

**Topics in American Economic History:
Financial Innovations, Asset Bubbles, and Financial Crises**
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Course Description: An overview of financial panics over the past three hundred years. The main focus of the course will be the underlying causes of financial panics that have been intricately interwoven with investment booms. Special attention will be paid to the current credit crisis.

Course Goals: To explore the “etiology” of a typical business panic.

To investigate the role of financial deregulation over the course of American economic history.

To understand the nature of derivatives and their role in the modern American economy.

To highlight the role played by credit default swaps in the current credit crisis.

Required Textbooks:

“Fool’s Gold”, Gillian Tett.

Other Recommended Textbooks:

“Manias, Panics, and Crashes – A History of Financial Crises.” Charles P. Kindleberger.

“Money, Greed, and Risk – Why Financial Crises and Crashes Happen.” Charles R. Morris.

“Devil Take the Hindmost – A History of Financial Speculation.” Edward Chancellor.

Topics in American Economic History

Financial Innovations, Asset Bubbles and Financial Crises

Week 1

Early European Financial Crisis

Common Denominators of a Crisis
Tulipmania in Holland
The South Seas Bubble
The Mississippi Bubble

Reading: posted articles
 Peter Garber: Early First Bubbles

Week 2

Early American Financial Crisis

Boom and Bust in the 19th Century
The Crash of 1929
The Great Depression

Reading: Tett, Fool's Gold pp.1-100
 Handouts

Weeks 3

Post WWII America Through 1980's

S & L Industry in Crisis
Stock Market Crash 1987
Derivatives Review

Reading: Tett, pp 101-200
 Morris pg. 81-103
 Handouts

Week 4

Case Studies in Derivatives Debacles

Review Derivatives Homework
Orange County – Role of Leverage
Barings Bank – Auditors Mia

Reading: Handouts

Week 6

Asian Contagion

Asian Contagion in 1997-1998
Case Study: Long Term Capital Management

Reading: Handouts

The Current Crisis in Perspective

US Stock Market Bubble
Role of Regulation and Lender of Last Resort
What Have we Learned About Crisis/Bubbles?

Reading: Tett, pp. 201-258
 Handouts