| Detailed course unit executive plan and programme | | | | | | |
|---|---|---|---|---|---|---|
| **Course unit code** | **To be determined (new course)** | | | | | |
| **Course unit title** | **ECONOMICS OF FINANCIAL CRISIS** | | | | | |
| **GENERAL INFORMATION** | | | | | | |
| **Study programme** | Undergraduate study program in Economics | | | | Year | II |
| **Director of the course and assistant** | Marinko Škare, Phd<br>Full Professor of Economics<br>Email: mskare@unipu.hr<br><br>Dean Sinkovic, Phd, MBA<br>Associate Professor of Economics<br>Email: dean.sinkovic@unipu.hr | | | | | |
| **Course status**[1] | X | Mandatory | | Elective | | |
| **Credits allocated and type of lectures** | | | | | | |
| | | | Winter semester | | Summer semester | |
| **ECTS students workload** | | | | | **6** | |
| **Number of hours per semester** | | | | | **(40L+20S)** | |
| **Course objectives, teaching and learning methods and learning outcomes** | | | | | | |

From ancient times to the Great Recession, financial crises represent crucial part of economic history whose behavior can be recognized by the movement of different markets - from the initial rise caused by various financial and technological innovations to strong credit expansion and final value "bubbles" which, once they burst, result in macroeconomic imbalances and long-term recessions. Such bubbles are typically accompanied with “this time is different” attitude, a widespread belief that prices will keep increasing indefinitely. While financial crises are somehow natural they also come with significant costs. Investors lose great wealth, workers lose jobs, countries fall into prolonged depressions, governments declare bankruptcies.

The aim of the course is to provide students with a detailed insight into the causes and consequences of financial and economic crisis with special emphasis on economic theories and policies that preceded these crises as well as on alternative solutions. The course provides students with a historical overview of the key financial crisis and in depth analysis of the important innovations such as *fintech* loans or microfinance - the concept of lending to poor citizens, which in 30 years from the local model of Bangladesh has become the most important global development model for poor and developing countries. Students will be encouraged to think critically, emphasizing their active participation and creative solution in terms of future economic policies and models for sustainable financial and economic development.

Learning outcomes are following:

1. To familiarize students with historical aspects of the causes and consequences of financial crises (especially the Great Depression and the Great Recession)
2. To define and explain the mechanism of credit cycles, money creation and its impact on economy.
3. To explain and analyze mechanisms of the banking, currency and sovereign debt crisis
4. To identify and interpret economic theories and policies that preceded key financial crises
5. To familiarize students with the concept of financial development and the current financial innovation (digitalization via *fintech* revolution)
6. To understand and comprehend the model of microfinance (Yunus model) and the concept of financialization of the poor.
7. To identify and assess macroeconomic management and regulations for crisis prevention.
8. To identify and assess alternative forms of financing of businesses / citizens / states

[1] Mark with „X“

**Requirements, correspondence and correlativity**

**Requirements**: Introduction to Economics or Economics 101

**Correspondence or Correlativity**: Financial Economics, Development Economics, Macroeconomic Management

**Course content** (list of topics)

- Financial crises: historical overview, classifications, definitions, sequencing.
- Credit cycles – Boom & Bust concept, the role of central banking and money creation
- Banking Crisis
- Inflation and Currency Crisis
- Sovereign Debt Crisis
- Great Depression – causes, consequences and policy response
- Dotcom bubble and the role of marginal loans2
- Great Recession – causes, consequences and policy response
- The European Sovereign Debt Crisis - causes, consequences and policy response
- Microfinance and Financialization of the Poor – from boom to bust
- Fintech Revolution and Possible Outcomes
- COVID 19 Global Crisis
- Macroeconomic Management and Crisis Prevention

**Modes of instruction and acquiring knowledge (**mark in **bold)**

| **Lectures** | **Seminars and workshops** | Exercises | **Individual tasks** | Multimedia and internet |
|---|---|---|---|---|
| Distance learning | Counseling | Laboratory | Tutorial | Fieldwork |

**Student requirements**

**Assessment and evaluation of students (**mark in **bold)**

| **Attendance** | **Class participation** | **Seminar paper** | Experimental work |
|---|---|---|---|
| **Written exam** | Oral exam | **Essay** | Research |
| **Project** | **Continuous assessment** | Report | Practical work |

Assessment breakdown within the *European credit transfer system*

| REQUIREMENTS | HOURS (estimation) | LEARNING OUTCOMES | SHARE IN ECTS | SHARE IN GRADE |
|---|---|---|---|---|
| Class attendance and participation | | 1-8 | 0,6 | 10% |
| Essay/Continuous Assessment | | 3-8 | 0,9 | 15% |
| Seminar Paper/ Project | | 2-8 | 1,8 | 30% |
| Written Exam | | 1-8 | 2,7 | 45% |
| ***Total*** | | | 6 | 100% |

According to the ***Code of evaluation*** the final grade is obtained as follows:

A = 90 − 100%  5 (excellent)
B = 80 − 89,9%  4 (very good)
C = 70 − 79,9%  3 (good)
D = 50 − 69,9%  2 (sufficient)

**Bibliography**

**Mandatory bibliography**


1. Reinhart, C. M. and K. S. Rogoff (2009): ***This Time Is Different: Eight Centuries of Financial Folly***, Princeton University Press.
2. Bateman, M. and MacLean, K. (2017): ***Exposing the Contemporary Microfinance Phenomenon***, University of New Mexico Press.


**Additional bibliography**


1. Kehoe, T. J. and Prescott, E. (2007): ***Great Depressions of the Twentieth Century***, Federal Reserve Bank of Minneapolis
2. Kindleberger, C. P. and Aliber, R. (2011): ***Manias, Panics, and Crashes: A History of Financial Crises***, Palgrave Macmillan, Sixth Edition.
3. Sturzenegger, F. and Zettelmeyer J. (2006) : ***Debt Defaults and Lessons from a Decade of Crises***, MIT Press.
4. Minsky, H. (1992): ***The Financial Instability Hypothesis***, Working Paper No.74, The Levy Economic Institute.
5. Mader, P. (2015): ***The Political Economy of Microfinance***, Pallgrawe Macmillan.
6. Scott, Brett (2013): ***The Heretic Guide to Global Finance: Hacking the Future of Money***, Pluto Press.


**Additional information on the course**