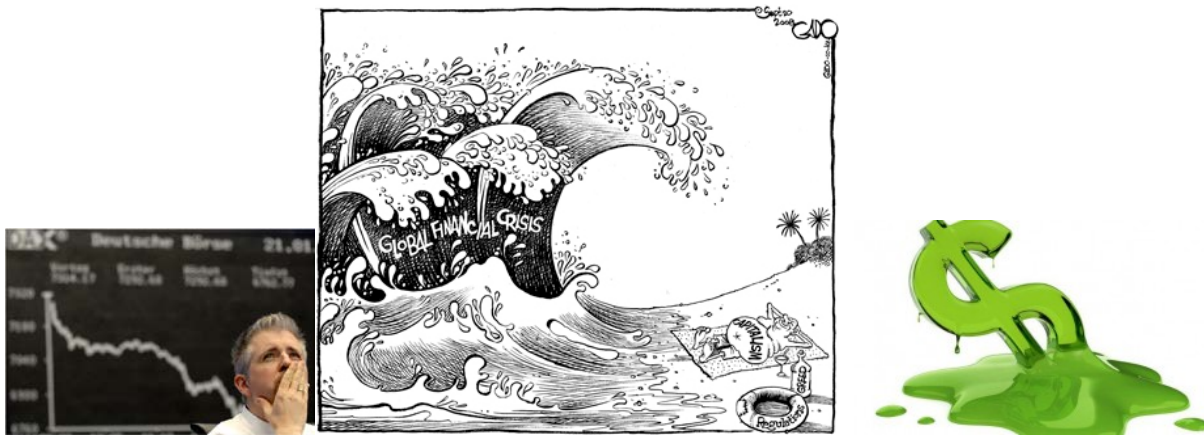


HIST 489H
The History of the 2008 Financial Crisis
Fall 2018
Tuesdays and Thursdays, 9:30 to 10:45 AM
Wilson 202



Professor Benjamin Waterhouse
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473 Hamilton Hall
Office hours: Tuesday/Thursday, 1 PM to 2:30 PM

Course Description

Ten years ago this Fall, the world nearly ended. Even if you were too young to 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 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 19th century. Finally, students will take on the challenge of understanding the history of the last ten years and asking how the 2008 Financial Crisis has shaped modern life.

The seminar meets twice 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 2 units 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. During weeks 7 to 11, students will work in small teams to lead class discussion (one group per class). Finally, all students will write a substantial final paper that draws together lessons from the 2008 Financial Crisis and its effects during the last 10 years.

Attendance Policy

Attendance at all class meetings is mandatory. Any unexcused absence will result in an automatic 3-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.

Laptop Policy

This is a discussion-oriented seminar that takes place in a confined space. As such, the use of laptop computers, tablet, phones, and other electronic devices would be unnecessary, distracting, and counterproductive. Students are encouraged to take notes on paper; in general, the use of electronic devices is not permitted. Exceptions will be made periodically for in-class research. Students with documented need for an exception to this policy should speak privately with the instructor.

The University of North Carolina Honor Code will be vigorously enforced in this course.

The University of North Carolina at Chapel Hill has had a student-led honor system for more than 100 years. Academic integrity is at the heart of Carolina and we all are responsible for upholding the ideals of honor and integrity. The student-led Honor System is responsible for adjudicating any suspected violations of the Honor Code and all suspected instances of academic dishonesty will be reported to the honor system. Information, including your responsibilities as a student is outlined in the Instrument of Student Judicial Governance. Your full participation and observance of the Honor Code is expected.

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 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.

- 1) Alan S. Blinder, *After the Music Stopped: The Financial Crisis, the Response, and the Work Ahead* (2013)
- 2) John Kenneth Galbraith, *The Great Crash 1929* (1954; 2009 edition)
- 3) Robert G. Kaiser, *Act of Congress: How America's Essential Institution Works, and How It Doesn't* (2013)
- 4) Michael Lewis, *Panic: The Story of Modern Financial Insanity* (2009)
- 5) Nouriel Roubini and Stephen Mihm, *Crisis Economics: A Crash Course in the Future of Finance* (2010)

Note: Additional Readings are available on the Sakai page.

Films

We will screen the following films outside of class, on the dates noted in the syllabus. If you cannot attend the class screening, it is your responsibility to view the film on your own before the next class. All three 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)
- Too Big to Fail* (2011)
- The Big Short* (2015)

Grade Breakdown

Seminar and online participation	15%
Film Review (4–5 pages)	15%
Op-Ed-style essay (4–5 pages)	15%
Book Review Essay (4–5 pages)	15%
Class discussion-leading	15%
Final Paper Proposal	1%
Final Paper (10–12 pages)	20%
Final Paper Presentations	4%

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

Collaboratively Created Content

Throughout the course, students will use the Wiki feature on Sakai to contribute content to two documents: 1) a detailed timeline of key events in the Financial Crisis; 2) an evolving list of questions (which the instructor will help curate and categorize as it grows). Student participation in the generation of this content will be assessed as part of the participation grade.

Written Assignments

Film Review

Due Friday, September 28 by midnight (through Sakai)

4–5 pages, double spaced.

To conclude the unit on “What Happened?,” students should select one of the films we screened as a class to review. In a 4 to 5 page essay, craft a thoughtful, informed, and critical analysis of the film. Your essay should consider with the film’s approach/style, the angle it took on the financial crisis, and the argument it made. Make sure to engage directly with material from other course content—particularly the readings and course content—as you assess film’s strengths and weaknesses.

Students who wish to review a film other than the three screened as a class should discuss their preference with the instructor before doing this assignment.

Op-Ed Style Essay

Due Friday, October 26 by midnight (through Sakai)

4–5 pages, double spaced.

To conclude the unit on “What Happened Before,” students will imagine themselves back in the midst of the 2008 Financial Crisis and use their understanding of **earlier** moments in the history of finance to write a historical op-ed. A “historical op-ed” is an opinion piece about a current topic that uses examples and lessons from the past to illuminate an ongoing or developing problem, suggest a new way of interpreting an issue, or otherwise derive a valuable lesson from history for the present.

Choose a specific day between December 2007 and February 2009 and consider what specific events were in the news. (You should consult our readings and timeline of the crisis, as well as newspapers, magazines, and online sources.) From the perspective of **that day** (i.e., not what we have learned since then), use your op-ed to comment on current events by drawing connections to the past. That is, for the purposes of this assignment, transport yourself back in time to the days of the crisis, so that “history” refers to things that came *before* 2007 and “current” refers to the day you choose.

Book Review

Due Friday, November 16 by midnight (through Sakai)

4–5 pages, double spaced.

To conclude the unit on “What Happened After,” students will write a critical analysis of Robert Kaiser’s book *Act of Congress*. Drawing on our class discussions and your understanding of the causes and consequences of the Financial Crisis, assess Kaiser’s treatment of the Dodd-Frank Act. In addition to explaining Kaiser’s arguments and findings, offer your analysis (with supporting evidence) of his methods, his interpretation of policy and politics, and his understanding of the financial crisis itself. What does the book do well? What could the author have done differently or better? Why?

Final Project

Due Tuesday, December 11, 8 AM through Sakai

Option 1: 10–12 page research paper

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—i.e., post-1930!) Very few historians would try to bring our craft to the study of the last ten years, yet that is precisely what we will do in this course. Your challenge is 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. Sorry journalists—you will truly be writing the “first draft of history”!

Your research assignment is to choose one specific research avenue to address this question: What have been the consequences of the 2008 Financial Crisis in the last ten years? There are limitless angles you can take on this project, but the most successful ones will be those that identify a specific focal point—an industry; a set of ideas or policy initiatives; a legislative campaign—and set developments in their historical context.

Your research should draw on course materials for historical context. In addition, you should make use of relevant published sources (newspapers, academic studies, magazines, films/documentaries). You may also wish to conduct interviews with relevant professionals whose lives have been affected by the crisis.

Teams or Individuals: Students will have the choice of whether to conduct this research project individually or in a two-person team.

Option 2: 10–12 page multi-book review essay

Students who choose this option will, in consultation with the course instructor, select at least four (4) major books on the Financial Crisis and its aftermath. These can include academic or popular accounts, as well as memoirs of key players, but cannot include works assigned for class and must represent a wide breadth of perspectives. In a substantial literary review, students should analyze the arguments and contributions of the books, putting them in conversation with one another and the course material. This review essay should do more than summarize and evaluate distinct books; it should advance a coherent and sophisticated argument about the causes, development, and/or repercussions of the financial crisis. In particular, students who choose this option should engage with the question of what we have learned, or failed to learn, about financial crises, and what lessons scholars and others should draw.

Final Paper Presentation: All students/teams of students will have the opportunity to discuss their research in progress and test out their arguments and conclusions in the final class meetings. Finally, all students should prepare a 5-minute synopsis of their final papers, to be presented to the class in lieu of a final exam on December 10 at 8 AM.

COURSE SCHEDULE

Part I: WHAT HAPPENED?

Week 1: Overview of the Crisis

Tues., Aug. 21

Course Introduction and Overview

In-class screening: *Inside the Meltdown* (PBS Frontline Documentary)—Part 1

Thurs., Aug. 23

Inside the Meltdown (PBS Frontline Documentary)—Part 2

Reading Assignment:

- 1) Nouriel Roubini and Stephen Mihm, *Crisis Economics: A Crash Course in the Future of Finance*, Introduction (pp. 1–11) and Chapter 1 (pp.13–37)
- 2) Alan Blinder, *After the Music Stopped: The Financial Crisis, the Response, and the Work Ahead*, Preface (pp. xv – xvii) and Chapter 1 (pp. 3 – 23)

Week 2: The Housing Bubble

Film: *The Flaw* (2011)

Screening and Discussion: **Sunday, August 26, 8 PM. Location TBD.**

Students who cannot attend screening should watch the film on their own before Tuesday's class.

Tues., Aug. 28

Reading Assignment:

- 1) Blinder, begin Chapter 2 (pp. 27 – 40)
- 2) Michael Lewis, *Panic: The Story of Modern Financial Insanity*, Part IV (pp. 259–331)

Thurs., Aug. 30

Class interview with Professor Waterhouse: One Homeowner's Experience

Week 3: Securitization and Its Discontents

Tues., Sept. 4

Reading Assignment:

- 1) Roubini and Mihm, Chapter 3 (pp. 61–85)
- 2) Blinder, finish Chapter 2 (pp. 40–55) and Chapter 3 (pp. 56–86)

Thurs., Sept. 6

Reading Assignment:

Felix Salmon, *The Formula that Killed Wall Street*

(http://www.wired.com/techbiz/it/magazine/17-03/wp_quant?currentPage=all)

Week 4: Leverage and Instability—The Subprime Crisis of 2007

Film: *The Big Short* (2015)

Screening and Discussion: Sunday, September 9, 8 PM. Location TBD.

Students who cannot attend screening should watch the film on their own before Tuesday's class.

Tues., Sept. 11

Reading Assignment:

Lewis, Part IV (pp. 332–365)

Thurs., Sept. 13

Reading Assignment:

- 1) Roubini/Mihm, begin Chapter 4 (pp. 86–106)
- 2) Blinder, Chapter 4 (pp. 87–99)

Week 5: Institutional Failure--2008

Tues., Sept. 18

Reading Assignment:

- 1) Roubini/Mihm, finish chapter 4 (pp. 106 – 114)
- 2) Blinder, Chapter 5 (pp. 100 – 128)

Thurs., Sept. 20

Reading Assignment:

Blinder, Chapter 6 (pp. 129–173)

Week 6: The Political and Policy Response

Film: *Too Big To Fail* (2011)

Screening and Discussion: Sunday, September 23, 8 PM

Students who cannot attend screening should watch the film on their own before Tuesday's class.

Tues., Sept. 25

Discussion of *Too Big To Fail*

Thurs., Sept. 27

Reading Assignment:

Roubini/Mihm, Chapters 5 and 6 (pp. 115–158)

Friday, September 28, 12 midnight: Film Review Due through Sakai

Part II: WHAT HAPPENED BEFORE?

For each class meeting during this part of the course, groups of 3 to 4 students will meet beforehand to plan the structure of the seminar and then, together, lead the class discussion. Groups should meet with Professor Waterhouse before they lead class (but after they have read and evaluated the day's reading) to discuss their plan.

Week 7: The Great Crash and the Great Depression

Tues., Oct. 2

Reading Assignment:

John Kenneth Galbraith, *The Great Crash, 1929*, Foreword (2009) and Introduction (pp. vii – xvi), Chapters 1 to 4 (pp. 1–87)

Thurs., Oct. 4

Reading Assignment:

Galbraith, Chapters 5 to 9 (pp. 88 – 194)

Week 8: From the New Deal to Financialization

Tues., Oct. 9

Reading Assignment:

- 1) Roubinin/Mihm, Chapter 2 (pp. 38–60)
- 2) David Moss, “An Ounce of Prevention: The Power of Public Risk Management in Stabilizing the Financial System” (2009). On Sakai.

Thurs., Oct. 11

Reading Assignment:

Greta Krippner, “The Financialization of the American Economy,” *Socio-economic Review* (2005). On Sakai.

Week 9: Black Monday

Tues., Oct. 16

Reading Assignment:

Michael Lewis, ed., *Panic: The Story of Modern Financial Insanity*, Part I (pp. 1–74)

Thurs., Oct. 18

Fall Break: No Class Meeting

Week 10: Enemies Foreign and Domestic

Tues., Oct. 23

Reading Assignment:

Lewis, Part II (pp. 75 – 156)

Thurs., Oct. 25

Reading Assignment:

Lewis, Part III (pp. 157 – 258)

Op-Ed Style Essay due by midnight on Friday, October 26 through Sakai.

Part III: WHAT HAPPENED NEXT?

In this final part of the course, we turn our attention to the aftermath of the crisis, asking what has changed (and not changed) in the past 10 years.

Week 11: Aftermath

Tues., Oct. 30

Reading Assignment:

Blinder, Chapters 7 and 8 (pp. 177–236)

Thurs., Nov. 1

Reading Assignment:

1) Blinder, Chapter 10 (pp. 263–289)

2) Roubini/Mihm, Chapter 9 (pp. 211–237)

Week 12: The Road to Dodd-Frank

Tues., Nov. 6

Reading Assignment:

Robert Kaiser, *Act of Congress: How America's Essential Institution Works, and How It Doesn't*, Chapters 1 to 6 (pp. 3–83)

Thurs., Nov. 8

Reading Assignment:

Kaiser, Chapters 7 to 12 (pp. 84 – 149)

Week 13

Tues., Nov. 13

Reading Assignment:

Kaiser, Chapters 13 to 18 (pp. 150–266)

Thurs., Nov. 15

Reading Assignment:

Kaiser, Chapters 19 to 24 (pp. 267–386)

Book Review on Kaiser due by midnight on Friday, November 16 through Sakai.

Week 14: Research

Tues., Nov. 20

Research Day

Preliminary Project Proposal (1–2 pages) due by email by midnight, Tuesday Nov. 20

All students should submit a proposal for their final project. Students who select Option 1 should indicate what specific aspect of the fall-out from the crisis they wish to research, and whether they intend to work in a team of 2. Students who select option 2 should provide the titles of 4–5 books they are considering for their review essay and explain what questions and perspectives they are most interested in learning more about. Professor Waterhouse will provide feedback and suggestions based on these proposals.

Thurs., Nov. 22

Have a Great Thanksgiving!

Week 15: Work-in-Progress Presentations

The class will split into groups to present progress reports and students will receive questions and feedback from their peers.

Tues., Nov. 27

Presentations of projects in Progress

Thurs., Nov. 29

Presentations of research in Progress

Tues., Dec. 4

Presentations of research in Progress

December 11, 8 AM: Final Papers due; Final Presentations.