

**ECON 491: Seminar in Macroeconomics
Winter 2020**

**Understanding the 2008-09 Financial Crisis
Instructor: Michael Kennedy**

The world economy in 2008-09 experienced its most severe recession since the Second World War - actually since the Great Depression - and this has presented the economics profession with a number of unprecedented challenges. From a cross-country perspective, this course will ask students to use their knowledge of macro and financial-market economics, as well as econometrics if desired/needed, to evaluate a number of facets of these developments, the various policy responses as well as the recommendations being made regarding future prevention.

Completion of a major research paper (of no more than 5000 words) is the most important requirement to successfully finishing the course. This research topic has to be agreed upon by the end of the third week of classes and must be finished by the end of term. Students will also be required to make a short presentation of their initial proposals (around the fourth week of the term) as well as a longer presentation of their finished product to the class (final weeks). Comments on the work of others will be an important part of students' work and final assessment.

While students will be choosing their own research topics (in consultation with the instructor) these topics must have some focus on the economic crisis of 2008-09. A non-exhaustive list of potential areas (which themselves are not mutually exclusive) from which a research topic could be drawn is shown below.

Causes and consequences

- what factors drove the downturn;
- why was it so sharp and global in nature;
- why were some countries hit so much harder than others;
- what was new in these developments and what was not.

Policy frameworks and responses

- were existing monetary policy frameworks, with their focus on low inflation, adequate;
- should these frameworks have been broadened to include asset market developments;
- were fiscal policy frameworks up to the task;
- were the various policy responses (fiscal as well as monetary) appropriate/effective.

Lessons and recommendations

- what risks are posed by policy actions taken at the time;
- were those risks worth taking
- what are the policy implications (monetary and fiscal) now that the economy has recovered

To provide students with some background for choosing their research topics, the first few weeks of the course will involve a series of lectures and class discussions on developments leading up to and after the crisis and the types of economic frameworks/models that were used to analyse these events as well as to evaluate policy responses. Students will also be made aware of some of the relevant literature - which is vast, recent and ongoing - as well as data sources.

Attendance in all classes, meetings and presentations is compulsory as is participation in class.