University of California, Davis  
Winter 2012  
Economics 210B  
The Economic History of Financial Crises

Instructor: Christopher M. Meissner

Time and Location: TR 1210-2:00 Wellman 123

Contact details:

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Office Hours: Please refer to my website for this quarter’s office hours. Also note, I follow a sign-up system. If you want to come to office hours try to sign up for a slot on the sign-up list on my door in advance.

Course Description

This course is a primer on financial crises. Financial crises come in many forms. Their causes and effects on the economy interesting areas of frontier research. There are many directions from which to come at the issue. We will plan on reading a mix of theoretical and empirical papers on crises. The focus on the empirical side will be from the long-run (i.e., history!). Why history? Crises are infrequent events and therefore a longer term perspective is necessary. We will look at banking crises, currency crises, debt crises, and balance of payment crises. We will also look at selected topics in crises including:

Information

This course is intended for graduate students in economics and related fields. We will rely on having familiarity with the basics of international finance, macroeconomics and applied econometric methods. The course will meet twice a week on Tuesdays and Thursdays. I would like the course to follow a seminar format with lively discussion and exchange. Your job will be to attend class regularly and do the reading. I will ask that you do a presentation of one of the papers fairly frequently.

Readings

A few readings marked with a * will be made available for photocopying in advance of each class or will be distributed when needed. Readings for each lecture should be read in advance to make for a constructive dialog. Again, students will, on a rotating basis, be asked to present a summary of selected papers during class.
Grading

Paper: 75%
In-class presentations of readings and participation: 25%

Paper

You will be required to write a paper for this class. The primary goal is to get in the practice of writing an academic paper of article length suitable for an academic journal (and your dissertation!). In expectation the paper will be 20 pages, but around that mean there will be a variance in outcomes depending on the topic and density etc. Papers can begin with replications and extensions of existing papers but some originality in the final product is desirable. Finding a topic can be difficult, so early and frequent consultation with the instructor is recommended. A one page summary of the paper topic will be due in the second week of February. Further discussions may need to take place to hone the idea. I welcome further consultations. We will reserve time in class for presentations of the work in progress and for feedback.

Reading List

Most readings have hyperlinks that are accessible within the UC Davis domain or via your VPN from off-campus. Some readings are not available online. Those are marked with a * and will be made available to students before the class as appropriate.

I. The Big Picture:


Obstfeld, Maurice and Alan M. Taylor “Globalization and Capital Markets” NBER working paper 8846

II. **The Long Run Facts**


Reinhart, Carmen, Rogoff, K. “Banking Crises: An Equal Opportunity Menace”


III. **Banking Panics**


Additional Reading (Optional):


Jalil, Andrew “A NEW HISTORY OF BANKING PANICS IN THE UNITED STATES, 1825-1929: CONSTRUCTION AND IMPLICATIONS” unpublished mimeo Reed College.

IV. Currency Crises


Optional Reading:


V. Sudden Stops and the Balance of Payments


Optional Reading:


VI. Debt Crises


Optional Readings:


VII. Financial Manias and Credit


VIII. **Older Crises:**


IX. **Early to mid-19th Century**

Wallis, JJ “What Caused the Crisis of 1839?” NBER working paper ho133.


X. **Contagion: The 1890s as a Global Crisis**


Eichengreen, B. 1999. The Baring Crisis in a Mexican Mirror International Political Science Review 20 (3)


Optional Reading:
Calomiris, Charlie “Greenback Resumption and Silver Risk: The Economics and Politics of Monetary Regime Change in the United States, 1862-1900” NBER working paper 4166

XI. The Crisis of 1907


***Friedman and Schwartz

*Noyes, Alexander 1909 “A Year after the Panic of 1907” Quarterly Journal of Economics 23 (2) pp. 185-212.

XII. The Great Depression in America and in International Perspective


Optional Reading:


XIII. The Great Depression in International Perspective


Optional Reading:

Jorgenson, E. and Sachs, J. “Default and Renegotiation” NBER WP. 2636.

XIV. Newly Mobile Capital and the 1990s


Guillermo Perry and Luis Serven “The Anatomy of a Multiple Crisis: Why was Argentina Special and What can we Learn from it” NBER Project on Exchange Rate Crises in Emerging Markets (2002)
XV.  **Inequality and Financial Crises**

Rajan, R. *Fault Lines***

Kumhof and Ranciere “*Inequality, Leverage and Crises*” IMF WP

*Bordo. M.D., Meissner, C.M. Does Inequality Lead to Financial Crisis?*

XVI.  **Capital Flows, Financial Crises and Growth**


XVII.  **The Aftermath of Financial Crises**


Qian, R, Reinhart, C. and Rogoff, K. “*ON GRADUATION FROM DEFAULT, INFLATION AND BANKING CRISIS: ELUSIVE OR ILLUSION?*” NBER working paper 16168.

Aguiar, M. Discussion of Qian, Reinhart, and Rogoff’s “*On Graduation from Default, Inflation and Banking Crises: Elusive or Illusion*”

Bordo, M. “*Growing up to financial stability*” NBER wp. 12993.

Optional Reading:


XVIII & XIX.  **Paper presentations**