



CAMPUS

Class examines financial crises of the past and present

Professor Tim Kehoe calls the class, which uses economic models to analyze financial meltdowns, “an experiment.”

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While the country faces serious financial crises both at home and abroad, University of Minnesota economics professor Tim Kehoe’s class is taking a hands-on approach to understanding the reasons for these crises.

The course, called Current Economic Issues , focuses on global financial meltdowns throughout history, including the Great Depression and the current financial crisis, from an economics point of view. This is the first time this class has been taught.

“This is an experimental kind of course,” Kehoe said. “We’re pushing the students to think about these issues at a higher level.”

In the class, the students have worked with economic models on computer software and have not only learned the math behind economic theories, but are discussing the ideas and concepts as well.

“In class, we’re applying theory to the current crisis,” Kimberly Conlon, an economics senior, said. “We’re looking at global crises and how they’re similar to ours, and what actions they took to get out of the situation.”

Kehoe said they spend time discussing current financial crises in other countries as well as the history surrounding the Great Depression and other U.S. financial crises.

“It’s more relevant than you think,” he said.

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During a recent class, students discussed a wide variety of issues surrounding what causes financial crises and what turns them into depressions.

“This kind of panicky response to financial issues we’ve seen with TARP and such is what makes depressions worse, not better,” Kehoe said. “You’re going to be paying for it for the rest of your lives.”

Students also debated whether or not the financial crisis was over.

While some students argued that employment was still far below where it should be, Kehoe and others pointed out that employment takes a long time to rebound but the economy is improving.

Kehoe said people need to learn from the Great Depression and other financial crises in order to fix the current situation.

“That’s the message I hope these students are getting from this course,” he said.

Economics senior Alyssa Tucker said she was drawn to the class because of the title and the idea behind it.

“‘Current economic issues’ – that spurred my attention, because it’s not something we really focus on in other classes,” she said.

On Tuesday morning, the class of about 25 students took a trip to the Federal Reserve Bank of Minneapolis to meet with Nobel Prize-winning economists Edward Prescott and Robert Lucas.

“It was an incredible opportunity, to say the least,” said Philip Zeller, a senior economics student. “We are really lucky.”

Lucas and Prescott outlined economic theories while applying them to the current financial crisis, but approached the issue from two opposite angles.

“I wish we could have heard them debate each other more,” Zeller said.

Students said the talk meshed well with what they had been learning in class about different economic theories surrounding the recent recession, including whether government spending and tax cuts will stimulate the economy and what was to blame for the financial crisis in the first place.

Before the talk, the students got a chance to tour the board of directors’ room at the Fed and admired the panoramic view of the city.

Kehoe told the class: “If you become a rich banker, someday you could be sitting in these seats.”