History of International Financial and Monetary Crises

Instructor: Giovanni Zanalda
Lecture: Tuesday & Thursday, 1:25-2:40, LINK (Perkins) 2-071 (Classroom 5)
Office: 235 Social Sciences (Econ Department)
Office hours: By appointment
Email: giovanni.zanalda@duke.edu
Phone: (919) 660-0703

Course Overview

This seminar examines the origin, unfolding, and impact of a series of banking, currency, and debt crises which have been plaguing the world from the early 18th century to the present time. Topics and case studies include the “first crises” such as the South Sea Bubble in England and the Mississippi Scheme in France in the 18th century; Baring crisis; 19th and early 20th century crises in the United States; the Great Depression (worldwide); Latin America, Japan, and East Asia in the 1980s and 1990s; LTCM; the 2008-2011 crisis. It closely monitors the unfolding of the current crisis in the US, Europe, emerging and developing markets.

Throughout the course we will study the formulation and implementation of monetary and fiscal policies; ad-hoc measures and agencies (e.g. FDIC, TARP, and EFSF); role of financial innovation; institutions (central banks, banks, hedge funds, rating agencies, IMF); regulations; international monetary systems; sovereign debt and exchange rate issues.

This seminar is organized as an “observatory” on financial crisis – with a combination of specialized economic literature, financial press, interviews and multimedia tools – in which students actively participate in the presentation and discussion of case studies.
Assignments and Grading

**Class attendance (10%):** Class attendance is mandatory. Each student is allowed one *unexcused absence*, after which the final grade will be affected. Repeated late arrivals will also impact your grade.

*Excused absences:*
1. Illness or other extraordinary personal circumstance
2. Religious observance
3. Varsity athletic participation
   1. In case of *illness* please follow Duke Guidelines for *Short-term illness:* “Students are to notify their instructors and their academic deans by means of a Short-Term Illness Notification Form (STINF): when they are temporarily incapacitated and hence are unable to attend class or complete an assignment on time” See: http://trinity.duke.edu/undergraduate/academic-policies/illness
   2. In case of *Religious Observance:* “Students absent from class due to observance of a religious holiday are expected to submit a Religious Observance Notification Form to instructors of the courses affected no later than one week prior to the date of the holiday.”
   3. In case of *Varsity Athletes:* “…varsity athletes are expected to notify the [instructor] of their status at the beginning of the semester. They can do this by presenting the [instructor] a letter of introduction signed by Dean Baker and Brad Berndt, Associate Athletics Director…. In addition they are expected to submit a Notification of Varsity Athletic Participation Form to the [instructor] no later than one week prior to their participation in each varsity athletic competition out of town.”

*In case of interviews,* please send an email with documentation – letter of invitation, schedule, emails… Please limit these absences to a minimum.

**Class participation (15%):** Active participation is essential. Be prepared to answer questions and discuss assigned readings as well as material used in the classroom including other students’ presentations. I will monitor discussions and give credit to active participants. *Computer and electronic devices should be used only for activities related to the class.*

**Presentations (15%):** Each student will present at least one case study in the course of the semester. Presentation includes the preparation of slides. All presentations are going to be posted on SAKAI by the instructor after the presentation.

**First essay (25%):** Six to eight double-spaced-page review of selected articles (not including charts, graphs, and references). Articles and specific guidelines will be available on SAKAI. The essay should be posted on your drop box in SAKAI by Friday February 28 – no extensions.

**Second essay (35%):** Ten to twelve double-spaced-page paper (not including charts, graphs, and references). Specific guidelines will be available on the course website. Title and brief outline are due by April 6 and then discussed individually with instructor on Tuesday April 8. The essay should be posted on your drop box in SAKAI by Monday, April 28 – no extensions.
**Schedule and Readings**

All students should do the readings and be ready to discuss them. Participation in the weekly monitoring of ongoing events relevant for the course (e.g. QE tapering, the Euro crisis, tensions in currency markets, etc.) is also required.

All readings and references will be available on SAKAI. Students are responsible for checking the course SAKAI for special announcements about presentations, readings, and class activities. In some instances we will have guest speakers or attend special events relevant to the course. Short articles and videos about ongoing crises and debates will be posted in SAKAI and discussed in class.

Case studies will be assigned to students. Students should present the assigned case study with the support of slides.

**January 9 (Thursday)**
Introduction and overview of the course.

**January 14 (Tu); 16 (Th);**
Overview of financial crises
Definitions
Historical outline
Typology: Banking; Currency Crises; Sovereign Debt
Overview of case studies

**January 21(Tu)**
First discussion of concepts and readings
*Readings in SAKAI*

**January 23 (Th)**
Case study: Tulipmania (1634-1637)
Case study: John Law in France (1719-1720); South Sea Bubble (1720)
*Readings in SAKAI*

**January 28 -30; February 4-6**
Concepts: Lender of last resort; Transmission of crises; The Gold Standard and 19th century crises; Creation of the FED
Case Study: United States (1792); Barings crisis (second half of 19th); US speculation and crises; Wall Street crisis (1907)
*Readings in SAKAI*

**February 11-13; 18-20**
The interwar period. The Great Depression, causes, responses, international implications
Recovery, WWII, and Bretton Woods
Various case studies and videos
*Readings in SAKAI*

**FIRST PAPER (ARTICLES REVIEW): Material will be posted on Friday February 21; It is due by Friday, February 28 – no extensions.**
February 25 (Tu)
Bretton Woods cont.
1970s: Oils Shocks, crises, and inflation
Readings in SAKAI

February 27 (Th)
1980s: Debt crises in Latin America; Stabilization Plans; 1987 stock market crash
Case Study: Latin America Debt Crisis
Readings in SAKAI

March 4 (Tu)
1990s: Scandinavian banking crisis, Japan, Mexico, Argentina, Russia, East Asian crises, LTCM
Case studies: Sweden, Japan
Readings in SAKAI

March 6 (Th)
Class reserved for individual meetings

SPRING RECESS  NO CLASS ON March 11 and 13

March 18 (Tu)
Case Study: East Asian crises
Readings in SAKAI

March 20 (Th)
Case Study: Russia, LTCM
Readings in SAKAI

March 25-27; April 1(Tu)-3(Th)
The 2007-2012 crisis: causes, unfolding, spread; FED and other central bank responses; International contagion; G-20; Emerging markets; The Euro area crisis
Readings in SAKAI
Case studies: various aspects of crisis in the US; UK; Iceland; Ireland
Case studies: Greece, Spain, Italy; Germany and northern European countries

Final paper: Title and Outline due on SUNDAY, APRIL 6.

April 8 (Tu)
This class is reserved for individual meetings to discuss final paper.

April 10 (Th) April 15-17
End case studies US, EURO and rest of the world crisis; Exit strategies. What has been working and what has not been working; What’s next? Sovereign debt and currency tensions; Optimal Regulations;
FINAL PAPER DUE ON Monday, APRIL 28 – NO EXTENSIONS