Econ 4301: Understanding the Financial Crisis  
Spring 2020

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Classes: Monday and Wednesday, 16:00-17:20, Seigle Hall L004.

Office Hours: Monday and Wednesday, after class.  
TA: Thursday, 13:00-14:00 or by appointment

Grading: February 26: Homework 1 (15%)  
March 4: Exam 1 (35%)  
April 15: Homework 2 (15%)  
April 22: Exam 2 (35%)

Description

The global financial crisis of 2007-2009 was the most severe since the Great Depression and its effects are still felt today. The goal of the course is to provide tools to analyze key elements of the crisis, approaching it from both microeconomic and macroeconomic perspectives: households, firms and financial institutions on the one hand, and aggregate outcomes and policy response on the other. Topics covered include: historical and international perspectives; financial markets and intermediaries; shadow banking; the housing market; mortgages and securitization; the subprime panic; timeline of the financial crisis; monetary and fiscal policy intervention; policy and regulation in the aftermath; the European sovereign debt crisis.

This course mixes theory and empirical analysis. There is no textbook and we will rely on lectures, class discussion and academic articles. Class material and assignments will be available online on Canvas.
Outline

1. Introduction

2. Financial Crises

3. Asset prices

4. The Housing Market, the Housing Bubble and the Subprime Panic

5. The Subprime Panic
   Subprime mortgages and securitization. MBS, ABS, CDO, SPV, SIV, CDS. The subprime panic.

6. Banks and Financial Markets

7. The Financial Crisis & Policy Intervention
   Timeline and critical events. Bear Stearns, Lehman and AIG. Quantitative Easing (QE) and other unconventional monetary policy tools. TARP and other fiscal policy tools. Advances in bank regulation and supervision. Monetary policy framework since the crisis.

8. Sovereign Debt Crisis

Useful Online Resources

https://research.stlouisfed.org/
https://research.stlouisfed.org/fred2/
http://www.federalreserve.gov/newsevents/lectures/about.htm
http://www.stlouisfed.org/financial-crisis