Class details

ECON-UA 9225 FINANCIAL CRISES
Spring 2016
Mondays* 1:00PM-4:00PM
Location to be confirmed.

* Please note that one class Make-Up Day will not be on a Monday.

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, an overview of emergency measures taken, including monetary and fiscal policy measures, and regulatory reform, both domestic and abroad. Other financial crises, such as the U.S. Great Depression of the 1930s, the Mexican financial crisis of 1994-1995, and the Asian financial crisis of 1997-1998, will also be examined.

The course will be a combination of lecture, discussion, and student presentations.

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?

5. What were the causes of the U.S. Great Depression of the 1930s, and the Mexican and Asian financial crises, and how were these crises resolved? Were there lessons to be learned and applied to the financial crisis of 2007-2009?

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

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

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 non-cumulative final exam, each of which is worth 15% of the final grade. (Total: 45% 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 20% of the final grade. Each student will present his/her research findings to the class (5% of the final grade). See rubric at the end of the syllabus for the research paper/oral presentation grading criteria. (Total: 25% of the final grade)

c. Students will be required to attend a lecture/presentation/meeting on a topic related to financial crises (to be determined by the instructor) and write up a summary (worth 5%) of the salient points made by the presenter. Every effort will be made to provide students with a choice of presentations/dates/times to accommodate internships, work schedules, and the like. (Total: 5% of the final grade)

d. Attendance/participation in classroom discussions (Total: 5% of the final grade).

e. Student Presentations. Each student will be required to prepare in written form and deliver orally two summaries of two of the topics of each week’s lecture and discussion. For example, a student might be asked to discuss securitization (one topic) and the Dodd-Frank Act (a second topic). The written summary should be between two and three pages long and should be circulated to the class prior to presenting the
topic orally. Oral presentations should be between 15 and 20 minutes. Each written presentation will be worth 5% and each oral presentation 5%. (Total: 20%).

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

Assessment Expectations

**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 / exam questions 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.

For a more detailed account of expectations regarding oral and written grading criteria, see “Research Paper/Oral Presentation Grading Criteria” below.

Grade conversion

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

<table>
<thead>
<tr>
<th>Numerical Grade</th>
<th>Grade</th>
</tr>
</thead>
<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>
</tr>
<tr>
<td>83-80</td>
<td>B-</td>
</tr>
<tr>
<td>69-67</td>
<td>D+</td>
</tr>
<tr>
<td>65-66</td>
<td>D</td>
</tr>
<tr>
<td>below 65</td>
<td>F</td>
</tr>
<tr>
<td>76-74</td>
<td>C</td>
</tr>
<tr>
<td>73-70</td>
<td>C-</td>
</tr>
</tbody>
</table>
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) 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


Religious Observances

Students observing a religious holiday during regularly scheduled class time are entitled to miss class without any penalty to their grade. This is for the holiday only and does not include the days of travel that may come before and/or after the holiday.

Students must notify their professor and the Office of Academic Support in writing via email at least one week in advance before being absent for this purpose.

Required Text(s)


Supplemental Texts(s) (i.e., not required for purchase)
*Asterisk denotes texts of particular importance.


**Additional 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=0ugnrP_hdQ](https://www.youtube.com/watch?v=0ugnrP_hdQ)

For an in-depth discussion of the Asian Financial Crisis, see: [https://www.youtube.com/watch?v=mjz9WFGQglU](https://www.youtube.com/watch?v=mjz9WFGQglU)

For a discussion of the Mexican Financial Crisis of 1994-1995, see the following video. You might begin approximately one hour into the video with the statement of Alan Greenspan.
Internet Research Guidelines

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.

Additional Required Equipment

NA

Session 1 – Monday, February 01, 2016

The Financial Crisis and the Great Depression


Discussion and assignment of topics for student presentations


Session 2 – Monday, February 08, 2016

An Overview of the 2007-2009 Financial Crisis

Acharya and Richardson, Restoring Financial Stability: How to Repair a Failed System, prologue – p. 25, pp. 57-60

http://www.federalreserve.gov/newsevents/speech/bernanke20120413a.htm

http://www.federalreserve.gov/newsevents/testimony/bernanke20100902a.htm


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


http://video.mit.edu/watch/the-economic-meltdown-what-have-we-learned-if-anything-9550/


https://www.foreignaffairs.com/articles/2012-04-20/true-lessons-recession


http://journals.cambridge.org/action/displayFulltext?type=1&fid=9224129&jid=SAP&volumeld=28&issuelc


* Our class does not meet next week (February 15) due to the Presidents Day holiday.

**Session 3 – Monday, February 22, 2016**

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

Geert Bekaert and Campbell R. Harvey, “Capital Markets: An Engine for Economic Growth,” May 1997. [https://faculty.fuqua.duke.edu/~charvey/Research/Published_Papers/P58_An_engine_for.pdf](https://faculty.fuqua.duke.edu/~charvey/Research/Published_Papers/P58_An_engine_for.pdf)


**Student presentations (Two)**

**Session 4 – Monday, February 29, 2016**

First In-Class Exam (one-half class period)

**Student presentations (Two)**

**Session 5 – Monday, March 7, 2016**

**The Shadow Banking System**


**Student presentations (Two)**

* Class does not meet next week due to Spring Break

---

**Session 6 – Monday, March 21, 2016**

**Securitization and its Consequences; The Erosion of Lending Standards**


Adam Ashcraft and Til Schuermann, “Understanding the Securitization of Subprime Mortgage Credit,” *Federal Reserve Bank of New York Staff Reports*, March 2008. [https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr318.pdf](https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr318.pdf)


**Student presentations (Two)**

**Session 7 – Monday, March 28, 2015**

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


**Student presentations (Two)**

**Session 8 – Monday, April 4, 2016**

**Federal Reserve Rescue Operations**


Ben S. Bernanke, “Reflections on a Year of Crisis,” *Speech delivered at the Federal Reserve Bank of*
Kansas City’s Annual Economic Symposium, August 2009.

Ben S. Bernanke, The Courage to Act, Part II.


Student presentations (Two)

Session 9 – Monday, April 11, 2016

Second In-Class Exam (one-half class period)

Student presentations (Two)

Session 10 – Monday, April 18, 2016

Global Repercussions – UK, Iceland, Greece, Ireland


Martin Wolf, The Shifts and Shocks: What We’ve Learned – and Still Have to Learn – from the Financial Crisis, Chapter 2.

Barry Eichengreen, “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

http://www.voxeu.org/article/eurozone-if-only-it-were-1930s

Student presentations (Two)

Session 11 – Monday, April 25, 2016

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


Session 12 – Monday, May 02, 2016
The Interactions between the Financial Crisis and the Recession of ’08: Monetary Policy 2000-2011


Term Papers Due; Presentations Begin

* Please note that we next meet THIS FRIDAY for a make-up day.

Session 13 – Friday, May 06, 2016 (Make-up Day)

Other Financial Crises – Mexico, Asia

Timothy Geithner, Stress Test: Reflections on Financial Crises, Chapter 2.


Term Papers Due; Presentations Continue

Session 14 – Monday, May 09, 2016

The Dodd-Frank Act (2010) and Thereafter


Timothy Geithner, Stress Test: Reflections on Financial Crises, Chapter 10.


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


**Term Papers Due; Presentations Continue**

**Session 15 (Finals Week) – Monday, May 16, 2016**

**Final Examination**

**Classroom Etiquette**

Students are expected to be on time for all classes, to be courteous and respectful of the views of other students.
### Required Co-curricular Activities

NA

### Suggested Co-curricular Activities

NA

### 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>
</tr>
</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 resources (for example, journal articles); all reference citations followed the APA style manual</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); most reference citations followed the APA style manual</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 resources (for example, journal articles); some reference citations did not follow the APA style manual</td>
<td>Most references were not important and not effectively used, only one or two references coming from scholarly resources (for example, journal articles); reference citation(s) did not follow the APA style manual</td>
</tr>
<tr>
<td>Identification of Issues</td>
<td>The finished written document</td>
<td>The finished written document</td>
<td>The finished written document</td>
<td>The finished written document</td>
</tr>
<tr>
<td>Grammar and Usage</td>
<td>showed a complete understanding of the subject matter, and identified all of the key issues</td>
<td>contained several minor errors in subject matter knowledge, and identified most of the key issues</td>
<td>contained a number of errors in subject matter knowledge, and identified only some of the key issues</td>
<td>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</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Analysis</td>
<td>The finished written document was objectively, and fully integrated the citations 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>The finished written document was generally objective, and mainly 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>The finished written document was only occasionally objective; it integrated only 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>The finished written document did not integrate the citations noted in the bibliography; it did not answer the questions the author posed; it did not include quantitative and qualitative analysis and was mainly opinion-based</td>
</tr>
<tr>
<td><strong>Grammar and Usage</strong></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><strong>Analysis</strong></td>
<td>The finished written document was objectively, and fully integrated the citations 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>The finished written document was generally objective, and mainly 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>The finished written document was only occasionally objective; it integrated only 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>The finished written document did not integrate the citations noted in the bibliography; it did not answer the questions the author posed; it did not include quantitative and qualitative analysis and was mainly opinion-based</td>
</tr>
<tr>
<td><strong>Objective Criteria</strong></td>
<td><strong>Paper Oral Presentation</strong> (90% - 100%)</td>
<td><strong>Good Oral Presentation</strong> (80% - 89%)</td>
<td><strong>Satisfactory Oral Presentation</strong> (70% - 79%)</td>
<td><strong>Unsatisfactory Oral Presentation</strong> (≤ 69%)</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------------------</td>
<td>--------------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td><strong>Superior Oral</strong></td>
<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, graphs, etc.); presenter provided cogent summary handout for audience</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 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</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>Presenter had only a weak understanding of the topic; was generally difficult to hear and understand; made poor use of the time allotted for his/her presentation; dressed inappropriately for the occasion; made minimal use of visual aids; read most or all of his/her presentation; did not provide a summary document for his/her audience</td>
</tr>
<tr>
<td></td>
<td>most but not all of the key points of his/her research</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>