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Graders: Alberto Gamboa, Toshiki Kawashima
Office Hours: Tuesday 1:45-2:45, (CH215A)

Course Overview:
The subprime crisis in 2008 and the subsequent debt crisis in Europe were just the latest of a long series of episodes of financial turmoil spanning several centuries. This course will take stock of the succession of financial meltdowns (going back to the Tulip-mania in the 17th century all the way to the Bit-coin mania). It will emphasize the repetition of patterns, but also the existence of significant differences across individual crises. Special attention will be paid to historical evolutions and “policy responses,” that is, to the co-development of crises and institutional remedies. The course is self-contained, in that students need not have a prior training in economics, history, or finance. The goal is to develop a fact-based and historically-rooted understanding of the mechanisms of financial speculation and panics. Ultimately, students enrolling in this course are expected to achieve a command of the history of financial turmoil. Students interested and concerned about their ability to follow the course are encouraged to contact the instructor.

Course requirements

1. Involvement. It is assessed, among other things, through students posting every week before Sunday midnight, one paragraph about what they have learnt during the week (two weekly opt-out for the semester); Participation during debates, reports etc. also play a role (20%).
2. Midterm exam. To be administered on October, 9 2018 (15%).
3. Team work. Commentary of documents, Reports, etc., (group grading, student receive group’s grade) (30%)
4. An in-class final exam during exams week (date to be communicated by UPenn, not known at this stage) (35%)

Course organization:
Each week will be broken down into two parts. The dates given below for the “week” corresponds to the date of the Monday of that week. Meetings take place on Tuesday and Thursday.

The first meeting (Tuesday) consists in a lecture devoted to an episode of financial turmoil. It usually goes along with assigned reading (“background reading” marked with an asterisk “*”). Additional readings are given for reference, in order to enable more strongly motivated students to deepen their understanding, but are not required.

The second meeting (Thursday) provides an opportunity to add perspective in a variety of ways and develop additional skills. We will project documentaries, learn how to discuss historical documents, organize debates, listen to academic guest lecturers or practitioners, etc.

Reference works (available in the Van Pelt reference area):

Schedule

Week 1. Week of August 27 Course introduction and motivation: What is a financial crisis?
First Meeting (August 28): Giving Historical Perspective: Kindleberger’s Theory of Financial Crises
* Background reading: “Financial crises, a hardy perennial,” and “Anatomy” in Kindleberger, Manias, Panics and Crashes, pp. 1-20

Week 2. Week of September 3 Bubbles vs. Fundamentals
First Meeting: The Case of the Tulip-Mania (17th century)
Background reading:
Also:
**Week 3. Week of September 10 Driving a Bubble: Politics, Society and Speculation**

**First Meeting:** John Law and the Mississippi Bubble (18th century)

**Second Meeting:** NO COURSE THIS DAY: PROFESSOR FLANDREAU IS AT A CONFERENCE

**Week 4. Week of September 17 Why Do Crises Spread?**

**First Meeting:** Contagion and Liquidity: The Crisis of 1763
- Also:

**Second Meeting:** How to Read a Historical Document. Teams produce small reports. Theme: TBD

**Week 5. Week of September 24 Governing Trading Risks in a Stock Exchange**

**First Meeting:** “Lame Ducks” and Trading Risks in the London Stock Exchange

**Second Meeting:** Discussion of the group essays.

**Week 6. Week of October 1 Mid-Term Preparation Week**

**First Meeting:** REVIEW SESSION WITH ALBERTO GAMBOA AND TOSHIKI KAWASHIMA.

**Second Meeting:** Fall Break
Week 7. Week of October 8 Exam
   First Meeting: Midterm Exam. (Definitions and commentary of a historical document).
   Second Meeting: (October 11, 2018), Discussion of the documents

Week 8. Week of October 15 Sovereign Debt
   First Meeting: The First Foreign Debt Bubble – And the Next Ones...
   Second meeting: Group work – commentary of a historical document and class discussion: Intermediaries' Reputation and Sovereign Debt Crises

Week 9. Week of October 22 The Rise of Central Banking
   First meeting: The Emergence of the Lender of Last Resort in Britain, in 1866
   “Upward Mobility.2: Purveyors to the crown: The Magoulets: 1638-1678” chapter 2 from *The Queen's Embroiderer*
   “The invention of the prostitute” (draft)

Week 10. Week of October 29, On Rating Agencies (or, the US Road to Financial Disaster)
   First Meeting: From Financial Architecture to Financial Disaster
   Also:
   Second Meeting: Prof Larry Neal, author of *”I Am Not Master of Events” The Speculations of John Law and Lord Londonderry in the Mississippi and South Sea Bubbles*, a leading world specialist of the history of international finance and a visitor at Penn where he works on a project on the Louisiana purchase will give a
conference on the history of derivative products (background paper to be posted online).

**Week 11. Week of November 5  Twin Crises**
- **First Meeting:** Two Views on the German Crisis of 1931
- **Second Meeting:** Debate: Structural Instability in the Interwar and the Emergence of the IMF. Students organize groups and prepare presentations supporting one view or the other (assignment of views made by instructors).

**Week 12. Week of November 12 Dealing with the Culprits**
- **First Meeting:** The New Deal and the “Banksters”
- **Second Meeting:** Invited conference: Dr. Damian Clavel, Howard S. Marks Postdoctoral Fellow, University of Pennsylvania, “On Fraud.”

**Week 13. Week of November 19 Understanding the Rise of Sub-Prime Securities**
- **First Meeting:** Michael Milken and the Case of Junk Bonds
- **Second Meeting:** *Thanksgiving*

**Week 14. Week of November 26 The Sub-Prime Crisis in Historical Perspective**
- **First Meeting:** The Sub-Prime Crisis: Conflicting Diagnoses
Second Meeting: Guest lecture by Howard S. Marks, Oaktree Capital, author of Mastering the Market Cycle: Getting the Odds on Your Side (October 2018)

PREPARATION READING (LOOK ON CANVAS) THE DEVIL TAKES THE HINDMOST

Week 15. Week of December 3: LAST WEEK OF CLASSES; Debates and controversies on the subprime crisis
First Meeting: Review Session

Second Meeting: Final exam (in class)