14.454 Economic Crises

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Office Hours: W 4:00-5:30 pm (E52-516)

Lectures: TuTh 9:00 am - 10:30 am E51-395

Recitations: Fr 10:30 am - 12:00 pm E51-395

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.

Logistic and Course Requirements. The exam will take place on the last day of classes (Thursday, May 16th), during regular class time. The requirements consist of three problem sets (5% of the grade each) and a final exam (85% of the grade).

Course Website. The course’s webpage is: https://stellar.mit.edu/S/course/14/sp19/14.454. Check regularly for lecture notes, problem sets, and recitation notes.

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


