

Making Sense of the Economy: Money and Finance in the 21st Century

The last 10 years have been tumultuous ones in the world of economics and finance. They have included the worst recession since the Great Depression, the biggest Ponzi scheme in history, and unprecedented actions by the Fed to keep interest rates at ultra-low levels. It has also provided Hollywood with ample material for a number of interesting movies.

This course will use lectures, class discussion, and video clips to make sense of recent economic events. Much of the course centers on the 2008 financial crises and subsequent recession. We'll start with federal policies to encourage mortgage lending and increased home ownership, the proliferation of mortgage backed securities and questionable lending practices. Participants will be encouraged to watch several Wall Street themed movies and discuss them in class including the documentary films *Boom Bust Boom* and/or *Money for Nothing: Inside the Federal Reserve*.

While many companies and individuals were losing money, a handful of savvy investors made millions by investing in credit default swaps and pursuing other strategies to bet against the market, as detailed in the movie *The Big Short*. Several major Wall Street firms got into trouble over fraudulent practices regarding the sale of mortgage-backed securities, as illustrated in the fictional movie *Margin Call*. Federal policies dealing with the recession will be covered. We will spend time explaining the Federal Reserve System, the conduct of monetary policy, and its effect on the economy. We will also discuss other factors that have led to low interest rates, as well as the prospect for their continued use in the future.

The course will conclude with additional material on financial crimes. These include Ponzi schemes such as Bernie Madoff's, and "boiler room" operations that sell and manipulate the price of penny stocks. Related films include the *Wolf of Wall Street* and something on Madoff (the ABC-TV mini-series *Madoff*, the new HBO film *Wizard of Lies*.) We may also have time for a current issue such as the recent tax reform bill.)

The course is appropriate for students of all levels of economic sophistication, though some familiarity with economic and financial issues may be helpful. Readings will be assigned on an optional basis.

Outline of the course, and a list of suggested readings:

2008 financial crises and recession

- Stimulation of the housing market easy credit
- The role of mortgage backed securities
- Boom and Bust cycle

Movies: *The Big Short*, *Margin Call*

Government policies to deal with the crises

- Regulatory issues
- Fiscal and monetary policy
- The Fed and quantitative easing
- Low interest rates
- The slow recovery

Other topics

- Ponzi schemes and Bernie Madoff
- The Social Security system (optional)
- The stock market (optional)

Movies:

The Wolf of Wall Street

Something on Bernie Madoff, (*Madoff: An ABC Original Movie*; *Chasing Madoff*, *The Wizard of Lies* HBO) May 2017)

Suggested reading:

Housing Boom and Bust, Thomas Sowell

The Federal Reserve and the Financial Crises, Ben Bernanke

Other books:

Reckless Endangerment, Gretchen Morgenson and Joshua Rosner

Financial Shock, Mark Zandi

Meltdown, Thomas Woods

Bailout, Neil Barofsky

Bailout Nation, Barry Ritholtz

Unintended Consequences, Edward Conard

The Courage to Act: A Memoir of a Crises and its Aftermath

Getting off Track, John Taylor

Bad Money, Kevin Philips

The Big Short, Michael Lewis

Wizard of Lies: Bernie Madoff and the Death of Trust, Diane Henriques

Too Good to be True: The Rise and Fall of Bernie Madoff, Erin Arvedlund
Madoff with the Money, Jerry Oppenheimer

Leader: Stephen Friedlander has a PhD in economics, taught at Towson State University, and worked in regulatory policy matters at AT&T from which he retired.

Wednesdays: 10:30 a.m. to 12:30 p.m., 8 weeks: February 28 through April 18

Location: PSRC