Financial Crises
Economics 43370 (01 & 02)
Fall 2026
University of Notre Dame du Lac

Times and Locations

Section 1: Tuesdays and Thursdays, 3:30-4:45 pm, DeBartolo 320
Section 2: Tuesdays and Thursdays, 2:00-3:15 pm, DeBartolo 320

Instructor

Professor Eric Sims
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Personal Website
Course Website: Canvas
Office hours: Tuesdays 11:15-12, Wednesdays 2-3:15, and by appointment

Course Overview

This course is about financial crises. Financial crises are rare but nevertheless recurrent events that have adversely affected economies for centuries. Although one can never be certain about the future, it is a good bet that financial crises will continue to disrupt economies periodically.

The financial system serves as an intermediary between savers and borrowers. This intermediation is valuable for all parties – borrowers gain access to funds for potentially high-return investments, and savers gain access to relatively safe, liquid savings vehicles. Crises are episodes in which the normal functioning of the financial system is severely impaired. Crises are often associated with falling asset prices, runs, fire sales, and contractions in credit, with potentially large macroeconomic consequences. This course examines why crises occur, why they are costly, and what governments and central banks can do to reduce their frequency and severity.

This course will begin with several lecture-based classes that develop necessary foundations in finance, money, banking, and asset pricing. In the middle portion of the semester, we will draw on these foundations to study financial crises more directly. Together, we will read books by Brunnermeier and Reis (*A Crash Course on Crises*), Gorton and Tallman (*Fighting Financial Crises*), Gorton (*Misunderstanding Financial Crises*), and Mian and Sufi (*House of Debt*). We will also read a handful of academic papers. The books and papers combine theory, empirics, and history to study actual financial crises. The course will culminate in an independent term paper in which each student will analyze a historical crisis and present the results to the class. There will be two intermediate assignments due during the semester that build up to the final paper.

Assignments and Grading

This course has the writing-intensive designation. As such, a significant portion of the grade will come from a substantial writing assignment. The final product will be a term paper (approximately 12-20 pages) to be presented to the class.

The term paper will be about a historical financial crisis (a list of historical crises from which you must choose is available at the end of the syllabus; if you wish to study an unlisted crisis, you may do so with my prior approval). I will randomly assign a draft order for each section. The person with the #1 seed will get to pick a crisis first, followed by the #2 seed, and so on. Students within a section may not work on the same crisis. You must make an initial crisis selection by September 29. I am not opposed to students trading crises after the initial draft, but you must be locked in and committed to a crisis by October 8.

The term paper will be broken down into three sub-assignments. You will turn in a short (three- to five-page) paper summarizing the basic facts and a chronology of the crisis on October 15. You will turn in a short (three- to five-page) paper describing the economic mechanisms at play in your crisis on November 17. You can (and should) draw upon the class readings for this short paper. The final paper should substantially revise and expand the two preliminary papers, add an introduction and conclusion, and incorporate a three- to five-page evaluation of the policy response. The completed paper should ordinarily be 12-20 pages (this is a guideline; I am not concerned if you are a little above or below). The final paper is due December 8 (our final class meeting of the semester). In addition to readings from class, you can (and should, if you want a good grade) cite other primary and secondary sources in your papers. There are no specific style or formatting guidelines for the written assignments. References should be appropriately cited, and the manuscript should look clean and professional.

In the last three classes (December 1, 3, and 8), you will give an approximately 10-minute presentation (using slides) about your crisis. You will get to choose your presentation slot in reverse order of the draft (e.g., the person who was #1 to pick his/her crisis will get the last choice for presentation slot). Please note that most presentations will take place before the final paper is due.

Altogether, the paper will account for 50 percent of your semester grade. The first two short papers (chronology and mechanisms) will be graded independently and will each count for 10 percent of the course grade. The final term paper will count for 30 percent. The presentation to the class will count for an additional 10 percent of the course grade.

There will be one in-class exam. This will be administered on September 15 and will cover topics from the first several lecture-based classes. This exam will count for 15 percent of the course grade. During the middle part of the term, there will be a total of seven pop quizzes administered at the beginning of class. These pop quizzes will feature a mixture of true-false and multiple-choice questions based on that day's readings. The quizzes are not meant to be challenging. Rather, they are meant to incentivize you to do the readings. You will be able to drop your two lowest quiz scores (so only the best five scores count toward your grade). The drops are meant to cover absences (excused or otherwise). Collectively, the quizzes will account for 15 percent of your final grade. The final 10 percent of the course grade will be based on a subjective assessment of your participation (particularly during the middle, reading-heavy component of the course).

The quizzes and exam will be graded on a conventional 100-point scale. The paper (all components), presentation, and participation will be graded on a letter-grade scale. Letter grades for these components will map into points as follows:

- A+: 100

- A: 96
- A-: 92
- B+: 88
- B: 85
- B-: 82
- C+: 78
- C: 75
- C-: 72
- D: 65
- F: 50

Your final numeric point total for the semester is as follows:

$$p = 0.15 \times (\text{exam}) + 0.15 \times (\text{quizzes}) + 0.3 \times (\text{final paper}) + 0.1 \times (\text{short paper 1}) + 0.1 \times (\text{short paper 2}) + 0.1 \times (\text{presentation}) + 0.1 \times (\text{participation})$$

Note that an A+ may be awarded on an individual assignment, but highest possible final letter grade is an A. Final letter grades for the semester will be based on final points, p, as follows:

- A: $p \geq 94$
- A-: $90 \leq p < 94$
- B+: $87 \leq p < 90$
- B: $84 \leq p < 87$
- B-: $80 \leq p < 84$
- C+: $77 \leq p < 80$
- C: $74 \leq p < 77$
- C-: $70 \leq p < 74$
- D: $65 \leq p < 70$
- F: $p < 65$

I will be using the "Grades" tool on Canvas. This will allow you to monitor your performance throughout the semester.

Readings

We will read four books during the semester. In the order in which they appear in the course, these are:

- Brunnermeier, Markus and Ricardo Reis. 2023. *A Crash Course on Crises: Macroeconomic Concepts for Run-Ups, Collapses, and Recoveries*. Princeton University Press. Publisher website. Amazon link. Abbreviation: BR.
- Gorton, Gary and Ellis Tallman. 2018. *Fighting Financial Crises: Learning from the Past*. University of Chicago Press. Publisher website. Amazon link. Abbreviation: GT.
- Gorton, Gary. 2012. *Misunderstanding Financial Crises: Why We Don't See Them Coming*. Oxford University Press. Publisher website. Amazon link. Abbreviation: G.

- Mian, Atif and Amir Sufi. 2014. *House of Debt: How They (and You) Caused the Great Recession, and How We Can Prevent It from Happening Again*. University of Chicago Press. Publisher website. Amazon link. Abbreviation: MS.

We will also read several academic articles and primary-source documents. In alphabetical order, these are:

- Bernanke, Ben. 1995. "The Macroeconomics of the Great Depression: A Comparative Approach." Journal of Money, Credit and Banking 27(1): 1-28. Link.
- Bernanke, Ben and Olivier Blanchard. 2025. "What Caused the US Pandemic-Era Inflation?" *American Economic Journal: Macroeconomics* 17(3): 1-35. Link.
- Clarida, Richard, Burcu Duygan-Bump, and Chiara Scotti. 2021. "The COVID-19 Crisis and the Federal Reserve's Policy Response." Finance and Economics Discussion Series 2021-035, Board of Governors of the Federal Reserve System. Link.
- Diamond, Douglas. 2007. "Banks and Liquidity Creation: A Simple Exposition of the Diamond-Dybvig Model." *Federal Reserve Bank of Richmond Economic Quarterly* 93(2): 189-200. Link.
- Fishback, Price. 2017. "How Successful Was the New Deal? The Microeconomic Impact of New Deal Spending and Lending Policies in the 1930s." *Journal of Economic Literature* 55(4): 1435-1485. Link.
- Friedman, Milton and Anna Schwartz. 1965. *The Great Contraction, 1929-33*. Princeton University Press. Link.
- Keynes, John Maynard. 1938. "Letter to the President." Link.
- Metrick, Andrew. 2024. "The Failure of Silicon Valley Bank and the Panic of 2023." *Journal of Economic Perspectives* 38(1): 133-152. Link.
- Roosevelt, Franklin Delano. 1933. "Fireside Chat: The Banking Crisis." Link.
- Scott, Hal and Connor Kortje. 2025. "Lender of Last Resort: Lessons from the 2023 Banking Crisis." *Stanford Journal of Law, Economics & Business* 30(2): 349-400. Link.

Prayer Before Class

I will open each class with a free-form prayer asking God to guide us as we seek to better understand the world around us. Notre Dame is a Catholic university, and my Catholic faith is important to me. If you would like to add a prayer intention, please email me your intention before class, and I will include it in my opening prayer. Participation is not required.

Attendance

Attendance is not graded directly, but regular attendance is strongly encouraged. There will be seven pop quizzes with just two drops in the middle part of the semester. Excessive absences may result in a zero on one or more quizzes. Much of the course will be based on discussion. A small component of the grade is based on class participation. One cannot participate if one is not present. Excessive absences may result in lower participation grades, even if participation is strong when present.

There are two sections of this course. Given space constraints, I require you to attend the section in which you are enrolled. If something unusual comes up and you can't attend your section but can make the other, that is fine. But please don't make it a habit.

Artificial Intelligence
AI has the potential to greatly enhance your educational experience. But it can also be used as a crutch that limits your learning, understanding, and development. Exams and quizzes will be in class using pen and paper. For out-of-class writing assignments, it is essentially impossible for me to monitor, much less police, AI use. I will therefore not actively attempt to do so.

I believe you can, and indeed should, use AI in your studies. AI is here to stay. It is a tool you must be adept with. I believe you should complete all the readings the old-fashioned way (i.e., with your own eyes). Then you can use AI to complement and enhance your understanding of the readings, brainstorm ideas, and suggest revisions to your own writing. You could, instead, ask AI to produce high-level summaries of the readings, without digging into the material on your own. This might suffice for getting through the quizzes. But it's not going to enhance your long-term understanding. You are an adult. Why are you here? To cross some things off a list with as little trouble as possible in pursuit of a credential? Or to push yourself, learn, and expand your understanding of the world? You can decide for yourself.

The temptation to use AI for any writing assignment is real. It's real for me, too. But I also firmly believe that "writing is thinking." As one writes, one thinks and ultimately gains a deeper understanding. You will miss out on this thinking and deeper understanding if you instead have AI write for you. I believe you should write on your own first, then engage with AI to both improve the quality of your writing and hone your arguments. You are responsible for every claim, citation, and sentence you submit. You should not rely on AI to generate substantial portions of your own written work. Suspected violations will be addressed under Notre Dame's Academic Code of Honor.

Technology in the Classroom
Technology is both a blessing and a curse. In my experience, access to my phone or laptop significantly impairs my ability to pay attention. I therefore encourage you to participate in class "screen-free" (i.e., no laptops, phones, or tablets). I am not going to require this, however. You are, after all, adults. But I do reserve the right to ask you to put your device away if I feel that it is imposing a negative externality on other students in the class.

Detailed Course Outline (with due dates)
The following is a detailed course outline. Note that required readings for a day should be completed <u>prior</u> to that class (and will therefore be considered "fair game" for potential pop quizzes). This detailed outline is tentative and subject to potential change.

- August 25: Introduction (lecture)
- August 27: Financial intermediation and banking (lecture)
- September 1: Money and its variants (lecture)
- September 3: Bank runs (lecture)
    - Reading: Diamond (2007)
- September 8: Asset pricing (lecture)
- September 10: The term and risk structures of interest rates (lecture)
- September 15: in-class exam
- September 17: lecture + discussion

- Reading: BR chapters 1-4
- September 22: lecture + discussion
  - Reading: BR chapters 5-8
- September 24: lecture + discussion
  - Reading: BR chapters 9-12
- September 29: lecture + discussion
  - Reading: GT chapters 1-4
  - Must select a financial crisis for the term paper by this date
- October 1: lecture + discussion
  - Reading: GT chapters 5-8
- October 6: <u>no class meeting</u>
- October 8: lecture + discussion
  - Reading: GT chapters 9-12
  - No further adjustments to financial crisis for the term paper after this date
- October 13: lecture + discussion
  - Reading: Friedman & Schwartz (1965) and Bernanke (1995)
- October 15: lecture + discussion
  - Reading: Fireside chat (March 12, 1933), Keynes (1938), Fishback (2017)
  - Due: chronology short paper
- October 20 and 22: no class, fall break
- October 27: lecture + discussion
  - Reading: G chapters 1-5
- October 29: lecture + discussion
  - Reading: G chapters 6-10
- November 3: lecture + discussion
  - Reading: G chapters 11-14
- November 5: lecture + discussion
  - Reading: MS chapters 1-4
- November 10: lecture + discussion
  - Reading: MS chapters 5-9
- November 12: lecture + discussion
  - Reading: MS chapters 10-12
- November 17: lecture + discussion
  - Reading: Clarida, Duygan-Bump, & Scotti (2021), Bernanke & Blanchard (2025)
  - Due: mechanism short paper
- November 19: lecture + discussion
  - Reading: Scott & Kortje (2025), Metrick (2024)
- November 24: <u>no class meeting</u>
- November 26: no class, Thanksgiving
- December 1: student presentations
- December 3: student presentations
- December 8: student presentations
  - Due: final term paper

Historical Financial Crises

Below is a list of possible financial crises. I include the dates and a link to a Wikipedia (or similar) page on the crisis. You must select one of these (according to the randomized draft order) for your term paper. If you strongly wish to study a non-listed crisis, you may do so with my pre-approval.

- Mississippi Bubble, 1719-20, link
- South Sea Bubble, 1720, link
- Railway Mania, 1844-47, link
- Baring Crisis, 1890, link
- Australian Banking Crisis, 1893, link
- Spanish banking crisis, 1977-85, link
- Chilean financial crisis, 1982, link
- Japanese asset price bubble, 1986-91, link
- Norwegian banking crisis, 1988-92, link
- Venezuelan banking crisis, 1994, link
- South Korean IMF crisis, 1997, link
- Asian financial crisis, 1997, link
- Russian financial crisis, 1998, link
- Turkish financial crisis, 2001, link
- Argentine economic crisis, 2001-02, link
- Icelandic financial crisis, 2008, link
- Greek sovereign debt crisis, 2009, link
- Portuguese financial crisis, 2010-14, link
- Cypriot financial crisis, 2012-13, link
- Lebanese financial crisis, 2019-present, link