

## **Economics 313, A Tale of Two Recessions: 2008 and 2020.**

Winter 2024

Bates College

Paul Shea

**Class Times:** 11:00-12:20, MW. We will not usually meet on Fridays. We will, however, meet on Friday, January 12 to offset not meeting on MLK Day. Fridays are otherwise reserved for making up any additional cancellations.

**E-mail:** pshea@bates.edu

**Office Hours:** Tuesday, 1-2 and Friday, 12-1.

**Office:** 278 Pettingill.

**Course Website:** [www.paulshea.com](http://www.paulshea.com). This site includes lecture notes, class announcements, readings, and assignments. Note that the class website is unrelated to Lyceum.

**Course Description:** This seminar compares the two most recent U.S. recessions: the Great Recession of 2007-09 and the Covid-19 recession of 2020. The course examines the housing bubble which preceded the Great Recession, as well as the roles of monetary, fiscal, and regulatory policies. It then examines the aftermath of the Great Recession, including the slow recovery of the labor market, and the European debt crisis. It then compares the Great Recession to the recent Covid-19 recession and ensuing inflation spike. We will also consider how these recessions inform us about ongoing events in the global economy.

Throughout the semester, students will be exposed to theoretical and empirical concepts that they may not have seen in previous coursework. We will use recent economic data to learn important econometric techniques including probit/logit, panel data methods, and vector autoregressions. We may also use dynamic stochastic general equilibrium (DSGE) models to better understand these recessions in a theoretical framework.

**Prerequisites:** Econ 255 and 270.

**Reading Materials:** There is no assigned textbook. Students, however, are encouraged to own an intermediate macroeconomics textbook (an older edition will probably be fine). Readings will be assigned for each topic. These will range from non-technical sources such as popular press articles and op/ed pieces to technical articles written for a more academic audience.

**Classroom Climate:** This course may discuss controversial policies and issues. Students bring different perspectives and opinions to the table. There is no "right ideology" in the classroom. Students are expected to approach intellectual differences with honesty and mutual respect. To quote former President Spencer: "It is central to who we are and what we do to create an environment that encourages students, faculty, and staff to explore subjects in their full context and complexity and to interrogate ideas and beliefs with the freedom to develop their own points of view. Faculty members bring different kinds and levels of expertise to different issues, students bring different levels of awareness and knowledge, and we all bring different lived experiences. Inevitably, individuals will see complex issues in different ways, and we have a responsibility to sustain a culture in which discourse can happen in authentic ways to advance learning and foster understanding."

**Assignments:** Your grade consists of the following:

- i) A final paper. This assignment will be discussed in greater detail early in the term. Its due at 10 AM on the Friday of finals week. **40% of your grade**
- ii) A short (about 15 minutes) class presentation on a policy issue related to the recent or current economic situation. This assignment will also be discussed in greater detail early in the term. **20% of your grade.**
- iii) Periodic homework assignments. These will typically consist of short writing or empirical assignments and may be connected to the final paper. **25% of your grade.**
- v) A final quiz. This is scheduled for the Friday of finals week from 8-10 AM. If class participation and attendance are excellent, I reserve the right to cancel this quiz. If so, each of the other three elements will have their weights increased by 5%. **15% of your grade.**

The following process will determine each student's final grade:

1. All grades will be converted into numerical scores using the standard  $A+ = 4.33$ ,  $A = 4$ ,  $A- = 3.67$ ,  $B+ = 3.33$ , etc. scale.
2. I will then take a weighted average of these scores and round to the nearest third. The final letter grade will then be determined by the scale from 1.
3. I may then adjust the cutoffs for final letter grades to reflect my subjective assessment of student performance. I will not lower any student's grade in this manner. For example, if you end up with a 2.1, your course grade will be no worse than a C, but I may choose to award a higher grade if I deem it appropriate.
4. All students shall have the same opportunity to succeed in this course. There is no extra credit. Please do not ask.
5. I reserve to bump up a student's final grade, up to  $2/3$  of a letter grade, if their participation in the class constitutes a major positive externality to the rest of the class.

**Contesting of Grades:** Grades reflect your mastery of the course material and concepts. Factors that do not affect your grade include, but are not limited to, your effort, your personality, the grade you "need" to achieve your hopes and dreams, how much you liked or hated the class, your grades in other courses, your own assessment of your performance, your 100-yard dash time, etc. Requests to change your grade on these grounds will be ignored.

On the other hand, I do consider grade appeals on the basis of a mis-graded assignment, or an error in calculating your grade. If you suspect that this applies to you, please 1) submit your appeal to me via email within one week of my returning an assignment or submitting final grades, and 2) limit your appeal to these grounds.

Save all of your graded work. If I have no record of a completed assignment, and if you cannot present your graded assignment, then you will receive no credit for the assignment in question.

**Inability to Complete Course Requirements:** If you know that you cannot attend an exam or complete an assignment due to a non-college excused commitment, do not take this class. If an unanticipated commitment arises that prevents you from satisfying any of the course requirements, you must have your conflict verified by the Dean of Students' office. Be aware that this office will require documentation of all illnesses and deaths in the family. I will not personally judge the validity of students' conflicts. I reserve the right to either offer a makeup or roll the weight of the missed assignment into the other graded elements of the course.

**Academic Dishonesty:** I will pursue any instances of academic dishonesty. Historically, I have been very aggressive in investigating and sanctioning cheating.

**Students with Disabilities:** If you have a documented disability and need an accommodation, please make arrangements with me during the first week of the term. Please request that the Dean of Students; office send me a letter verifying your disability. You are unlikely to receive any substantial accommodation if you wait until right before an exam to notify me.

Please note that I am not qualified to diagnose a disability. You must therefore always go through the College.

## **Tentative Course Plan: To be Adjusted as Needed**

The class will generally work in two day blocks. On the first day, I will present some of the course's core material. The second day will consist of student presentations, methodological material to help students with their papers, discussion of current events, and finishing any leftover material from the previous day.

Block 1, The Housing Bubble.

Block 2, Speculative Bubbles.

Block 3, Housing and Policy.

Block 4, Mortgage Backed Securities.

Block 5, Credit Cycles

Block 6 Propagation and Panic.

Block 7, Monetary Policy Overview, Monetary Policy during the Great Recession

Block 8, Fiscal Policy and the Great Recession.

Block 9, Europe since 2008.

Block 10, The Covid-19 Recession and NPIs

Block 11, Fiscal Policy and covid-19.

Block 12, Covid-19, Monetary Policy, and Inflation.