14.454 Economic Crises

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Office Hours: Tu 1:00 - 2:30 pm

Lectures: TuTh 9:05 am - 10:25 am
Recitations: Fr 9:05 am - 10:25 am

Objective of the course. This half-semester course provides a fast-paced description of the canonical macroeconomic models of financial frictions and crises. We will cover various topics, including: (i) financial amplification mechanisms; (ii) financial intermediation and credit crunches; (iii) coordination failures and bank runs; (iv) speculative bubbles and credit booms; (v) liquidity traps and deleveraging; and (vi) sudden stops and financial contagion.

Course Requirements. The class will run from Tuesday, April 6th, to Thursday, May 20th. The requirements consist of three problem sets and a final exam during the last day of classes (May 20th). Each requirement is worth 25% of the final grade.

Logistics. The course webpage is: https://canvas.mit.edu/courses/6642. Check regularly for lecture notes, problem sets, and recitation notes. The lectures, recitations and office hours will take place over Zoom. The links to the corresponding meetings are available on the course webpage. Recordings will be posted afterwards on the course webpage (except for office hours). Students are encouraged to attend the live versions, if possible, and to participate.

Reading and Course Layout. The list of topics covered in this course, and the associated readings, can be found below. The required readings are indicated with a star symbol (⋆). The remaining readings include useful references, which might be covered briefly during the course.

1 Introduction


2 Collateral and Amplification


3 The Credit Crunch


4 Runs, Panics, and Contagion


5 Bubbles and Credit Booms


6 Liquidity Traps and Leverage


7 Capital Flows and Financial Crises


