

# HNRS 353

## The History of the 2008 Financial Crisis

Fall 2013  
Thursdays, 12:30– 3:20 PM  
Dey Hall 302



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Office hours: Mon. and Thurs. 11 AM to 12 PM and by appointment

### Course Description

Five years ago this Fall, the world nearly ended. Even if you didn't really understand what was going on, you were most likely aware that something historic—and historically bad—was going down. Words like “meltdown,” “crisis,” and “economic catastrophe” were everywhere. Billions of dollars of wealth disappeared nearly overnight. Entire countries went bankrupt. So what actually happened? How did the “worst financial disaster since the Great Depression” come to pass in the first place? Weren't there smart people in charge who should have prevented this? And now, looking back from a short distance ahead, how can we put the financial crisis—its causes and its effects—into historical context? What did it *mean*?

This Honors course will investigate the immediate causes, historical background, and long-term repercussions of the worldwide economic and financial crisis that began in 2007, climaxed in 2008, and continues to shape the economic destiny of the world today. We will consider such themes and issues as the American housing bubble, the role of large and interdependent financial institutions, the challenges and possibilities of financial regulation, and the way economic crisis shapes political philosophies and ideologies.

## Course Format and Requirements

The course is divided into three thematic units: What Happened? What Happened Before? and What Happened Next? After exploring in detail the various aspects of the 2007–2009 crisis, we will probe the longer history of finance in the United States and abroad, stretching back to the 19<sup>th</sup> century. Finally, the semester will culminate in a research project in which students take on the challenge of writing the history of the last five years and asking how the 2008 Financial Crisis has shaped modern life.

The seminar meets once a week, and all students will be responsible for contributing actively to discussion. The reading load is significant and you will frequently be assigned films or documentaries to watch outside of class. Your class participation grade, which counts heavily, will be based on your ability to demonstrate that you have thoughtfully engaged with the assignments. In the first half of the course, you will have two writing assignments: a film review that draws together course readings and other media, and an op-ed style essay. In addition, during weeks 5–8, students will work in teams of 6 to lead class discussion (one group per week). Finally, all students will be graded on their contributions to the final group project. (Details below.)

### Attendance Policy

Attendance at all class meetings is mandatory. Any unexcused absence will result in an automatic 5-point deduction from your final grade. In the event of a personal emergency, students should notify me by email before the beginning of class and provide appropriate documentation explaining the absence in order to be excused from class.

**Please Note: *The University of North Carolina Honor Code will be vigorously enforced in all aspects of this course.***

### Grade Breakdown

Attendance and class participation	20%
Film Review (3–4 pages)	10%
Op-Ed-style essay (4–5 pages)	15%
Class discussion-leading	5%
Synopsis (2 pages) of In-Class Interview (8 students per guest; shared with class)	5%
Report/Reflection on outside interviews (3–4 pages)	10%
Group Presentation	20%
Final Project Description and Reflection (4–5 pages)	15%

## A Note on Grading

All aspects of this course will be graded subjectively on an A through F scale.\* For averaging purposes, I will convert letter grades to numbers according to the following scale:

A+	100	B+	88.5	C+	78.5	D+	68.5
A	95	B	85	C	75	D	65
A-	91.5	B-	81.5	C-	71.5	D-	61.5
A-/B+	90	B-/C+	80	C-/D+	70	F	50

\* Assignments that are not completed will be calculated as a 0. (Don't do this.)

At the end of the semester, I will calculate your final weighted average numerically and then convert it, without rounding, according to the following scale:

93 – 100	A	83 – 86.99	B	73 – 76.99	C	63 – 66.99	D
90 – 92.99	A-	80 – 82.99	B-	70 – 72.99	C-	60 – 62.99	D-
87 – 89.99	B+	77 – 79.99	C+	67 – 69.99	D+	<60	F

## Final Project

Historians are generally reluctant to engage the very recent past. (Depending on the historian, the “recent past” can mean anything from post-1990 to post-1970 to the lifetime of today’s senior scholars—ie., post-1930!) Certainly, very few historians would try to bring our craft to the study of the last five years, yet that is precisely what we will do in this course. Your challenge is to work in **groups of three** to conduct original research on the effects of the 2008 Financial Crisis on American business, economics, politics, and/or society, and contribute to a portfolio of new empirical research. Forget journalists—you will truly be writing the “first draft of history”!

Your research will draw on course readings for historical context as well as relevant published sources (newspapers, academic studies, magazines, films/documentaries). Most importantly, you will conduct oral history interviews with professionals whose lives have been affected by the crisis. Three of those interviews will be conducted in class; for three or four others, your group will choose from a list of available subjects, with whom you will coordinate and conduct the interviews yourselves. (No group will interview the same person outside of class.)

To help coordinate these oral history interviews, our class will be working with **Graduate Research Consultant Elizabeth Lundeen**, a PhD candidate in history, scholar of 20<sup>th</sup> century social history, and expert in the methodology of oral history.

Each student will submit synthetic notes and analysis of one of our three in-class interview subjects for the class to share, as well as an individual report on your small-group interviews. Each group will prepare a 15-minute oral presentation, the result of their interviews and research on a particular subject of their choice, in lieu of a final exam on December 10. Finally, each student will submit an individual report on the group project, due on the same day.

## Required Reading

The following books are required for the course. Other assignments will be made available either electronically (via Sakai) or in hard copy during the semester. All books except Galbraith's *The Great Crash 1929* are available at the UNC Student Stores and all are on 2-hour reserve at the Undergraduate Library. I also encourage you to search for less expensive versions online, either in print or electronic form.

Nouriel Roubini and Stephen Mihm, *Crisis Economics: A Crash Course in the Future of Finance*

Gary Gorton, *Slapped by the Invisible Hand: The Panic of 2007*

Charles Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crises*

Hyman Minsky, *Stabilizing an Unstable Economy*

Louis Hyman, *Borrow: The American Way of Debt*

Sheila Bair, *Bull by the Horns: Fighting to Save Main Street from Wall Street and Wall Street from Itself*

John Kenneth Galbraith, *The Great Crash 1929*

## Films

The following films and documentaries are required viewing outside of class, on the dates noted in the syllabus. *The Flaw* is available for free streaming on Netflix (as of August 2013); the other two are on reserve at the Media Resources Center in the Undergraduate Library. You may also rent (or purchase) them from iTunes and Amazon, and may wish to coordinate group viewings among yourselves, at your convenience.

*The Flaw* (2011)

*Inside Job* (2010)

*Too Big to Fail* (2011)

## About Your Professor

I am a historian of modern American politics, business, and capitalism. This fall, my first book—*Lobbying America: The Politics of Business from Nixon to NAFTA*—will be published by Princeton University Press. This book, which is based on research I conducted both as a graduate student writing a doctoral thesis and as a faculty member at Carolina in the past four years, tells the story of the American business community's involvement in national politics in the 1970s and 1980s. My next book project will explore the politics of small business ownership in America since 1980.

# Course Schedule

## Part I: WHAT HAPPENED?

### August 22: A Crisis for Our Times

Course introduction

In-class screening: *Inside the Meltdown* (PBS Frontline Documentary)

### August 29: The Housing Bubble and the Rise of Securitization

Reading: Roubini/Mihm, pp. 1–6; 62–86  
Gorton, pp. 62 -108 (do your best; don't sweat the math)  
Felix Salmon, *The Formula that Killed Wall Street*  
([http://www.wired.com/techbiz/it/magazine/17-03/wp\\_quant?currentPage=all](http://www.wired.com/techbiz/it/magazine/17-03/wp_quant?currentPage=all)); also on Sakai

Film: *The Flaw*

### September 5: A Run on the Shadow Banks—the Panic of 2007

Reading: Gorton, pp. 38 – 52; 115 – 148  
Roubini/Mihm, pp. 86 – 106

Film: *Inside Job*

### September 12: The Crash of 2008

Reading: Roubini/Mihm, pp. 106 – 134  
Bair, pp. 1 – 9; 73 – 105

Film: *Too Big To Fail*

### September 19: Bailouts, Bailouts, Bailouts

Reading: Roubini/Mihm, pp. 135 – 181  
Bair, pp. 107 – 180

**Film Review Due in Class.** (Review may address one of the assigned films, using other films and course reading for context, or another film, upon approval of course instructor.)

## September 26

### **In-Class Interview: The View from the Corner Office—Peter T. Grauer '68, Chairman of the Board, Bloomberg LP**

All students should prepare for this interview by researching Grauer and drawing on course readings and class discussions to come up with a variety of questions.

## **Part II: WHAT HAPPENED BEFORE?**

For each class meeting during this part of the course, ¼ of the class (6 students) will meet beforehand to plan the structure of the seminar and then, together, lead the class discussion.

### **October 3: Financial Panics Before the 20<sup>th</sup> Century**

Reading: Kindleberger, pp. 97 – 100; 110 – 120; 163 – 171; 176 – 190; 195 – 210  
Gorton, pp. 28 – 28

**Notes and Synopsis of Grauer Interview due by email.** (8 students)

### **October 10: The Great Depression**

Reading: Galbraith, all

Recommended: Ben S. Bernanke, “The Macroeconomics of the Great Depression: A Comparative Approach,” *Journal of Money, Credit and Banking* (27:1), Feb. 1995 (on Sakai)

### **October 24: The Postwar System**

Reading: Kindleberger, pp. 228 – 234; 236 – 238  
Roubini/Mihm, pp. 47 – 59  
Minsky, pp. 3 – 10; 13 – 22; 38 – 42; 52 – 67; 87 – 95

In-class discussion of oral history methodology with **Graduate Research Consultant Elizabeth Lundeen**

### **October 31: Consumption, Debt, and Finance**

Reading: Hyman, *Borrow*, all  
Greta Krippner, “The Financialization of the American Economy,” *Socioeconomic Review* (2005) (on Sakai)  
Gerald Davis, “Not Just a Mortgage Crisis: How Finance Maimed Society,” *Strategic Organization* 2010 (on Sakai)

### **Part III: WHAT HAPPENED NEXT?**

In this final part of the course, we turn our attention to the aftermath of the crisis, leading to your group projects, which will together form a portfolio of new evidence and analysis about the historical place of the financial crisis.

#### **November 7: RESEARCH WEEK**

There will be **no class meeting** this week. You should use this time in your 3-person groups to conduct on-site oral history interviews as well other research for your final papers.

**Op-Ed Assignment Due** by email by 5 PM

#### **November 14**

##### **In-Class Interview: The View from Academia—Lawrence Baxter, Duke University School of Law**

All students should prepare for this class by researching Baxter, his writings, and his role in the banking community.

Reading:       Kindleberger, pp. 239 – 255  
                  Minsky, pp. 295 – 334  
                  David Moss, “An Ounce of Prevention: The Power of Public Risk Management in Stabilizing the Financial System,” Harvard Business School Working Paper (available on Sakai)

#### **November 21**

##### **In-Class Interview: TBD**

**Notes and Synopsis of Baxter Interview due by email.** (8 students)

#### **November 28: Gobble, Gobble, Gobble**

**Notes and Synopsis of Third Interview due by email by Wed., Nov. 27** (8 students)

**Tuesday, December 10: 12 PM, Group Presentations and Final Reflection Essay Due. Location TBD**