

**HISTORY OF INTERNATIONAL MONETARY AND FINANCIAL CRISES  
(ECON 305S / HIST 305S)**

**FALL 2012**

Instructor:

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**Office hours: Tuesday 10am-12noon or by appointment**

**Classes: M-W 11:45-1:00**

**Overview**

This seminar examines the origin, unfolding, and impact of financial crises from antiquity to the present day.

Case studies include the “first crises” in Roman times, debt crises in the middle ages, the Tulip, South Sea, and Mississippi bubbles in the 17<sup>th</sup> and 18<sup>th</sup> century, the American Financial crisis of 1792, the 19<sup>th</sup> and early 20<sup>th</sup> century crises in England and the United States; the Great Depression; Latin America, Japan, Scandinavia and East Asia in the 1980s and 1990s; dot.com; the 2008-2012 crisis. It will also closely monitor the unfolding of the current crisis in the US and Europe (the EURO crisis), and its impact on the rest of the world.

The course will study both the common pattern of financial crises and the idiosyncratic features of each of them, focusing particularly on the transmission from the financial sector to the real economy. The main variables considered will be expectations, public and private debt, technological and financial innovations, monetary and fiscal policies, and the institutional setting (in particular regulatory and monetary regimes). Special attention will be given to the lender of last resort, both domestic and international.

This seminar will also work as an “observatory” on the current financial crisis. The first part of each Monday’s class will be devoted to monitoring the unfolding of the current crisis both in Europe and the US, drawing from specialized literature, the financial press, and other media with students actively preparing for and participating in the presentation and discussion.

## **Format and organization**

This is a seminar: active participation is essential to its success, it provides positive externalities to the group, and affects the final grade. Some classes (particularly at the beginning of the course) will be taken over by the instructor but most of the other classes will rely upon student presentations and classroom discussion.

Every week the instructor will assign readings for discussion. Selected students are expected to present the assigned reading(s) on the following week but all students are expected to prepare for and contribute to a lively discussion. Participation in the weekly monitoring of the current financial crisis is also required.

Two “Textbooks” (Kindleberger and Reinhard & Rogoff) will provide common background reading. Other readings and/or references will be made available on Sakai but it is essential that students feel also responsible for researching additional literature, data and material from the media, including those related to current events.

Students are responsible for checking the course Sakai weekly for special announcements about presentations, new readings, and class activities. In some instances we will have guest speakers or attend special events relevant to the course.

## **Assignments and Grading**

*Class attendance* (8%): Only *two* absences will be allowed, including those for interviews, after which your grade will be affected. In case of illness please follow Duke Guidelines for *Short-term illness*.

*Class participation* (12%): Active participation is essential. Credit will be given for extra readings and discussion.

*Presentations* (20%): Each student will present at least one case study in the course of the semester. Presentations include the preparation of slides and/or other material to be made available to the class.

*Review paper* (20%): 1500 words critical review of selected article/ book.  
It should be submitted *electronically* by October 22.

*Term Paper* (40%): 5000 words (not including tables, figures, and references) paper. Title and brief outline are due by November 5. Paper due by November 26.

# CALENDAR

**August 27** *Introduction and organization.*

**August 29** *Definition, theory and overview of financial crises.*

**September 3** *Typology: Sovereign debt vs. private debt crises , banking vs. currency crises.*

**September 5** *The anatomy of a typical crisis*

**September 10** *Speculative manias: are markets “rational”?*

**September 12** *The earliest recorded crises(Roman times and the Middle Ages)*

**September 17** *The Tulip mania (1634-37)*

**September 19** *The South Sea Bubble (1720)and the international transmission of financial rises*

**September 24** *Hamilton and the first financial crisis of the US (1792)*

**September 26** *The lender of last resort*

**October 1** *International monetary systems and financial crises: the gold standard*

**October 3** *The Baring crisis and the Bank of England*

**October 8** *Monetary systems, financial market integration and the international propagation of crises*

**October 10** *Financial innovation and the regulation of financial markets*

**October 17** **No class**

**October 22** *The crisis of 1907* **Review paper due**

**October 24** *The Great Depression in the US*

**October 29** *The international transmission of the Great Depression and the lack of an international lender of last resort*

**October 31** *Financial market regulation in the wake of financial crises*

**November 5** *Financial stability in the Bretton Woods system*

**November 7** *The Latin American crises of the 1980s and 1990s*

**November 12** *The stock market crash of 1987*

**November 14** *The Swedish crisis of the early 1990s*

**November 19** *The Asian crises of the late 1990s*

**November 26** *The US subprime crisis* **Term paper due**

**November 28** *Europe's debt crisis (2010 - ?)*

**December 3** *Classroom debate: can we avoid financial crises?*

**December 5** *Classroom debate: can we avoid financial crises?*

### **ESSENTIAL REFERENCES**

Kindleberger C. & Aliber, R. *Manias, Panics and Crashes*, Wiley, Hoboken, NJ 2005

Reinhart C. & Rogoff K., *This Time is Different. Eight Centuries of Financial Folly*, Princeton UP, Princeton 2009