Paper Assignment

One of the principal themes of this class is that the monetary and financial systems are prone to some particular kinds of instability, and that when there are outbreaks of such instability, it's not just the financial system that suffers. This assignment gives you a chance to research a particular example of financial instability, analyzing its causes and consequences, and writing up your results as if you were providing an “executive briefing” for a reasonable intelligent but not necessarily well-informed superior.

Pick a topic below (first come, first serve), let me know what you have chosen, and then write a 5 pp. (plus references) memo helping me understand the nature of the crisis, its causes and consequences. The length is short enough that you must prioritize carefully which details to include. (This is by design: I’m a busy executive, after all—or at least that’s the premise of the assignment).

The brief must have at least 5 separate sources, of which only 2 may be web pages. The remainder must be Briggs Library resources (books, journal articles, reference materials excluding encyclopedias). If you’re having trouble finding appropriate materials, consult the reference librarian (who is employed for this precise purpose).

The papers are due December 4th. You will also schedule an oral exam with me for the week of the 7th, during which you'll explain to me (~5 minutes) what you learned about your topic, and you will answer my questions about it. The paper and the oral exam count for 10% of the final grade in the course.

Topics:

Currency devaluation/hyperinflation
1. The "Great Debasement" of Henry VIII
2. The fate of the "continental" in the American Revolution
3. The fate of the confederate currency in the American Civil War
4. The German hyperinflation, post-WWI
5. Israeli hyperinflation (mid-80s)

Systemic banking crises:
1. The U.S. "bank holiday" of 1932.
2. The Chilean financial collapse of 1981
3. The U.S. Savings & Loan crisis of the mid-80s

Rogue Traders who caused bank failures
1. Nick Leeson and the breaking of Barings Bank
2. Nick Rusnack and the breaking of Irish Allied
3. Jerome Kerviel and the breaking of Societe Generale (France)

Corporate Scandals and Bankruptcies
1. Enron
2. WorldCom

"Agencies" and collapse
1. Fannie Mae
2. Freddie Mac

Collapsing Investment Banks and Brokerages:
1. Lehman Brothers
2. Bear Stearns
3. Merrill Lynch

*Pyramid Schemes*
1. Ponzi (and the original "ponzi" scheme -- 1920s)
2. John Law and the Mississippi Scheme (1720)
3. The Albanian retirement scandal (1990s)

*International Currency Crises*
1. The Icelandic collapse (2008)
   i) Thailand
   ii) Indonesia
   iii) Korea
   iv) Malaysia

*Other*
You propose.