Understanding Financial Crises

Understanding Financial Crises and Bubbles: Spotting and Stopping the Next Global Financial Crisis

Financial crises have been a part of history for hundreds of years. We will examine the similarities/differences of past crises from “Tulipmania” through the Great Recession to better understand our current economic environment. We will explore the regulatory changes that were enacted post-crisis and determine what we would employ to prevent a future economic bubble/crisis. We will invite guest speakers from the NY financial community who were intimately involved with crisis from the 1987 Black Monday Crash through the Credit Crisis of 2008 to provide a more inside view and feel of the markets during those hectic periods.

This course is intended to provide students with historic knowledge of various financial crises from “Tulipmania” in 1636 through the Credit Crisis of 2008 that lead to the Great Recession. The class will explore the similarities and differences of the causes, repercussions, enacted regulatory changes and market impacts from various historic bubbles and crises. We will examine the impact of speculation, market fear/greed, fraud and corruption, financial instruments and regulations of past bubbles to attempt to predict and avoid future financial bubbles and crises.

The course will look at specific financial crises in various markets ranging from industries (The Railway Mania of 1854) to stocks (The 1929 Stock Market Crash) to currencies (The Asian Crisis of 1997) to debt/asset (The Credit and Housing Crisis of 2008).

With the help of a better historical perspective, students will be able to explore the issues of “moral hazard” and “too big to fail” to predict where current market bubbles are forming and whether recent regulatory interventions will be effective in deflating future bubbles and avoiding financial crises.

Tentative Suggested Reading List:

“Stress Test: by Tim Geitner
“Devil Take the Hindmost” by Edward Chancellor
“Too Big to Fail” by Andrew Sorkin
“The Big Short” by Michael Lewis
“This Time Is Different” by Reinhart and Rogoff

A variety of articles from the Wall Street Journal, NY Times and Bloomberg will be discussed throughout the semester. Visiting lecturers will provide materials that each student will need to read prior to class in order to be prepared to engage in a class discussion.
GENERAL COURSE REQUIREMENTS:

Students will be required to submit three papers during the semester, take a final exam and be up to date on current events, ranging from economics to politics, which will impact the financial markets. In class and out of class participation is a key component of this class. Students will be expected to attend all on site visits and participate in an informed manner during our in class guest lectures.

ASSESSMENT INFORMATION/GRADING BASIS:

One Final exam: 30%
In class/outside of class participation and preparation: 20%