



Sungkyunkwan University (SKKU) International Summer Semester (ISS) 2019

## Economics of Financial Crisis

Prof. Surajeet Chakravarty, University of Exeter, UK.

### SHORT COURSE DESCRIPTION

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This course explores the causes of the recent financial crisis and in particular the lesson which can be learnt. You will gain an understanding of the mechanistic causes of financial crises and in particular the processes of securitisation, Collateralized Debt Obligation (CDOs) and Credit Default Swaps (CDS) and at the end you will have a good understanding of both the narrow and wider causes of the 2007/8 financial crisis. You will learn the response from the regulators to minimize the effects of a financial crisis and what regulation to undertake to prevent one. You will be taken through a series of case studies, including the collapse of the hedge fund LTCM, the specific causes of the financial meltdown in both Ireland and Iceland, and the Bernie Madoff Ponzi Scheme. You will also learn about the Greek Crisis, international spread of the crisis. We will cover behavioural aspects too, like panic, unethical behaviour and excessive risk taking.

### READING MATERIALS

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All material, including lecture notes and journal papers will be provided online and will be available on SKKU website.

### COURSE REQUIREMENTS AND GRADING

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The course will require students to attend and participate 20%, make a presentation in class 40% and provide a written report on a topic given 40%. Note **SKKU regulations require students to attend at least 80% of all classes.**

### COURSE SCHEDULE

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#### – WEEK I –

Thursday (27 June) – Sub-prime and the Panic of 2007

Friday (28 June)- Banks, Financial Intermediation and Stability - 1

#### – WEEK II –

Monday (1 July)- Banks, Financial Intermediation and Stability - 2

Tuesday (2 July) – Role of Liquidity

Wednesday (3 July) – Liquidity and Information

Thursday (4 July) – Asset Bubbles

**– WEEK III –**

Monday (8 July) – Panic and Contagion

Tuesday (9 July) – Capital Regulation

Wednesday (10 July) – Central Banks and Financial Crisis

Thursday (11 July) – Recovery?

**– WEEK IV –**

Monday (15 July) – Currency Crisis.

Tuesday (16 July) – International Financial Markets and Contagion

Wednesday (17 July)- Repeat of Crisis – Likelihood of Reoccurrence.

Thursday (18 July)- Behavioural Ethics, Ethical Fading and Cognitive Dissonance

Friday (19 July)- Coursework presentation and feedback.