

**HSSP Fall 2010**  
**H3681: The Financial Crisis**  
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This course examines the events before and during the recent financial crisis. We begin with the various causes of the financial crisis. We then proceed to examine the policy actions of the fiscal and monetary authorities with special emphasis on the debate surrounding these policy measures. This course aims to provide the students with a basic understanding of the causes and the effects of the recent financial crisis.

**Prerequisites**

Although knowledge of economics may be helpful, it is neither required nor essential. I will use as little economics theory as possible, and in those rare instances when it is necessary, I will teach the theory.

**Schedule**

Week 1 (October 2) Financial Crises and Bubbles throughout History

- South Sea Bubble 1720
- Panic of 1837
- Panic of 1907
- The Great Depression
- The Lost Decade of Japan
- The Dot-Com Bubble

Week 2 (October 9) The Housing Market from 2001 to 2007

- How much did house prices rise from 2001 to 2007?
- What is a subprime mortgage?
- What are Fannie Mae and Freddie Mac?
- Why did the house prices crash in 2007?

Week 3 (October 16) The Crash

- The Subprime Mortgage Crisis begins (2007)
- The financial market crashes (2008)
- The Fall of Bear Stearns and Lehman Brothers

Week 4 (October 23) The U.S. Government Reacts

- Emergency Economic Stabilization Act of 2008
- American Recovery and Reinvestment Act of 2009
- The Federal Reserve's responses

Week 5 (October 30) Financial Weapons of Mass Destruction?: Derivatives

- What are derivatives?
- What types of derivatives are there?
- How did they contribute to the financial crisis?

Week 6 (November 6) The Financial Crisis from the government's point of view

- The genesis of banking regulation: Glass-Steagall Act of 1932
- The Net Capital Rule
- Bailouts: Do they create moral hazard?

Week 7 (November 13) What next?

- The future of the financial crisis
- Debate over the exit strategy