Business 35211: The Analytics of Financial Crises
Spring 2019 Syllabus and Course Requirements
(Provisional syllabus March 16, 2019)

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Office Hours: Mondays 1:30 pm to 2:30 pm and by appointment in HPC 529. (I find that most of you prefer to meet on short notice so I will plan to see most of you through appointments – I am on campus most days.) Email is the best way to reach me to schedule a meeting (or ask a question). I will usually arrive by 5:15 pm for the classes at Gleacher and can see students on Tuesday afternoons there before class too. In an emergency my assistant, can almost always find me. I am hiring a new assistant and will give out the contact information at the first class of the term.

The TA for the class is Shohini Kundu. Her email is skundu@chicagobooth.edu.

Course Prerequisites:

Business 33040 is strongly recommended. Students who have not had a macro course recently will have to do extra work to catch up. Students who majored in economics or took a lot of economics as undergraduates and remember their macro classes should have no problem with the class.

BUS 35200 is a required prerequisite. If you have not had 35200 (or a more advanced class instead), then you must disclose this to anyone who you work with. It is a violation of the honor code to not disclose this fact. It is highly unlikely anyone can do well in this class if you are taking 35200 concurrently. If you are skipping 35200 to take a more advanced class that is fine.

Note that while we will cover some topics in macro and monetary economics, this is primarily an advanced course in Finance. So it will only count towards finance concentration requirement.

Required Reading:

The relevant reading assignments are listed at the back of this syllabus and are either included in the course packet or posted on the Canvas site for the class. You should also buy the required text for the course, “The Courage to Act: A Memoir of a Crisis and its Aftermath” by Ben Bernanke. I will hand out copies of the lecture notes in class.

Students are expected to look over the Wall Street Journal every day. (If you read the Financial Times instead that is fine too, although I will focus on the Journal.) I will also send out occasional email messages to the class mentioning specific articles to review before class.
Honor Code:

You are expected to do all of your own work in this class. For the case assignments only, you can discuss your answers with a group of no more than three other students. However, prior to joining forces you are each expected to attempt to come up with your own answers. If you do meet with others, you should note their names on your case write up when you hand it in. This means everyone in the group turns in a separate write-up – the answers can reflect your discussions but you should write things up by yourself, putting things in your own words. This policy specifically means that you are not permitted to have a group where people take turns solving the cases and distributing the answers to each other. (I consider spending up to 4 hours on your own a good faith attempt prior to meeting others, so once you have hit that limit you can talk to other students without violating the honor code for this class.)

Similarly, you are not allowed to consult students who used these cases in other classes (or previously in this class). On your case write up each week I expect you to write the following statement “I have followed the course rules for preparing my case write up” and sign your name pledging your honor.

For the final exam you can bring in a single page of notes to the exam.

Course Format and Philosophy:

This course is an advanced course that uses the tools of corporate finance to analyze financial crises. Much of the material will pertain to the most recent global crisis, but we will also study past crises. The bulk of the class time will be spent on lectures and case discussions. However, because the course is about the real world we will spend some time each week discussing how the material relates to current events. The exam will also include questions regarding recent events that relate to the material covered in class.

Grade Determination:

Twenty percent of your grade will be determined based on your class participation.

Participation is graded on three components. The first factor is attendance. The second factor is the quality of your comments during our case discussions. Because everyone is assumed to have prepared the cases, I will cold call on most of you at some point during the quarter during one of these discussions. The final component comes from your questions and answers during the portions of the class devoted to lectures and analysis of current events. You cannot get any credit for participation until you have completed and turned in your student information sheet that is available on the Canvas site for the class.

(As a benchmark, students who attend the class faithfully but are largely silent during our discussions can expect to get a C or worse for participation; a B student is expected to occasionally make good comments; an A student should routinely make good comments. Students who make useless comments will be penalized, as will students who miss class, come in late, or leave early. So the default grade is C and you need to participate to improve on that.)

There is a graded assignment that will be due each week. Many of these will be case write ups, but some will simply be questions based on the pre-assigned readings. In order to get much out
of the class discussions it is important that you are prepared. Cases will be graded on 4 point scale. A description of how to write up a case is given at the end of the syllabus. Any homework assignment that is not turned in the week it is due will receive a zero. An average homework write-up is defined as answering all the questions, but not necessarily getting the difficult parts correct. An average score will be a two. A write-up which is superficial will earn a score of one. Students who not only answer all the questions, but also give convincing answers to the difficult questions will get a score of 3 or 4; a perfect write up earns a 4, while one that has only small errors get a 3. **The homework assignments will count for 20 percent of your score.** I will only count your nine best scores in calculating your grade – so that means I throw out the low score. **You are free to discuss the cases or homework assignments in groups, provided that you follow the rules discussed above.**

The final will count for 60% of everyone's grade.

To help minimize stress over the exams, I allow you to bring one (double sided) 8.5" by 11" sheet of notes to the exam.

**The final exam times will be:**
35211-01  Tuesday June 11, 8:30 AM - 11:30 AM
35211-81  Tuesday June 11, 6:00 PM - 9:00 PM

You are expected to take the exam during the scheduled time for your section, but if necessary you can make a written request to take it with one of the other section. I will not offer early grades. If need a grade before finals you should not take this class.

**Policy on Makeup Exams and Re-grades:**

MAKEUP EXAMS WILL NOT BE OFFERED. If for a compelling reason, a student cannot sit for the final exam at the scheduled time, the student will receive an incomplete, i.e., a grade of I. This grade can be cleared by taking the final when I next teach the class in the 2020. The only valid reasons for missing the final are a serious illness (that is documented by a doctor's note) or a death or birth in the family (again with documentation required). In all other cases, failure to sit for the final exam will lead to a failing grade. NOTE: This means that excuses involving vacation schedules, lack of time for preparation, too many other exams, etc. will not be accepted. If you have an internship that requires you to start during finals week I require you to be back in Chicago for one of the times when the test is being offered, or to supply a note from a managing director at the firm explaining why this is not possible. In that case, you will need to have the firm administer the exam on Tuesday June 11 in time to have it returned by Fed Ex to Chicago by 10:30 am on June 12 so that it can be graded with all the other exams. I will not finish writing the exam until June 10 so taking the exam early is not an option.

It is your right to question a grade, however, to guarantee that similar cases are handled similarly, it is essential that all grading is done promptly. Therefore, requests for re-grades will only be considered for one week after the exams are returned. **All requests for re-grading must be made in writing and must include an explanation of why the original grade is not justified.** Oral requests for re-grades or late requests will not be considered.
Exam Preparation:

I will also hold an optional review on June 6 from 5:15 to 7:15 pm at Booth 455, room 140. This meeting is designed to be a question and answer session where we can work through homework and lecture notes. I will not prepare a lecture for the review. There will be a copy of last year’s final posted on the chalk web site by May 15. After you have done your studying it would be a good idea to review the old exam; while the material will change somewhat, the format will be similar, as will the level of difficulty.

Extra and Missed Classes

If you miss any classes it is your responsibility to pick up any handouts that are distributed and arrange to have any assignments that are due to be turned in. It is also your responsibility to review a classmate’s notes to find out about any announcements that might have been made in class.

You should email any graded assignments that are due to the TA. The assignment must be received by the time of your class to earn credit.

There will be one guest lecture by Doug Braunstein on Wednesday May 8 from 5 to 7 pm at Booth 455 room 140 (with overflow space in Gleacher 604). This class is mandatory. He will discuss the AIG bailout. He was the CFO at JP Morgan during the crisis.

Case Writeups:

In preparing your case write-ups you should keep two things in mind. First, make sure you address all the parts of any questions that are posed. Second, for questions that ask for calculations, clearly document all of your steps and maintained assumptions. If you have questions about how your case is scored please talk to the grader about it first and then come to see me if you are still unsure.

I have told the grader to penalize long, rambling answers. So be concise in writing up your answers. Keep in mind that the case write-ups and other homework assignment are intended to prepare you for the class discussion. You should not expect to be able to easily answer all the questions before class. The answers should become clear during the class, so once we have completed our discussion you should understand the correct answers.

Note that there is one case that I assign in this class that I also use for Business 33402 – the courses mostly do not overlap, but for one week when we discuss Greece the material is similar. For any students who have already taken 33402, I will use your grade on the case based on what you turned in for 33402. Likewise, if you decide to take 33402 subsequently, I will use your score from this class for the assignment next year.

See also the frequently asked questions about the course that is posted at http://faculty.chicagobooth.edu/anil.kashyap/teaching.html for additional course information.
Accommodations for disabilities:

The University of Chicago is committed to ensuring the full participation of all students in its programs. If you have a documented disability (or think you may have a disability) and, as a result, need a reasonable accommodation to participate in class, complete course requirements, or benefit from the University's programs or services, please contact Student Disability Services as soon as possible. To receive a reasonable accommodation, you must be appropriately registered with Student Disability Services. Please contact the office at 773-702- 6000/TTY 773-795-1186 or disabilities@uchicago.edu, or visit the website at disabilities.uchicago.edu. Student Disability Services is located at 5501 S. Ellis Avenue.

If you have an approved accommodation from Student Disability Services that you plan to use in this course, please contact Academic Services (AcademicServices@lists.chicagobooth.edu) as soon as possible. Academic Services will provide support to you and for me and will coordinate the details of your accommodations on your behalf.
35211 Reading List – as of March 16, 2019 (All material will be posted in Canvas.)

Week 1 (4/2): Course Introduction and the Great Depression


Week 2 (4/9): Japan and Sweden


Week 3: (4/16): Housing

Readings: Case: Subprime Meltdown: American Housing and Global Financial Market Turmoil, Case Study questions and additional readings on the latest Obama administration policy proposals. The Courage to Act (ch 5 and 11)

Week 4: (4/23): Structured finance, early strains in credit markets, initial Fed programs


Week 5: (4/30): Bank Runs and Bear Stearns

Readings: Diamond (2007), The Courage to Act (ch. 10), Case: The Demise of Bear Stearns

Week 6 (5/7): Lehman and Deleveraging Part I


May 8 Extra class on AIG with Doug Braunstein 5:15 to 7:15 pm Gleacher

Week 7 (5/14): Deleveraging Part II and Toxic Asset Purchases (this might change)

Provisional Readings: Business 35211 Notes on Leverage Cycles, Krishnamurthy (2010), The Courage to Act (ch 15), The excerpt on SpinCo. from the Lehman’s Examiner report, B35211 Notes on Good Bank and Bad Bank Reorganizations

Week 8 (5/21) The Euro Area Bailout

Readings: Case: The Greek Crisis, The Courage to Act (pp. 475-482)

Week 9 (5/28): TOPICS TBA depending on current events

Week 10 (6/4) TOPICS TBA depending on current events

Final exam: 6/11