



Macroeconomics: policy and business after the financial crisis

SHORT COURSE DESCRIPTION

This course explores the causes of the recent financial crisis and in particular the lesson which can be learnt. You will not only be taught the underpinnings of a banking/financial crisis but also 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). We will discuss bank failures, bubbles, contagion and economic crisis.

We will discuss data, simulate banking behavior in class in classroom experiments and look at the theory. At the end you will have a good understanding of both the narrow and wider causes of the 2007/8 financial crisis and similar crises.

You will learn the response from the regulators to minimize the effects of a financial crisis and what regulation to undertake to prevent one. Responses and their effectiveness by different central banks like Fed Reserve, Bank of England and the European Central Bank will be covered. 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

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

COURSE REQUIREMENTS AND GRADING

You will be evaluated on your coursework. For the coursework will have two components. First, you will be required to make a presentation and present in along with your team mates (it will be a group presentation). The presentation will require an explanation of existing theory and supporting data. The second component will be an individual written explanation of the presentation. The coursework will cover 80% of your grade, with the two components being 40% each). The remaining 20% will be your engagement in the class, and discussing the presentation/coursework of your class mates. In your written work any academic dishonesty will resulting your written work not being marked. You will have to abide by the all the requirements of SKKU. All ISS classes are pass/fail based on the student academic achievement evaluated by grades on a scale of 100 points (grade of 60 or above is Pass). **SKKU regulations require students to attend at least 80% of all classes.**

COURSE SCHEDULE

– WEEK I –

Thursday (27 June) Financial Crisis History: Sub-prime and the panic of 2007

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

Monday (29 June) Banks, Financial Intermediation and Stability - 2

Tuesday (30 June) Role of Liquidity

– WEEK II –

Wednesday (4 July) Liquidity and Information

Thursday (5 July) Asset Bubbles

Monday (6 July) Panic and Contagion

Tuesday (7 July) Capital Regulation

– WEEK III –

Wednesday (11 July) Central Bank, Policy and Financial Crisis

Thursday (12 July) Recovery and Policy

Monday (13 July) Currency Crisis.

Tuesday (14 July) International Financial Markets and Contagion

Wednesday (15 July) Repeat of Crisis – Likelihood of Reoccurrence.

– WEEK IV –

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

Friday (19 July) Coursework presentation and feedback