Governing Crises
The Political Economy of Financial Booms and Busts

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Code: CAS IR 322

Course description

Why do financial crises happen? How do they affect international relations and domestic policy choices? What political projects have organized the regulation of the international financial sector over the course of the past century? This interdisciplinary course uses political, historical and sociological analyses to address these questions while exploring both mainstream and alternative economic approaches to financial booms and busts.

The first part of the course prepares the ground by introducing basic arguments and concepts on how financial markets work and the regulatory politics that affect them. The second part focuses on the history of finance and financial crises, beginning with the 18th century and ending with the East Asian Crisis of 1997. Part three focuses on the causes of and reactions to the Lehman crisis of 2008. The final part of the course focuses on the politics of ongoing attempts to stabilize the international financial sector, make it less crisis-prone and compel it to work more for the non-financial economy and society at large.

Grade breakdown:

Mid-term examination: 30% (in-class, closed book examination based on the first half of the course).

Final examination: 40% (in-class, closed book examination based on the second half of the course).

Book essay: 20% (critical review of two prominent books on financial crises).

Active class participation: 10% (attendance and informed participation in class discussions).

The book essay is due at the beginning of the last lecture. It should compare the explanations given about the causes of financial crises by two of the following books. The list of books will be decided jointly by professors and students. Useful lists can be found at this link:
http://economix.blogs.nytimes.com/2013/07/15/financial-crisis-reading-list-2/?_r=0


The book essay should be 2000 words long and should consist of five parts: description of the arguments, how the books differ in their analysis, their contributions to existing debates and a discussion of their respective strengths and weaknesses. Footnotes and bibliography are required and should be formatted according to the Chicago Manual of Style.

Requirements: The class requires ECON 101 and 102.

Office hours

TBA

Work and Ethics

The course has two sessions per week.

All students are expected to attend all sessions and maintain high standards of academic honesty and integrity. Make sure you provide citations for all quotations, paraphrases, and ideas taken from any source other than your own. Boston University has very strict standards for intellectual integrity, and punishment for plagiarism may be severe, and can include permanent expulsion from the university.

You are responsible to know Boston University’s Academic Conduct Code. Link: http://www.bu.edu/academics/resources/academic-conduct-code/

All cases of suspected misconduct will be referred to the Dean’s Office. Papers handed in late entail the loss of ten percent of the grade for each day.

A single absence entails an automatic cut of 5 out of 10 points in your participation grade. If you have more than one absence you will lose all the ten points assigned for participation. No make-up assignments are allowed.

BOOKS


**WEEKLY READINGS**

**1. Introduction: Financial crises and the market economy**

INET mini-documentary
[http://www.youtube.com/watch?v=9JD6uuuiZPY](http://www.youtube.com/watch?v=9JD6uuuiZPY)

*End of Alchemy*, Introduction


Paul Mason, “The End of Capitalism Has Begun”
[https://www.theguardian.com/books/2015/jul/17/postcapitalism-end-of-capitalism_begun](https://www.theguardian.com/books/2015/jul/17/postcapitalism-end-of-capitalism_begun)


**2. Taking Stock**


Lo, Andrew W. "Forthcoming.“Reading About the Financial Crisis: A 21-Book Review.”."

**3. Basic concepts**

*End of Alchemy*, chapter 1

**4. Basic hypotheses: Efficient markets**

Blyth, *Austerity*, chapter 2 (until Taleb’s Swans).
5. Basic hypotheses: Financial instability


Discuss *The Big Short* (movie)

**Part Two: Crises in Time**

6. Tulips, South Seas and Great Crashes

Kindleberger, chapters 1, 3, 10.

7. The Great Depression

Kindleberger, chapter 4.

Milton Friedman on the Great Depression [http://www.youtube.com/watch?v=9JD6uuizZPY](http://www.youtube.com/watch?v=9JD6uuizZPY)

8. Creating a new financial order: Keynesianism and the Bretton Woods

Helleiner, part 1.

9. Disrupting the new financial order: Finance Resurgent

Helleiner, part 2.

10. How money works

*End of Alchemy*, chapter 2

11. How banks work

*End of Alchemy*, chapter 3

12. Uncertainty and financial markets

*End of Alchemy*, chapter 4

13. What central banks do

*End of Alchemy*, chapter 5

14. Credit and Inequality

Rughuram Rajan, *Fault Lines*, chapters 1 and 4 (to be circulated by the professor)

15. Midterm exam (in-class)

16. The Lehman Moment (1)


Blyth, Chapter 2 (from Taleb’s *Black Swans* to the end).

16. The Lehman Moment (2)

The Minsky Moment
[http://www.newyorker.com/talk/comment/2008/02/04/080204taco_talk_cassidy](http://www.newyorker.com/talk/comment/2008/02/04/080204taco_talk_cassidy)

*Margin Call*, excerpts.


17. The Great Recession


*The End of Alchemy*, Chapter 7

18. Eurocrisis (1)


19. Eurocrisis (2)

Austerity, Chapter 3.

20. Austerity

Austerity, Chapter 6.


21. Reform (1)

End of Alchemy, chapter 8

Blyth, Austerity, conclusions.


22. Reform (2)


23. The coming crisis

The End of Alchemy, Chapter 9
24. Wrap-up


*Book essay due*

*Final: TBA*