Introduction

As a subprime mortgage crisis that started in America in 2008, the crisis speedily mutated into a “systemic risk” threatening the financial system of every advanced and emerging economy. The financial contagion quickly exacerbated the impact of the crisis by transmitting the financial shocks through the interlinked financial markets to the whole global economy.

Sooner than expected, millions of people in America, Europe and even China lost their jobs and fell into poverty. Almost overnight the entire investment banking industry worldwide was wiped out. The crisis that started out in America has turned into the worst global economic crisis since the Great Depression.

Understanding the Financial Crisis aims to bring to students an exploratory account of the crisis with GLOBAL PERSPECTIVES and an understanding of the conceptual underpinnings of the issues that lie at the heart of it. The course will focus on how the current financial crisis began, how it developed, how the different countries dealt with it with their own politico-economic means and measures, what are the effects on people, and what is its implication for the global economy, and its broader ramifications for our society.

Course Intended Learning Outcomes (CILOs)

On completing the course, students will be able to, with GLOBAL PERSPECTIVES:

1. Describe the socio-economic background and the possible causes for the financial crisis and explain how the crisis through the different financial and economic channels can reinforce itself and affect other economies in the world with GLOBAL PERSPECTIVES.

2. Formulate critical questions and reflections regarding issues of economic development against an understanding that very often our efforts to respond to one problem might lay the foundations for the next.
3. Critically evaluate the effectiveness of the various government policies for the rescue of the faltering economy and assess how these policies in one country can impact others in the global economy with GLOBAL PERSPECTIVES.

4. Understand that the elimination of crises, if possible at all, is very costly and hence why crises will almost certainly recur.

5. Assess how the current crisis and the so-called “Currency War” will form and shape the future path of growth and development for the global economy with GLOBAL PERSPECTIVES.

<table>
<thead>
<tr>
<th>Program ILOs</th>
<th>Course ILOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition and internalization of knowledge</td>
<td>CILO1, CILO2, CILO3,</td>
</tr>
<tr>
<td>of economics &amp; finance</td>
<td>CILO4, CILO5</td>
</tr>
<tr>
<td>Application and integration of knowledge</td>
<td>CILO2, CILO3, CILO4</td>
</tr>
<tr>
<td>Developing global outlook</td>
<td>CILO3, CILO4, CILO5</td>
</tr>
<tr>
<td>Mastering communication skills</td>
<td>CILO1, CILO2, CILO3,</td>
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<tr>
<td></td>
<td>CILO4, CILO5</td>
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**Textbook and Reading Materials**

There is no required textbook for this course. Reading materials for all topics will be handed out in class and will also be posted on the HKU website for the course. Students are responsible for all materials.

1. **Required Readings with GLOBAL PERSPECTIVES**

   The following cases and reading materials will be assigned. The list will be updated as deemed appropriate.


2. **Recommended Readings**
• “Global Financial Stability Report: Grappling with Crisis Legacies”, International Monetary Fund, September 2011

3. **Recommended Website(s)**

**Timetable**

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Reading Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 02</td>
<td>Introduction</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Sep 09</td>
<td>Bubbles and Crashes</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Sep 16</td>
<td>Causes and Global Consequences of the Crisis</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Sep 23</td>
<td>Comparing this Crisis with others</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Sep 30</td>
<td>Process of Securitization</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Oct 07</td>
<td>Risk Mismanagement, Regulatory Issues and Institutional Failures</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Oct 14</td>
<td>Reading Week</td>
<td></td>
</tr>
<tr>
<td>Oct 21</td>
<td>Double Ninth Festival</td>
<td></td>
</tr>
<tr>
<td>Oct 28</td>
<td>Government Policies Dealing with the Crisis</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Nov 04</td>
<td>Implications of the Crisis for the Global Economy</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Nov 11</td>
<td>Implications of the Crisis for Asia and China</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Nov 18</td>
<td>Currency War</td>
<td>Lecture notes</td>
</tr>
<tr>
<td>Nov 25</td>
<td>Financial and Economic Solutions</td>
<td>Lecture notes</td>
</tr>
</tbody>
</table>

**Part I: Overview of the Crisis with GLOBAL PERSPECTIVES**

• **Causes and Global Consequences of the Crisis**
  o Alan Greenspan, “The Crisis” Brookings Papers on Economic Activity, Spring 2010
Part II: On Market Failures

- **Process of Securitization**

- **Risk Management and Mismanagement Issues**
- **Regulatory Problems**
- **Institutional Failures**

Part III: On Response Policies and their Impacts with GLOBAL PERSPECTIVES

- **Fiscal and Monetary Policy Dealing with the Crisis**

Part IV: On The Way Forward with GLOBAL PERSPECTIVES

- **Implications of the Crisis for the Global Economy**
  - “Global Financial Stability Report: Grappling with Crisis Legacies”, International Monetary Fund, September 2011

- **Implications of Financial Crisis for Asia and China**
- **Financial and Economic Solutions**

**Assessment Tasks**

<table>
<thead>
<tr>
<th>Assessment Method</th>
<th>Brief details of Assignment</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Class participation and tutorial discussions</td>
<td>Students are expected to share, debate, and evaluate issues raised in class as well as in the assigned cases.</td>
<td>10%</td>
</tr>
<tr>
<td>Homework and case summaries</td>
<td>Cases are required of all students to read and prepare for discussion in class and in the tutorials. Homework will also be assigned to ensure that students understand the fundamental issues discussed in class.</td>
<td>30%</td>
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</tbody>
</table>
Group project presentation | Student will be required to work in small groups of six on a project that they choose relevant for the course topics. The presentation encourages students to formulate and communicate their ideas effectively and to put across their point of view in a professional and convincing style. | 30%

Take-home test | Take-home exam will test students on their understanding of the key issues discussed in the course. | 30%

**Performance Assessment**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Descriptors</th>
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</table>
| A+    | • All aspects were addressed and researched in great depth.  
• Demonstrates a clear understanding of and the ability to apply and theory, concepts and issues relating to the topic.  
• Able to clearly identify the most critical aspects of the task and adopt a critical perspective.  
• Excellent development of argument and offers a logically consistent and well-articulated analysis and insight into the subject.  
• Draws widely from the academic literature and elsewhere whilst maintaining relevance  
• All aspects conform to a high academic / professional standard |
| A    |              |
| A-   |              |
| B+   | • Most aspects were addressed and researched in depth.  
• Demonstrates a good understanding and some application of the theory and issues relating to the topic.  
• Able to identify critical aspects of the task and adopt a critical perspective.  
• Some evidence of analysis, supported by logical argument and insight into the subject.  
• Draws on relevant academic and other material.  
• Most aspects conform to a high academic / professional standard. |
| B    |              |
| B-   |              |
| C+   | • Most aspects were addressed and researched adequately.  
• Demonstrates a good understanding of the theory, concepts and issues relating to the topic but limited application relating to the topic.  
• Some argument presented showing some insight but not always consistent and logical.  
• Draws upon an adequate range of academic and other material  
• Most aspects conform to an acceptable academic / professional standard. |
| C    |              |
| C-   |              |
| D    | • Basic aspects were addressed and researched adequately.  
• Demonstrates mainly description, showing basic understanding of the topic but no application.  
• Little evidence of analysis but no clear and logical argument relating to the subject.  
• Draws primarily upon course materials.  
• Limited aspects conform to academic / professional standards. |
| F    | • Basic aspects were superficial, inadequate or absent.  
• Demonstrates limited understanding of the topic and draws conclusions unrelated to the topic.  
• The written work is not of an academic / professional standard." |
Academic Honesty and Integrity

The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on http://www.hku.hk/plagiarism/.

Cheating or plagiarism of any kind would result in an automatic F grade for the course plus strict enforcement of all Faculty and/or University regulations regarding such behavior. Incident(s) of academic dishonesty will NOT be tolerated.

Academic dishonesty is a behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

a. **Plagiarism** - The representation of someone else’s ideas as if they are one’s own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one's own work. Paraphrasing of someone else’s ideas is still using someone else’s ideas, and must be acknowledged.

b. **Unauthorized Collaboration on Out-of-Class Projects** - The representation of work as solely one's own when in fact it is the result of a joint effort.

c. **Cheating on In-Class Exams** - The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.

d. **Unauthorized Advance Access to an Exam** - The representation of materials prepared at leisure, as a result of unauthorized advance access (however obtained), as if it were prepared under the rigors of the exam setting. This misrepresentation is dishonest in itself even if there are not compounding factors, such as unauthorized uses of books or notes.