Economics 237: Financial Crises: Beginning to End
Fall 2014 (PAC002, TR 1:10 pm - 2:30 pm)

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OFFICE HOURS: Wednesdays at 1:00-2:00, 2:00-3:00, and by appointment.

Purpose: This course covers topics related to the financial crisis that began in December 2007, its impact on the U.S. macroeconomy, and current economic policy. We will use the event study methodology to identify causes of the crisis and its subsequent impact on real activity. In addition, we will study the effectiveness of the monetary and fiscal authority’s responses in context of the global and historical experience. Lastly, pending our investigation we will look at the relevance of standard and post-crisis macroeconomic theories.

Readings: The textbook is the Financial Crisis Inquiry Commission, Financial Crisis Inquiry Report, (2011). Additional materials may be handed out in class and/or made available on the course website.

Course Grading: Final grades are calculated as the sum of 6 measures of communication: hw assignments (2.5), presentation (2.5), class participation (5), midterm exam (20), paper (35), and final exam (35).

Assignments: Problem sets will be given frequently. They are to be dropped into the locked box by Tuesday night. I will take points off late homework. After you turn in your homework, I will upload the solution key to our class website.

Class Participation: Please come to class, ask questions, and rigorously participate in discussion; I would not have much fun if I am the only one talking! Every now and then, you will have group examples/problems, and you will submit your answers as a group, which will be used for your class participation grade. If you know that you will have to be late and/or leave early, please let me know in advance. Regular tardiness will negatively affect your grade.

Exams: The midterm exam is scheduled for 10/9 (Thursday). If you cannot take the midterm in the case of medical emergency, I will assign 55 points of your total grade to the final exam provided that you give me a written proof. I will reschedule final exam only in the case of serious medical emergency.

Presentation: Each student will be assigned a paper to discuss for 5 minutes. I will give details of the assignment later.

Paper: The paper is due on 12/5 (Friday). I will give the detail of the paper assignment later.
Course Outline (* = required)


Week 2 (9/9-11): The real economic effects (*Chapter 21 and 22).

Week 3 (9/16-18): A comparison with the Great Depression.


Week 5 (9/30-10/2): Risky origins (*Chapters 3 to 5).

Week 6 (10/7-9): The buildup (*Chapters 6 to 10) - midterm #1 on 10/9.

Week 7 (10/14-16): The panic (*Chapters 11 to 16) - paper proposal due on 10/14.

Week 8 (10/23): Bank run models.

Week 9 (10/28-30): The government response (*Chapters 17 to 20).

Week 10 (11/4-6): Dissenting views (*Hennessey et al. and Wallison).


Week 12 (11/18-20): The aftermath – TBD.


Week 14 (12/2-4): Presentations - paper due on 12/5.

Week 15 (12/12): Final Exam on 12/13 (Saturday) from 9am-12pm.