

PPHA 42521 HISTORY OF FINANCIAL CRISES

Spring 2023 Thomas Coleman, tcoleman@uchicago.edu

Lecture time:

- Mon & Wed, 1:30pm - 2:50pm

TA's:

- William (Tanze) Wang willtwang@uchicago.edu
- Casey Moser moserc@uchicago.edu

Prof. Coleman Office Hours:

- Tuesday 2:30-3:30, Thursday 3-3:30pm, room 3037

TA sessions:

We will announce

COURSE SUMMARY

Detailed reading list will be published shortly

Money, debt, and banking have all been central to the emergence of modern nation-states, and are critical to the functioning of any economy. Financial crises, however, have been a recurrent theme in both developed and developing economies. The 2008 crisis fits into a long history. We all know the Great Depression but the U.S. also experienced speculative booms and busts in 1907-08, 1892-93, 1873. France and England suffered speculative manias in the early 1700s (the Mississippi bubble in France, the South Sea bubble in London). The goal of this course is to investigate what we can learn about money, banking, debt, and macroeconomic or systemic risk through examination of financial crises throughout history. These lessons of history are important whether it is the South Sea bubble of 1700s or the mortgage debt crisis in the United States in the 2008, financial crises have shaped our world. Understanding history is the first step towards intelligent policy.

We will examine the financial and economic history, using episodes of crisis to learn about government debt, money, and banking. We will try to understand some of the mechanisms and processes that seem to generate financial crises. We will read some of the classics as well as some of the newer texts in this area:

- *Fragile by Design* by Charles Calomiris & Stephen Haber (for a cogent and disciplined analysis of banking systems across time and across countries US, Canada, UK, Mexico, and Brazil)

- *A Free Nation Deep in Debt* by James Macdonald (an interesting hypothesis that debt capacity and debt management has been central to the growth of democratic republics)
- *A Monetary History of the United States* by Milton Friedman & Anna Jacobson Schwartz (for discussion and data on the financial crises of 1897, 1907, 1929)
- *This Time is Different Eight Centuries of Financial Folly* by Carmen Reinhart & Kenneth Rogoff (for why this time is not different financial folly has a long history)
- *Manias, Panics, and Crashes* by Charles P. Kindleberger (for a history of, but also a “theory” of financial panics)
- *Extraordinary Popular Delusions and the Madness of Crowds* by Charles Mackay (for a history of the 18th century South Sea Bubble in Britain and the Mississippi Company in France)
- *Lords of Finance* by Liaquat Ahamed (a popular and entertaining account of the 1920s and the Great Depression through the perspective of four central bankers: Strong, Norman, Moreau, Schacht)
- *Puzzles of Inflation, Money, and Debt: New Monetarism and the Fiscal Theory of the Price Level*, by Coleman, Oliver, Siegel, CFA Institute Research Foundation Brief Forthcoming 2021