<td>A</td>
<td>100-94</td>
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<tr>
<td>A-</td>
<td>93-90</td>
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<td>B+</td>
<td>89-87</td>
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<td>B</td>
<td>86-84</td>
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**Attendance Policy**

Students are permitted one unexcused absence across the course of the semester.

To seek an excused absence for medical reasons, students must email or discuss with Lauren 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 Lauren prior to the date(s) in question. Lauren will communicate the absence to all relevant faculty. If you have not received notification from Lauren, the student has not procured an excused absence.

If students have more than one unexcused absence they will be penalized by deducting 50% of the class participation grade (e.g.: If the class participation grade is 20% of the final grade, the final participation grade would be reduced by 50%. 80%--→ 40%)

If students have more than two unexcused absences they will fail the course. 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.

NYU Washington, DC expects students to arrive to class promptly (both at the beginning and after any breaks) and to remain for the duration of the class. Three late arrivals or earlier departures (10 minutes after the starting time or before the ending time) will be considered one absence.

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, Lauren Sinclair can collect on behalf of the faculty between the hours of 10-6, 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

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

Plagiarism Policy

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://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://gls.nyu.edu/page/gls.academicintegrity)
- [http://cas.nyu.edu/page/academicintegrity](http://cas.nyu.edu/page/academicintegrity)

**Required Text(s)**

- Course Packet (will be distributed during the first week of class)

**Supplemental Texts(s) (not required for purchase)**

- Berger et. Al., *The Oxford Handbook of Banking (2010)*

**Internet Research Guidelines**

When utilizing sources from the internet, please cite appropriately and whenever possible, reference specific documents (rather than home or menu pages) and provide an address that works.

**Additional Required Equipment**

None

**Session 1, 2**

**An Overview of the 2007 – 2009 Financial Crisis**


**Session 3, 4**

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.

*Special Session:* Senior official (TBD) from the Federal Housing Finance Agency, the regulatory body of the GSEs, to discuss the role that housing and Fannie/Freddie played in the financial crisis

**Session 5**

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.

**Session 6**

Securitization and its Consequences


*Special Session:* Senior official from the U.S. Department of the Treasury to discuss the impact of derivatives and the shadow banking sector had on the financial crisis

**Session 7**


Film: Will watch and discuss *Too Big to Fail*

Mid-term paper due

**Session 8**

The Fed Charges to the Rescue


*Special Session:* Former senior official from the U.S. Department of the Treasury, TARP, to provide an overview of the emergency measures used during the financial crisis

**Session 9**

Global Repercussions – UK, Iceland, Greece, Ireland

- Lewis, Michael., “When Irish Eyes Are Crying” *Vanity Fair*, March 2011

**Session 10**

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


**Session 11**

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

Session 12

The Dodd-Frank Act (2010) and Thereafter


Special Session: Member of the U.S. Senate Committee on Finance to discuss the crafting of and Congressional intent inherent in the Dodd-Frank Act

Session 13

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

- Sahlman, William A. "Management and the Financial Crisis (We Have Met the Enemy and He is Us...), Harvard Business School, 2009.

Special Session: Senior official (TBD) from the Financial Stability Oversight Council to discuss the creation of the Annual Report and U.S. financial systemic risk monitoring

Required Co-curricular Activities

We will be meeting with people in DC who directly impacted policy related to mitigating the effects of the financial crisis. These meetings will provide unique perspective to the texts that we will be reading and discussing, and are mandatory.

Your Instructor

Mike is currently a Senior Vice President at Millstein & Co, a financial services firm that provides advisory services to clients facing complex corporate and public finance issues. He was most recently a Senior Policy Advisor at the Financial Stability Oversight Council at the U.S. Department of the Treasury. At Treasury, he also served as the Director of Investments for TARP, where he helped execute and oversee emergency financial programs that were implemented during the financial crisis. Mike was previously a Vice President in investment banking at Merrill Lynch’s Financial Institutions Group. Mike also worked at McKinsey & Co as a consultant for several years and prior to that, researched development economics in Korea as a Fulbright Scholar. He has a BA from Williams College and an MBA from Columbia Business School.