FINANCIAL MARKETS AND THE GLOBAL ECONOMY: THE HISTORY OF BUBBLES, CRASHES AND INFLATIONS (EC204)

Course duration: 54 hours lecture and class time (Over three weeks)

Summer School Programme Area: Economics

LSE Teaching Department: Department of Economic History

Lead Faculty: Dr Olivier Accominotti, Dr Natacha Postel-Vinay and Professor Albrecht Ritschl (Dept. of Economic History)

Pre-requisites: Introductory macroeconomics and microeconomics. A working knowledge of basic mathematics and statistics would also be helpful.

Course Description:
This course introduces students to the long run evolution of financial markets and to the history of monetary policy and financial crises. The course covers the two waves of financial globalization of 1880-1914 and 1980-2008 and the de-globalization of finance that happened during the Great Depression. A long run perspective on the 2008 financial crisis and Eurozone crisis will be provided through several historical case studies of stock market crashes, banking panics, currency crises and sovereign defaults. Finally, the course explores how central banks responded to financial crises in different historical periods and covers the main evolutions in monetary policy over the last two hundred years.

The course puts strong emphasis on how institutional and political factors shape the process of financial globalization and on how the structure of the international monetary system affects the conduct of monetary policy and the response to financial crises.

This course is aimed for students willing to improve their understanding of money and financial markets through a historical approach. It is also highly relevant to financial market practitioners and policy makers interested in acquiring a long run perspective on current hot issues in money, banking, and finance.

Lectures: 36 hours Classes: 18 hours

Assessment: Two summative assessments (1,500 essay and exam) and one formative assessment (essay plan).

Assessment:

Formative Assessment
This will not count toward students’ final grades, but will help prepare them for the first summative assessment.

Format: Essay plan Course content is subject to change.
Date: Friday of week one
Feedback due: Monday of week 2

Summative Assessments

Format and weighting: 1,500 word essay (50%)
Date: Thursday of week two
Results due: Monday of week three

Format and weighting: Two hour final examination (50%)
Date: Friday of week three
Results due: Within a week of the exam

The precise time and location of the final exam will be circulated during the programme.

Readings: Readings marked with a * are compulsory. Other readings give students an opportunity to dig deeper if they so wish.

(npv) Topic 1: From bulbs to Bitcoin -- what are financial crises? A historical overview

Class question: Have financial crises become more frequent and more severe over time? What are possible reasons?

Readings


(npv) Topic 2: The long-run relationship between financial development and growth

Class question: Was financial development necessary for European economic development over centuries?
Readings


**(NPV) Topic 3: The first stock market bubbles**

*Class question:* What can early bubbles tell us about nascent stock markets?

*Readings*


**(OA or AR) Topic 4: The globalization of financial markets and sovereign debt crises, 1825-1913**

*Class question:* What was the impact of the classical gold standard on the development of sovereign debt markets?

*Readings*


(OA or AR) Topic 5: Banking crises in the UK and in the US before WW1

Class question: Did differences in banking systems between Britain and the US have an impact on the incidence of banking crises in these two countries?

Readings


(AR) Topic 6: WWI and its financial consequences for Europe and America

Class question: Did WWI impact the British and American economies differently?

Readings


(NPV) Topic 7: The 1929 stock market crash and US banking panics

Class question: Were the US banking panics in the 1930s due to a problem of illiquidity or insolvency?

Readings


**(OA or AR) Topic 8: The European crisis**

*Class question:* How did the 1931 banking crisis spread internationally?

*Readings*


**(NPV) Topic 9: Recovery from the Great Depression: what were the monetary and fiscal responses?**

*Class question:* Was fiscal policy as important as monetary policy in helping recovery in Britain and in the US?

*Readings*


**(OA or AR) Topic 10: Financial crises in emerging markets, 1980-2008**

*Class question:* Are fixed exchange rates responsible for the Argentinian debt crisis in 2001?

*Readings*


(NPV) Topic 11: The subprime crisis in historical perspective

Class question: Was the US subprime crisis a typical or an exceptional banking panic?

Readings


(AR or NPV) Topic 12: The Euro crisis in historical perspective

Class question: Should the Euro be dismantled?

Readings


Credit Transfer: If you are hoping to earn credit by taking this course, please ensure that you confirm it is eligible for credit transfer well in advance of the start date. Please discuss this directly with your home institution or Study Abroad Advisor.

As a guide, our LSE Summer School courses are typically eligible for three or four credits within the US system and 7.5 ECTS in Europe. Different institutions and countries can, and will, vary. You will receive a digital transcript and a printed certificate following your successful completion of the course in order to make arrangements for transfer of credit.

If you have any queries, please direct them to summer.school@lse.ac.uk