Bubbles, Panics and Crashes: A Long Period Assessment of the Causes and Consequences of Financial Crises

Module Code: ECO00018H  Credits: 20  Year: 3  Terms: 1-2
17 one hour Lectures, 2 one hour revision lectures, 1 whole group seminar and 4 small group one hour Seminars – (24 contact hours)

Module Organiser: Dr Matthias Morys

Overview:
This module explores the recurrence of financial crises in the international economy from a long period perspective. The module is divided into two parts: Part One provides an overview of recurring theories, themes and applications. Part Two adopts a more systematic case study approach, exploring specific instances of Bubbles, Panics and Crashes.

Aims:
To introduce students to the:
- Recurrent nature of financial crises
- Nature and causes of speculative booms
- Importance of the role of the lender of last resort
- Role played by regulation, liquidity and credit constraints
- Extent to which monetary expansion underpins such crises

To enable students to:
- Evaluate the economic cost of such crises
- Appreciate how, in given time periods, policy responses may or may not have been appropriate

Objectives:
On completing the module, students will have a clearer understanding of the:
- Recurrent nature of financial crises
- Nature and causes of speculative booms
- Importance of the role of the lender of last resort
- Role played by regulation, liquidity and credit constraints
- Extent to which monetary expansion underpins such crises
- Economic cost of such crises, and
- How, in given time periods, policy responses may or may not have been appropriate

Assessment:
The module is assessed by a 21/2-hour written unseen examination during the Summer Term.
Pre-requisites:
None

Preliminary Outline of Topics

Part One

Financial crises in historical perspective: speculative manias from Dutch tulips in the seventeenth century to real estate speculation in the 1980s: a long period overview

Financial crises in historical perspective: monetary expansion: a long period overview

Financial crises in historical perspective: domestic and international contagion and propagation

Financial crises in historical perspective: lenders of last resort

The severity of financial crises in historical perspective; measuring the real economic effects of financial crises: a long period overview

Part Two

Tulipmania

The South Sea Bubble

The Wall Street Crash and the Great Depression – fundamental issues

Financial speculation and the Wall Street Crash of 1929

The 1997 collapse of the Asian Tigers: financial panics

Lender of last resort: the role of the IMF in the collapse and (?) recovery of the Asian Tigers

Credit crunch 2008 style: structure and regulation of financial markets

Credit crunch 2009: The World Economy under Stress: international and national policy responses

Main References:
