



FINANCIAL AND ECONOMIC CRISES OF THE 21st CENTURY SPRING 2024

This course will explore the dramatic financial and macroeconomic developments that the United States has experienced over the last two decades. We will look at research on what factors precipitated the boom and bust in the housing market in the early 2000s and how the resulting mortgage crisis rippled through the global financial system and ultimately generated the most severe economic downturn since the Great Depression. We will analyze the policies put in place to stabilize the financial system, limit the economic fallout, and reduce the likelihood of future financial crises. The course will then turn to more recent disruptions to the economy and the financial system. We will explore the near-financial crisis of March 2020, the economic fallout from the pandemic, and the largely unexpected post-pandemic burst of inflation. We will consider the role that monetary, fiscal, and financial policy has played in recent years, including what lessons to take for the future.

Instructor: Professor Karen Dynan
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Office hours: Wednesdays after class in my Economics Department office
To see the available appointments and sign up, go to [this link](#)

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Course schedule: Monday and Wednesday, 1:30pm to 2:45pm in Boylston 110

Review sessions: Raphael Raux (1): Tuesdays 1:30pm-2:30pm, Boylston 105
Raphael Raux (2): Tuesdays 3:00pm-4:00pm, Sever 306
Beatrice Ferrario (1): Thursdays 12:00pm-1:00pm, Harvard 202
Beatrice Ferrario (2): Thursdays 1:30pm-2:30pm, Sever 205
Sohaib Nasim (1): Fridays 10:30am-11:30am, Sever 102

Course website: <https://canvas.harvard.edu/courses/129977>

PREREQUISITES. Intermediate macroeconomics (Ec 1011B or Ec 1010B) or by permission of the instructor. Students should have some familiarity with businesses cycles and the models that economists use to think about them (such as the **IS-LM** model). Students should also be comfortable reading non-technical research papers by economists.

LEARNING OBJECTIVES. The aim of this course is for you to understand and be able to engage in informed discussions about:

- The social and economic forces and policy changes that laid the groundwork for the global financial crisis of 2007-2008.
- The developments in mortgage markets that precipitated the financial crisis—the home price bubble, the factors that drove the increases in mortgage debt, and the debate over why people default on mortgages.
- How the mortgage crisis turned into a full-blown global financial crisis, including the roles of leverage, financial engineering, the shadow banking system, and financial regulation.
- How policymakers ultimately arrested the financial crisis and what factors complicated their decisions.
- The recessions that follow financial crises—channels of transmission and why they tend to be associated with long recoveries.
- Policies used to respond to recessions, including federal credit policy such as expanding student loans.
- The European debt crisis.
- Changes in financial regulation aimed at reducing the likelihood of another crisis and the debate over whether these changes have been effective.
- More recent financial system disruptions and the policy response—including the March 2020 “dash for cash” and the March 2023 banking crisis.
- Policies used to mitigate the economic fallout from the COVID pandemic.
- What drove the unexpected post-pandemic surge in global inflation and how central banks have responded.

LECTURES AND SECTIONS. There will be two lectures each week. Attending the weekly review section is recommended but not mandatory.

READINGS. There will be a Canvas page for each lecture. You should consult these pages well in advance of each class as they will describe the required preparation. Depending on the session, preparation may involve readings, going through slides, watching videos, listening to podcasts, or other tasks. In addition to the required readings, I will list key academic pieces that I draw from for the class lectures. These academic pieces will be useful for students who want to do a deeper dive on the topics. Some of the required reading will be on news websites that have paywalls, but Harvard students should be able to access them all by following the instructions [here](#).

ASSIGNMENTS. There will be five assignments. The exercises will include interpreting relevant data, reviewing analysis used to make past policy decisions, and applying results from academic literature. You may confer with others as you prepare assignments, but your thoughts must be written up independently. You must complete all assignments to pass the course.

Provisional assignment due dates:

Assignment 1: Monday February 12
Assignment 2: Monday February 26
Assignment 3: Monday March 25
Assignment 4: Wednesday April 10
Assignment 5: Wednesday April 24

USE OF GENERATIVE ARTIFICIAL INTELLIGENCE (AI). It is generally acceptable to use generative AI for finding information and for solidifying your knowledge of the course content. For instance, it is fine to use AI-powered web search and to have “conversations” with tools like ChatGPT to help you explore ideas, refine your thinking, identify examples, and better understand the course material. However, unless otherwise specified, you may not respond to assignments with text produced predominantly by generative AI—similar to copying from a book or article. If you have any doubt about whether a specific use of generative AI is permitted for an assignment, you should discuss it with a member of the teaching team prior to using it.

PARTICIPATION. Participation and engagement can take many forms. You can ask questions during class, you can chat with me before or after class, you can come to office hours, and you can post or react to articles on the [EC 1746 Canvas Discussion Board](#).

EXAMS. The class will have a midterm exam and a final exam:

- The midterm exam will be held on Wednesday March 6 in class.
- The final exam will be a three-hour in-person exam at 2pm on Friday May 3.

Students requiring accessibility accommodation should submit the appropriate documentation via email to kathleen_strzempek@hks.harvard.edu, by February 26. Always include “EC 1746” in the subject of your email.

EXAM MAKEUP POLICY. No makeup exams will be given. Students requiring alternative accommodation due to an emergency should email kathleen_strzempek@hks.harvard.edu. Always include “EC 1746” in the subject of your email. If you have to miss the midterm for any reason, the weight normally assigned to the midterm exam grade will be applied to the final exam grade in calculating your grade for the semester.

GRADES. Course grades will be determined from a weighted sum of the assignments (25%), the midterm (30%), and the final exam (45%). I encourage participation and will adjust grades upwards for those who contribute to constructive discussions, including at section and through use of the [Canvas Discussion Board](#).

COMMUNICATION. You should regularly check the Canvas class pages for information about required preparation for each class (and for slides, recordings, and other follow-ups after each class). We will also be sending out announcements via email with news about the class.

I will aim to arrive a few minutes early for informal discussion. I will also regularly stay after class for questions about the material, current events, or other topics you would like to discuss.

I will hold regular office hours every week starting at the end of January. The schedule will be finalized by the time that classes start; at that point, you will be able to see the available appointments and schedule a time at [this website](#). I am planning to hold my office hours in person, but if that does not work for you, email my assistant [Kat Strzempek](#) to change the appointment to Zoom.

Feel free to contact me by email with concerns and questions. When you do so, please include “EC 1746” as part of your subject line. I will make every effort to get back to you in a timely fashion, but if you do not hear back within 48 hours, please write again to make sure that I did not lose track of your email.

CODE OF CONDUCT. Please be on time for the lectures. All course activities—including class meetings, homework assignments, and exams—are subject to the Academic Integrity portion of the [Harvard College Handbook for Students](#). Academic misconduct of any sort will not be tolerated.

TECHNICAL SUPPORT. If you have any issues related to class recordings or the Canvas page, contact Harvard University Information Technology at ithelp@harvard.edu or 617-495-7777.

CLASS SCHEDULE

Mon. January 22	Class 1	Course Introduction and Overview
Wed. January 24	Class 2	Historical Perspective on Financial and Economic Crises
Mon. January 29	Class 3	The Economic and Financial Environment of the Early 2000s
Wed. January 31	Class 4	The Drive for Homeownership in the United States
Mon. February 5	Class 5	The Basics of the Mortgage Boom and Bust
Wed. February 7	Class 6	Was the Mortgage Crisis a “Subprime Crisis”?
Mon. February 12	Class 7	From the Mortgage Crisis to the Broader Financial Crisis: Part 1
Wed. February 14	Class 8	From the Mortgage Crisis to the Broader Financial Crisis: Part 2
Mon. February 19		NO CLASS: PRESIDENTS’ DAY
Wed. February 21	Class 9	Escalating Financial Market Stress and the Policy Response
Mon. February 26	Class 10	The 2008 Meltdown and the Policy Response
Wed. February 28	Class 11	Policies to Help Insolvent Banks and Struggling Homeowners
Mon. March 4	Class 12	Where Does the Blame Lie?
Wed. March 6	Class 13	MIDTERM EXAM
Mon. March 11		NO CLASS: SPRING BREAK
Wed. March 13		NO CLASS: SPRING BREAK
Mon. March 18	Class 14	The Euro’s Three Crises
Wed. March 20	Class 15	Recessions and their Costs
Mon. March 25	Class 16	Policy Lessons from the Great Recession
Wed. March 27	Class 17	The Runup in Student Debt
Mon. April 1	Class 18	Financial Reform, Part 1
Wed. April 3	Class 19	Financial Reform, Part 2
Mon. April 8	Class 20	The Great Lockdown
Wed. April 10	Class 21	The “Dash for Cash” and Other Pandemic Financial Stresses
Mon. April 15	Class 22	Guest Lecture: Jeremy Stein on the Bank Panic of March 2023
Wed. April 17	Class 23	Cryptocurrency and Related Issues
Mon. April 22	Class 24	Inflation Then and Now
Wed. April 24	Class 25	High Government Debt and Other Challenges for the Future