

CAUSES AND CONSEQUENCES OF FINANCIAL CRISIS

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Course Description

The main objective of this course is to outline the mechanisms underlying financial crises and examine the potential costs involved. All major types of crises are covered, namely sovereign debt crises, banking crises, currency crises and subprime crises. Despite the notion that each crisis is different, there are remarkable similarities between countries and over time, which will be highlighted in this course.

Prerequisites

Introductory level of Macroeconomics and Microeconomics as well as International Economics

Classes

This course will be taught on November 06-08.11.2014 and 15-17.12.2014.

Required Reading

- Textbook: Reinhart, Carmen and Kenneth Rogoff (2009), “This Time is Different – Eight Centuries of Financial Folly”, Princeton NJ: Princeton University Press.
- Articles
- Further reading, e.g. Financial Times, the Economist

Outline

- Introduction & Motivation RR 1-3
- Varieties of Financial Crises RR 1-3
- Sovereign Debt Crises – Some Theory RR 3-4
- Sovereign Default Cycles and History RR 5-6
- Domestic Debt and Default RR 7-9
- Banking Crises RR 10
- Inflation Crises and Currency Crashes RR 11-12
- Asset Price Bubbles

- U.S. Subprime Crisis RR 13
- The Aftermath of Financial Crises RR 14
- International Interdependence – Contagion vs. Common Fundamentals RR 15-16
- Early Warning Systems and Policy Responses RR 17

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