

## **FINANCIAL CRISIS ECON 464W Fall 2017**

Assignments as of August 3 . 2017

INSTRUCTOR: Levis A. Kochin  
CLASS: Tuesday and Thursday 1:30-3:30  
Savery 156  
EMAIL: [lakochin@u.washington.edu](mailto:lakochin@u.washington.edu)  
OFFICE: Savery 334  
TELEPHONE: (206)-543-5845  
OFFICE HOURS: Wednesday 3PM -5PM  
COURSE DESCRIPTION:

Financial Crisis is a course in Monetary and Financial History. We start with the invention of money in the New Stone Age and end in the current headlines. The greater the current crisis, the more the course is one in current events. In 2003 to 2007 the financial news looked dull and "Financial Crisis" was a history course. From 2008 to 2012 the news was exciting and the course again concentrated on current events and their historical parallels. Three lectures are scheduled to cover the Financial Crisis of 2007, the Great Recession and the European Debt Crisis and the slow recovery in the US at the end of the course. But I will go with the flow (of news) and there will be occasional segments on how the history we are covering rhymes with the news.

The center of ECON 464 is the mother of all financial crises - The Great Contraction of 1929 to 1933 and the incomplete recovery which followed. Events then have echoes more recently the reaction of the Fed to the Financial Crisis of 2008 and the Great Recession which followed were importantly shaped by the fact that Ben Bernanke is the leading living economic historian of the Great Depression.

Other highlights of the course (going in historical order) include:

- 1) The controversies over the Gold Standard in the US from 1865 to 1900 and their echoes today
- 2) The perfect storm of financial crisis in the US in 1907 and the formation of the Fed
- 3) The collapse of the World Gold Standard and the explosion of national debt during World War I
- 4) Fiscal wars of attrition in France and Germany in the 1920s and the inflation (France) and hyperinflation (Germany) these fiscal wars of attrition cause
- 5) "The Dog Which Didn't Bark"—Why few financial crises from 1946 to 1980?
- 6) Bubbles and Busts from Tulips (1600s) to Marvelous Melbourne in the 1890s. Wall Street (1920s) to Japan (boom in the 1980s bust in the 1990s) to the Asian Tigers (boom to 1997 then a spectacular bust), to the US housing market (boom 1999 to 2007 bust in 2008)

### TEXTS

- 1) *The Economist*
- 2) Ben Bernanke *The Federal Reserve and the Financial Crisis* Princeton University Press 2013 Available online from the UW Library at <https://ebookcentral.proquest.com/lib/washington/reader.action?docID=1108131> Videos of the Lectures and the Presentation Slides are available online at the Federal Reserve Website
- 3) Barry Eichengreen, *Globalizing Capital: A History Of The International Financial System*, 2<sup>nd</sup> Edition, Princeton Univ. Press 2008; Available on Amazon
- 3) Milton Friedman and Anna Jacobson Schwartz *A Monetary History Of The United States, 1867-1960*, Princeton University Press 1963 A few paper copies are available now in the UW Library An online version is available from UW Library at <https://ebookcentral.proquest.com/lib/washington/detail.action?docID=590813>

### **KEY DATES**

QUIZZES	Unscheduled, best 4 of 5	<b>20% of Term Grade</b>
TERM PAPER PROPOSAL	Thursday October 19	<b>No Grade</b>
PRELIMINARY TERM PAPER	Tuesday November 14	<b>10% of Term, Grade</b>

FINAL TERM PAPER Due Wednesday December 13 **40% of Term Grade**  
FINAL: Friday December 15 2:30 -4:20PM **30% of Term Grad**  
NO CLASS Thursday October 5 Thursday October 12 and Tuesday November 21

**Term Paper W Awarded 50% of Grade**

- 1) Proposal Due Thursday October 19
  - a) Term paper proposal of 1 page with 3 references  
No Grade But Must be Approved
  - b) Content
    - i) Outline of Proposed Term paper
    - ii) At least 1 reference to an article on this assignment list
    - iii) At least 1 reference to an article NOT on this assignment list
  - c) Bring 23 hard copies to class
- 2) Preliminary Term Paper Due Tuesday November 14  
10% of Course Grade

**Approved Proposal must be resubmitted with Preliminary Paper**

- Preliminary Term Paper must have at least five pages with at least five references  
10% of Term Grade and at least one diagram or Table
- 3) Final Term Paper Term Paper due Wednesday December 13 5PM  
13-17 pages not including at least two diagrams or Tables  
40% of the Term grade

**Graded Preliminary Term Paper must be resubmitted with Final Paper**

Penalty of .1 on term paper grade if submitted by the end of the first week of Winter  
Quarter 2018 No Grade will be given until the Final Term Paper is  
submitted

## **Assignments Fall 2017**

### **Thursday September 28 Introduction, First Class**

R. A. Radford “The Economic Organization of a POW Camp” *Economica* November 1945

Eichengreen, *Globalizing Capital*: Chapter 1

### **Tuesday October 3**

#### **The Classical Gold Standard and The Quantity Theory of Money**

Eichengreen, *Globalizing Capital*: ChapterS 1 & 2

Friedman and Schwartz, *A Monetary History*; Chapter 1 & 3

Michael Bordo, “Gold Standard” *The Concise Encyclopedia of Economics*

### **Thursday October 5 No Class**

### **Tuesday October 10**

#### **The 1907 Bank Crisis and the Formation of the Federal Reserve System**

Eichengreen, *Globalizing Capital*: Chapter 2

Ben S. Bernanke *The Federal Reserve and the Financial Crisis* Lecture 1

Friedman and Schwartz, *A Monetary History*; Ch. 4 and Appendix B

### **Thursday October 12 No Class**

### **Tuesday October 17**

#### **World War I – Government Debts and Deficits**

Friedman and Schwartz, *A Monetary History* Ch 5

Mankiw, N. G., “The Debates Over Government Debt” Ch.15 *Macroeconomics* 5th Edition 2003

Mankiw, N.G., ‘The Spenders-Savers Theory of Fiscal Policy’ *American Economic Review* May 2000  
120-125

Thomas Sargent Nobel Prize Address

[http://www.nobelprize.org/nobel\\_prizes/economic-sciences/laureates/2011/sargent-lecture.html](http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2011/sargent-lecture.html)

Pay particular attention to the lecture slides

### **Thursday October 19**

#### **Term Paper Proposal Due**

#### **The 1920s Europe**

Eichengreen, *Globalizing Capital* Ch 3 pp 45-67

Friedman and Schwartz, *A Monetary History* Ch 6

Daniel K. Benjamin and Levis Kochin, “Searching for an Explanation of Unemployment in Interwar Britain” *The Journal of Political Economy*, June 1979 441-478

## **Tuesday October 24**

### **1920's US Booms and Bubbles**

Eugene N. White, "The Stock Market Boom and Crash of 1929 Revisited" *The Journal of Economic Perspectives* Spring 1990

\*Andrew Shleifer and Lawrence H. Summers, "The Noise Trader Approach to Finance" *The Journal of Economic Perspectives* Spring 1990

Ben S. Bernanke, "Asset Price 'Bubbles' and Monetary Policy" Speech October 15, 2002

\*Peter M. Garber, "Famous First Bubbles" *The Journal of Economic Perspectives* Spring 1990

## **Thursday October 26 Tuesday October 31 Thursday November 2**

### **The Great Contraction 1929-1933**

Friedman and Schwartz, *A Monetary History* Ch 7

Eichengreen, *Globalizing Capital* Ch 3 pp 68- 91

Irving Fisher, "The Debt-Deflation Theory of Great Depressions" *Econometrica* Vol.1 (October 1933) 337-357

Gov. Ben Bernanke, "On Milton Friedman's Ninetieth Birthday" Speech Nov. 8, 2002

Ben Bernanke, "The Macroeconomics of the Great Depression: A Comparative Approach" *The Journal of Money Credit and Banking* Vol. 27 No. 1 February 1995 .1-28

Ben S. Bernanke *The Federal Reserve and the Financial Crisis* Lecture 1

Christina D. Romer and David H. Romer, "The Missing Transmission Mechanism in the Monetary History of the Great Depression" *American Economic Review* vol 103 No. 3 May 2013 66-72

Students doing Term Papers on the 1920s or 1930s must read Barry Eichengreen's *Golden Fetters*

## **Tuesday November 7**

### **The New Deal, the Nazis, and the French 1933-1939**

Friedman and Schwartz, *A Monetary History* Ch. 8 and 9

Eichengreen, *Golden Fetters*, Ch. 11 "The Dollar and the World Economic Conference"

Christina D. Romer and David H. Romer, "The Most Dangerous Idea in Federal Reserve History: Monetary Policy Doesn't Matter" *American Economic Review* vol 103 No. 3 May 2013 55-6

## **Thursday November 9**

### **The Rise and Demise of the Breton Woods System 1944-1973**

Eichengreen, *Globalizing Capital*: Ch 4

Ben S. Bernanke *The Federal Reserve and the Financial Crisis* Lecture 2

## **Tuesday November 14 Preliminary Term Paper Due**

## **Tuesday November 14**

### **Emerging Market Debt Crises—1980s and 1990s**

Eichengreen, *Globalizing Capital* Ch 6 and 7

Rudi Dornbusch, "A Primer on Emerging Market Crises" MIT January 2001

Levis A. Kochin, "Real (Estate) Booms and Busts" Univ. of Washington October 1996

## Thursday November 16

### Japan's Slump, Liquidity Traps and Monetary Policy: Lessons for US ?

"Inflation Targeting" *Wikipedia*

Ben Bernanke, "A Perspective on Inflation Targeting" Speech Given March 2003

"Taylor Rule" *Wikipedia* READ THE CURRENT VERSION OF THE WIKIPEDIA ARTICLE

Paul Krugman, "Thinking About the Liquidity Trap" MIT Dec. 1999

Gov. Ben Bernanke, "Some Thoughts on Monetary Policy in Japan" Speech 2003

. Kundan Kishor and Levis A. Kochin, "The Success of the Fed and the Death of Monetarism"  
*Economic Inquiry* January 2007 56-70

**No Class Tuesday November 21 and Thursday November 23**

## Tuesday November 28 and Thursday November 30

### Housing Boom and Bust, the Credit Crisis, and the Great Recession

Ben S. Bernanke *The Federal Reserve and the Financial Crisis* Lectures 3 and 4

Michael Woodford, "Financial Intermediation and Macroeconomic Analysis" *Journal of Economic Perspectives* Fall 2010 pp. 21-44

## Tuesday December 5 and Thursday December 7

"Eurozone Crisis" *Wikipedia*

Michael Bordo and Harold James, "The European Crisis in the Context of the History of Previous Financial Crises" NBER working paper no. w19112, 2013

**Term Paper Due Wednesday December 13 at 5PM Penalty of .1 on Term Paper Grade if the Final Term Paper is submitted late but before the end of the first week of Winter Quarter**

**FINAL EXAM : Friday December 15 2:30-4:20PM**

**30% of Term Grade**

## \_ Econ 464 - Suggested Term Paper Topics

1) Hamilton and his Blessing (The US National Debt) Choose a period perhaps 1776-1789 or the US Cocco; 1834-1843 or 1990-2017

2) Baghot and The Bank of England ...

3) Boom and Bust in Seattle 1880-1900 or Chicago in the 1870s or Argentina in the 1890s

4) Would the US have been better off from 1873 to 1914 with silver?

4b) What were the chances of a Bryan Victory in 1896?

5) JP Morgan as a central banker

6) The Bank of England in the Baring Crisis and the Federal Reserve System in the Fall of 1998

7) The Crisis of 1907

7a) Formation of the Federal Reserve System

8) The Financial Crisis of Summer 1914 ...

9) The Depression of 1920

10) Did the Fed Stop the Deflation too Soon in 1921?

11) Hyperinflation and/or Stabilization in Germany

12) Inflation and/or Stabilization in France in the 1920s

13) Unemployment in the UK, France or Germany in the 1920s

13a) The Florida land boom of the early 1920s

13b) Consumer durable finance 1920-1940

13c) The real estate boom of the 1920s and the financial crisis of the 1930s

14) A Bubble- 1929 Stock Market? Japanese Stock Market 1990? NASDAQ 2000? US Houses 2006?

15) Hoover and the Great Contraction?

16) The Fed and The Stock Market in 1929, 1987, 2001-2002, 2007-2010

- 17) Did the 1920s Boom Cause the Depression?
- 18) Could the US have Reversed the Great Contraction without Devaluation?
- 19) The French Cause the Great Contraction?
- 20) Did the Death of Strong Cause the Great Contraction?
- 21) Irving Fisher and The Great Contraction
- 22) Why Didn't Output Fall on US Farms in the Great Contraction?
- 23) Real Wages in Farms and Cities in the Great Depression
- 24) The Devaluation of the British Pound in 1931
- 25) The Depression in Germany 1929-1933
- 26) The European Bank Crisis of 1931
- 27) The Golden Avalanche and Recovery in the US
- 28) Liquidity Traps in the 1930s and the current crisis
- 29) Roosevelt and Depression in China and France
- 29a) The roles the Roosevelt Treasury and the Fed in generating the Recession of 1937
- 30) Japan in the Great Depression
- 31) Recovery and Devaluation in the 1930s
- 32) The National Recovery Administration and the Recovery From the Great Contraction
- 33) Economic recovery in one of the UK, the US, Sweden, Japan, Netherlands, France or Germany
- 34) Boom in Palestine in the 1930s
- 34a) Why did Rosie rivet?
- 35) The return of convertibility in Europe 1948- 1980
- 35a) Why didn't the dog bark? Why so few financial crises from 1945 to 1980?
- 36) Nixon and Inflation in the 1970s or Nixon and the First Oil Crisis
- 37) The Stock Market Boom in the US 1946-1965 or in 1982-2001 or 2009-2013
- 37a) "It's the economy- stupid" 1992 or some other year Elections and the business cycle
- 38) Was the Boom in Japan to 1990 a Bubble?
- 39) Hyperinflation in (one of) Argentina, Brazil, Russia, Serbia, the Ukraine or Zimbabwe
- 40) Financial Crisis 1980 to 2013 in (one of) Argentina, Brazil, Chile, Greece, Iceland, Ireland, South Korea, Malaysia, Thailand, Indonesia, Israel, Russia, Turkey or Japan
- 41) Inflation and stabilization 1970-2010 in one of the US, Israel, Argentina, Brazil, Mexico, and the UK
- 41a) German Unification and the EMS Crisis of 1993
- 42) The global savings glut and the shortage of women in China
- 43) Japanese monetary and fiscal policy in the 1940s,1950s,1970s, 1980s,1990s or 2012-2013
- 44) Fannie Mae and Freddie Mac and the current crisis
- 45) Housing Boom and Bust 2001-2009 Spain, Iceland, Ireland, Las Vegas, Phoenix, Miami, or the Inland Empire.
- 46) Why no Housing Boom or bust in Texas and or Germany 2000-2012 ?
- 47) Will the Australian, Canadian or Chinese Housing Booms of the last few years Bust?
- 48) The Taylor Rule 2000-2013
- 48) Should we cry for you Argentina?
- 49) Washington Mutual and the Housing Crisis
- 49a) Did financial deregulation cause the Great Recession?
- 50) Lehman Bros and the Credit Crisis of 2008-2009
- 51) The TARP
- 51a) US State Budgets in 2007 to 2013 pick a state and compare with the country as a whole
- 52) Governmental Debts and Deficits now in California, Illinois, US, UK, Greece, Dubai, China, Greece, Ireland, Norway, Japan, Belgium, Portugal, Spain, Japan, China, Israel or Italy
- 52a) Euroland in and after the Great Recession Choose One country except Luxemburg
- 52c) California, Nevada, Florida, Washington, North Dakota or some other state in the Great Recession
- 52d) Boom and Bust in the Oil Patch and in the US Economy
- 52e) Financial "Original Sin"
- 52f) The Yen Carry Trade
- 52g) Abonomics
- 52h) Stanley Fischer as central banker and as a teacher of future central bankers, Ben Bernanke or Mario Draghi
- 52i) Benjamin Strong, Arthur Burns or Ben Bernanke
- 52j) Negative real interest rates
- 52k) Negative nominal interest rates
- 52l) Fiscal Devaluation in 1931 and 2017
- 52m) Macroprudential Policy

