

ECON 490: Seminar in Macroeconomics
Fall 2019

Comparative Credit Cycles and Financial Crises
Instructor: David Longworth

Financial crises have been a recurring feature of the global economy for well over 200 years. Yet, as the Global Financial Crisis of 2008-2009 shows, they have not become less severe. This crisis also renewed interest in credit cycles and their role in macroeconomic fluctuations.

This course will start with two weeks of lectures covering topics such as: (i) a discussion of banks and the financial system, including credit risk and liquidity risk; (ii) relevant macroeconomic models and models of bank runs; (iii) a discussion of credit cycles, credit supply, debt service, and their relationship with business cycles; (iv) the literature on prediction; (v) the literature on central bank policy response, including liquidity policy, conventional monetary policy and unconventional monetary policy; and (vi) an introduction to the macroprudential approach to regulation and macroprudential tools. Much of the focus in this seminar is on what is similar and what is different across credit cycles and financial crises (including across experience in various countries) and what we can learn from that.

Students will be required to research and write a major research paper of approximately 5000 words. Although the paper could be aimed at extending existing theory, it will typically be empirical in nature, using an appropriate presentation of data, graphs, and perhaps econometrics. Topics for the major research paper should be in one of the following areas:

- Relationships between credit cycles, business cycles and cycles in financial prices
- Prediction of business cycles using credit and other financial variables
- Prediction and causes of financial crises
- Central bank policy response to financial crises or credit growth and its effectiveness
- Other policy responses to financial crises and their effectiveness
- Prevention of financial crises and effectiveness of macroprudential policy instruments.

Attendance in all classes, meetings, and presentations is **mandatory**.