ECONOMICS 54: FINANCIAL CRISES
Winter Study, 2014

Instructors:
Jerry Caprio (Schapiro 305, x 2465)  Office Hours: Mondays, 1:30-3:30
Peter Montiel (Schapiro 302, x 2103)  Office Hours: Wednesdays, 2-4 PM
Class Hours: M, Weds, Thursday, 9-11:30, CDE classroom

Course objectives: Financial crises – currency, sovereign debt, and banking and other financial markets -- have been with us for as long as modern banking has existed. Few countries have escaped direct experience with their own crises, and no country has avoided the consequences of these events. In this course we will study the three main forms of financial crises, looking first at analytical models of each, learning how the various types of crises interact, and then turning to a variety of case studies to see why so many crises look different in their details but resemble each other greatly from a broader perspective. Cases covered will include Chile (early 1980s), Mexico (1994), East Asia (1997), and Brazil, among others. Although the focus is on emerging markets, we will also cover the crisis of 2007-08, which was concentrated in the U.S. and selected European countries, though its impact was global, in addition to the current Euro crisis, as these events are painfully similar to those in low and middle income countries and offer useful lessons; in addition they are likely to influence financial regulation for years – for better or for worse.

Course Requirements: There are two key goals of this course: first, to analyze the causes, costs and consequences of financial crises, and second, to work on how to write about economic issues, which will be important both for the spring semester and for the remainder of your professional lives. There are two required papers for the course: the first on a crisis other than in your own country (and not one of those covered in sessions 4-8, below), and the second about your own country, analyzing either a recent financial crisis or its vulnerability to a future one. The schedule is as follow:

Monday, January 13, first paper due
Tuesday, January 21, draft of second paper due
January 27-28, presentation of your paper in class
Thursday, Jan. 30, final draft due.

Evaluations for the course will include the papers and your participation in class, including the presentation of your paper. Along with the rest of the CDE class, you will receive instruction in writing as well as the opportunity to work with a writing tutor.

Readings and Schedule. The primary text is Peter Montiel, Ten Crises (Routledge, 2014). That source and the other readings below serve as an introduction to the large and rapidly growing literature on crises. All required readings except the text are available on Glow. Those preceded with an asterisk (*) are supplementary, meaning for those particularly interested in the topic.

1. Overview of Crises and Sovereign Debt Crises. January 6

Montiel, Chapter 1

2. **Currency Crises.** January 8


3. **Banking Crisis.** January 9


4. **Overlapping crises, and the case of Chile.** January 13

Montiel, Chapter 2


5. Mexico. January 15

Montiel, Chapter 4


Montiel, Chapter 5


7. Brazil. January 20

Montiel, Chapter 7


Movie, The Inside Job (we will watch this in class and discuss it. 

