Credit & Liquidity Crisis of 2008: Lessons Learned

Instructor: John Rosenthal
4220 Edison Lakes Parkway
Suite 310
Mishawaka, Indiana 46545
574-243-6502
john@rosenthalpartners.net
Office Hours: After Class and by appointment. Feel free to contact me by phone and/or email at anytime! (I prefer email.)

Recommended/Suggested Reading:
The Big Short – Michael Lewis
On the Brink – Henry Paulson
The End of Wall Street – Roger Lowenstein
Too Big To Fail – Andrew Ross Sorkin
A Colossal Failure of Common Sense – Lawrence McDonald
13 Bankers – Simon Johnson and James Kwak
Fool’s Gold – Gillian Tett
House of Cards – William Cohan
All the Devils are Here – Bethany McLean and Joe Nocera
The Greatest Trade Ever – Gregory Zuckerman
Street Fighters – Kate Kelly
Chasing Goldman Sachs – Suzanne McGee
The House of Dimon – Patricia Crisafulli
What Caused the Financial Crisis – Jeffrey Friedman
Endgame – John Mauldin
Boomerang – Michael Lewis

Or: If you prefer to watch videos: Inside Job – Charles Ferguson

Note: this list is NOT a required reading/viewing list but I highly recommend you choose several books – not the entire list – based on your interests and the person on whom you choose to write your term paper.

Substantial use of the Internet to research events and characters involved in the crisis is encouraged.

(Continued on Next Page)
Course Description: This course will take a close look at the many different factors that contributed to the collapse of the financial and credit markets in September, 2008, and how various leaders reacted in an attempt to save the global economy and prevent another Great Depression. We will study and critique the key players (Paulson, Bernanke, Cox, Bair, Dimon, Fuld, Mack, Blankfein, etc.) and entities (Bear Stearns, Lehman, AIG, and Goldman Sachs; along with major U.S. commercial banks, the U.S. Treasury, the Federal Reserve, the SEC and the ratings agencies) involved in the meltdown of the markets. This course will focus on who acted ethically and who behaved unethically before and during the crisis. We will examine what behaviors contributed to this calamity and how best to “regulate” (legislatively and morally) the financial services industry in the future in order to minimize the possibility of repeating this catastrophe.

Classes will entail lively group discussions. My role will be to ask plenty of questions about who did what to whom and why – and to get students to think on their feet and respond/defend their positions regarding whether those actions were good, bad or inconsequential. Your active participation is CRITICAL and you must come prepared to contribute to the topics to be reviewed at each class. I will call on everyone for their input – there will be no place to hide. Class participation will be a disproportionate part of your grade.

1 Term Paper/Biography and 1 Group Presentation are also required.

Grading: 45% of your grade will be determined based on your active contribution (quantity and quality) to class discussions. 30% of your grade will be determined by your Term Paper/Biography on one of the key players involved in the crisis. 15% of your grade will be based on your Team Power Point Presentation. 10% of your grade will be determined by your classmates rating of your contribution to their learning experience in this course.

Attendance: You’ll want to come! The drama involved in this story is riveting and you won’t want to miss any of it. However, unexcused absences will obviously impact the class participation part of your grade – which, as highlighted above, is the major part of your overall grade.

Biography: On the very first day of class, we will hold a lottery. We will draw names out of a hat randomly and each person will select a character (from the pre-approved list below) i.e. someone on whom they will do a term paper/biography. The paper should be 5-7 single spaced pages (not more and not less) and include footnotes and a bibliography. This paper will be shared with the entire class and will be the subject of several days of our class discussion.
Approved
Characters: Sheila Bair, FDIC; Michael Barry, Scion Capital; Ben Bernanke, Federal Reserve; Lloyd Blankfein, Goldman Sachs; Warren Buffet, Berkshire Hathaway; George H. W. Bush, President; Erin Callan, Lehman; H. Rodgin Cohen, Sullivan & Cromwell; Christopher Cox, SEC; Gregory Curl, Bank of America; Jamie Dimon, JP Morgan Chase; Christopher Dodd, U.S. Senate; John Dugan, OCC; Steve Eisman, FrontPoint Partners; Laurence Fink, Black Rock; J. Christopher Flowers, J.C. Flowers & Co.; Barney Frank, U.S. House of Representatives; Dick Fuld, Lehman; Tim Geithner, Federal Reserve; Alan Greenspan, Federal Reserve; Dan Jester, U.S. Treasury, Pete Kelly, Merrill Lynch; Kerry Killinger, WaMu; Dick Kovacevich, Wells Fargo; Charlie Ledley and James Mai, Cornwall Capital; Ken Lewis, Bank of America; John Mack, Morgan Stanley; Bart McDade, Lehman; Daniel Mudd, Fannie Mae; David Nason, U.S. Treasury; Vikram Pandit, Citigroup; Henry Paulson, U.S. Treasury; John Paulson, Paulson & Company; Robert Rodriguez, First Pacific; Robert Rubin, U.S. Treasury; Alan Schwartz, Bear Stearns; Bob Steel, Wachovia; Richard Syron, Freddie Mac; John Thain, Merrill Lynch; Meredith Whitney, analyst; Bob Willumstad, AIG; Ken Wilson, U.S. Treasury. I will be open to discussion if you wish to do your term paper on someone else but it must be pre-approved.

Group Presentation: The Class will be divided into 4 Groups. Each Group will select between Congress, Regulators, Investment & Commercial Banks, Rating Agencies, and Private Equity Firms and do a Power Point presentation on how those institutions/entities contributed to the financial and economic collapse.

Honor Code: Academic dishonesty in any form is unacceptable. You cheat, you flunk.

Course Objective: 1.) to help prepare future leaders to make tough and ethical decisions about the consequences of their choices and actions. 2.) to gain a better understanding of the complex inter-connectedness of markets and companies 3.) to motivate students to examine alternate career paths – especially including enterprise risk management – for the protection and safety of the company and all its constituents.

Learning Objectives: 1.) have a thorough historical knowledge of the causes and historical events surrounding the crash of 2008 2.) learn to think critically about the balance between free markets and government oversight, regulation, and intervention (nationalization) 3.) encourage students to become actively engaged in the political process as a necessity to preserving our capitalist system 4.) instill the concept that the value of enterprise risk management as equal to that of an originator/rainmaker/producer.
<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8/21/12</td>
<td>Draft for Biography; Prequel, What Happened Before 2008</td>
</tr>
<tr>
<td>2</td>
<td>8/23/12</td>
<td>Bear Stearns/JP Morgan Chase; “Break the Glass” Crisis Management Planning by the Fed – Guest Lecturer: Kirk Farney – you don’t want to miss this class!!!</td>
</tr>
<tr>
<td>3</td>
<td>8/28/12</td>
<td>Guest Speaker: Bob Jones, CEO Old National Bancorp, Evansville, Indiana. BofA/Countrywide; Credit Default Swaps</td>
</tr>
<tr>
<td>4</td>
<td>8/3012</td>
<td>Fannie Mae and Freddie Mac into Receivership</td>
</tr>
<tr>
<td>5</td>
<td>9/4/12</td>
<td>Sept. 14, 2008 – Merrill Lynch/BofA</td>
</tr>
<tr>
<td>6</td>
<td>9/6/12</td>
<td>Guest Speaker: Kirk Farney, Retired Head of Asset Backed Securities, J.P. Morgan Chase &amp; Sept. 15, 2008 – Lehman Brothers Bankruptcy</td>
</tr>
<tr>
<td>7</td>
<td>9/11/12</td>
<td>Sept. 17, 2008 – Fed Bails out AIG with $85 million</td>
</tr>
<tr>
<td>8</td>
<td>9/13/12</td>
<td>Sept. - Dec. 2008 – Government Intervention (Tarp, ABCP, Money Market Guarantee Program, CPP, etc.)</td>
</tr>
<tr>
<td>9</td>
<td>9/18/12</td>
<td>Goldman and Morgan Stanley become BHC’s; WaMu/JP Morgan Chase</td>
</tr>
<tr>
<td>10</td>
<td>9/20/12</td>
<td>Wachovia/Citi/Wells Fargo</td>
</tr>
<tr>
<td>11</td>
<td>9/25/12</td>
<td>Group Presentations</td>
</tr>
<tr>
<td>12</td>
<td>9/27/12</td>
<td>Group Presentations</td>
</tr>
<tr>
<td>13</td>
<td>10/2/12</td>
<td>Dodd Frank and Regulatory Reform Going Forward</td>
</tr>
<tr>
<td>14</td>
<td>10/4/12</td>
<td>Dinner at Papa Vino’s on me! Wrap Up – Share the Main Lesson You Learned</td>
</tr>
</tbody>
</table>

This schedule is tentative and may be changed to accommodate guest speakers, if any.