14.454 Economic Crises

Instructor: Ricardo J. Caballero (caball@mit.edu)
TA: Alex Carrasco (alexcm@mit.edu)
Office Hours: Tu (E52-448) 2:30 - 4:00 pm

Lectures: TuTh (E51-151) 9:05 am - 10:25 am
Recitations: Fr (E51-151) 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 4th, to Tuesday, May 16th. The requirement is one long pset with weekly deadlines on individual problems and one final exam during the last day of classes (May 16th), worth 70% and 30%, respectively. You can waive the final exam if you have met all the pset deadlines and have an average score above 90%.

Logistics. The course webpage is: https://canvas.mit.edu/courses/18447. Check regularly for lecture notes, problem sets, and recitation notes. The lectures and recitations will take place at E51-151. Office hours will take place at E52-448.

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


