

FIN-512 Money and Banking Syllabus



UNIVERSITY OF NICOSIA
ΠΑΝΕΠΙΣΤΗΜΙΟ ΛΕΥΚΩΣΙΑΣ

Course Code FIN-512	Course Title Money and Banking	ECTS Credits 10
Department Finance	Semester Fall/Summer/Spring	Prerequisites None
Type of Course Required	Field Finance	Language of Instruction English
Level of Course 2 nd Cycle	Year of Study 1 st	Lecturer(s) Adam Hayes, CFA
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Objectives of the Course:

The main objective of the course is to provide a critical study of money and banking, as related and possibly applied to digital currencies.

The main topic areas include:

- 1/ What is *money*? Where did it come from and why? What about digital currencies?
- 2/ Money as a social system; the sociology of money; blockchains as social networks
- 3/ Demand for money; understanding interest rates; money supply & creation; credit
- 4/ Foreign exchange markets; traditional banking
- 5/ Monetary policy; central banking

Learning Outcomes:

Upon completion of this course, students are expected to be able to:

- 1/ Read and understand scholarly articles and reports on monetary matters.
- 2/ Critique articles and opinions of others with theory-based arguments.
- 3/ Write theory- and evidence-based articles and reports on money & banking.
- 4/ Carry out analysis of published secondary data.
- 5/ Apply money and banking concepts to digital currencies.

Learning Activities and Teaching Method:

Lectures, Asynchronous Discussions, Readings, Peer Review

Assessment Methods:

Quizzes/Assignments 35%, Course Participation 5%, Final Exam 60%

Course Timeline

(Each week there will be two course modules assigned, A & B)

- Week 1:**
- A) What is money? Forms of money and its functions
 - B) This history of money – where did it come from and why?
- Week 2 :**
- A) Demand for & Supply of Money: Interest Rates
 - B) Time value of money; Discounting
- Week 3:**
- A) Traditional banking; Credit; fractional reserve system
 - B) Foreign exchange markets; purchasing power parity (PPP)
- Week 4:**
- A) The role and function of Central Banks
 - B) Monetary policy: objectives & tools
- Week 5:**
- A) Theories of Money: Why money has value
 - B) The social and symbolic meanings of money
- Week 6:**
- A) Alternatives to Traditional Money
 - B) Bitcoin, Cryptocurrencies, & Blockchains

Required Reading:

*Required course readings & material will be posted to the course website as either downloadable files or links to external sites. *Please read the ALL required readings in the order that they appear in the syllabus below!* Each week, expect to read approx. 100 -150 pages (which is typical for a graduate-level course).

You may also want to purchase for yourself the following books, the first two we will be drawing from heavily:

The Nature of Money by Geoffrey Ingham (https://www.amazon.com/Nature-Money-Geoffrey-Ingham/dp/074560997X/ref=sr_1_1?ie=UTF8&qid=1515423387&sr=8-1)

Money, Banking, and Financial Markets by Frederic Mishkin (https://www.amazon.com/Economics-Financial-Eleventh-Frederic-S-Mishkin/dp/1292094184/ref=mt_paperback?_encoding=UTF8&me=)

Banking: An Introduction by Faure, A.P (Available free at: <http://bookboon.com/en/banking-an-introduction-ebook>)

Week 1A: What is Money? Forms of Money and its Functions

Required:

Mishkin, Frederic (2012): Money, Banking and Financial Markets, Chapter 3

Ingham, Geoffrey (2004): The Nature of Money. Chapter 4

Week 1B: This history of money – where did it come from and why?

Required:

Wikipedia entry: *History of Money* https://en.wikipedia.org/wiki/History_of_money

Wray, L. Randall (2012): Introduction to an Alternative History of Money. Working Paper No. 717: Levy Economics Institute of Bard College.

Ingham;. Chapters 5 & 6

Suggested:

Menger, Carl (1892), "On the Origin of Money," *Economic Journal* 2, 239–255

<http://www.monadnock.net/menger/money.html>

Carnegie, Andrew (1891): The A B C of Money. *The North American Review*. Vol.152/415, pp. 723-750.

Weatherford, Jack (1997): *The History of Money: From Sandstone to Cyberspace*. New York: Crown Publishers, Inc., Introduction, Chs. 1-6, pp. 1-108

Wray, L. Randall (1998): *Understanding Modern Money: The Key to Full Employment and Price Stability*. Cheltenham, UK: Edward Elgar, Ch. 3, "An Introduction to a History of Money", pp. 39-73

Week 2A & 2B: Interest rates, Inflation & Time Value of Money

Required:

Mishkin; Chapters 4, 5, & 6

Mishkin; Chapter 19

Kirshner, J. (2001). The political economy of low inflation. *Journal of Economic Surveys*, 15(1), 41-70.

Suggested:

Ingham; Chapter 8

Graeber, David, 2011: *Debt: The First 5,000 Years*. Chapter 11, "Age of the Great Capitalist Empires"

Hayes, Adam @ Investopedia: How Interest Rates can go Negative

<https://www.investopedia.com/articles/investing/021016/how-interest-rates-can-go-negative.asp>

Week 3A: Traditional banking: the fractional reserve system

Required:

Mishkin; Chapters 10 and 12

Ingham; Chapter 7

Suggested:

Fisher, Irving, 1936: 100% Money. New York: Adelphi Company, "Foreword by a Banker", Ch. III, "The Reserve Problem", pp. 33-59

Week 3B: Foreign Exchange and Purchasing Power Parity/Law of One Price *Required:*

Mishkin; Chapter 17

Wikipedia entry: *Triangular Arbitrage* https://en.wikipedia.org/wiki/Triangular_arbitrage

Wikipedia entry: *Purchasing Power Parity (PPP)* https://en.wikipedia.org/wiki/Purchasing_power_parity

Investopedia entry: *Law of One Price (LOP)* <https://www.investopedia.com/terms/l/law-one-price.asp>

Week 4A: The Role and Function of Central Banks

Required:

Mishkin; Chapters 13 & 14

Suggested:

Singleton, The second central banking revolution: independence and accountability ch12

Goodhart, C.A., 1987. Why do banks need a central bank?. *Oxford Economic Papers*, 39(1), pp.75-89.

Week 4B: The objectives & tools of Monetary Policy

Required:

Mishkin; Chapters 15 & 16

Hayes, A. (2016). Decentralized banking: monetary technocracy in the digital age. In *Banking Beyond Banks and Money* (pp. 121-131). Springer.

Suggested:

Hayes, Adam @ Investopedia: How Unconventional Monetary Policy Works

<https://www.investopedia.com/articles/investing/022415/how-unconventional-monetary-policy-works.asp>

Week 5A: Money as a social relation & political construct: Why money has value

Required:

Ingham, Geoffrey (1996): Money is a Social Relation. *Review of Social Economy*. Vol. 54/4, pp.507-529

Mises Institute (link): Austrian Theory of Money

Wikipedia entry: Quantity theory of money https://en.wikipedia.org/wiki/Quantity_theory_of_money

Wikipedia entry: Chartalism (aka State theory of money) <https://en.wikipedia.org/wiki/Chartalism>

Wikipedia entry: Credit theory of money https://en.wikipedia.org/wiki/Credit_theory_of_money

Wikipedia entry: Modern Monetary Theory (aka neo-Chartalism) https://en.wikipedia.org/wiki/Modern_Monetary_Theory

Ingham; Chapters 1 & 2

Week 5B: The social and symbolic meanings of money

Required: (choose any 3 of the following to read)

Carruthers, Bruce G., 2010: The Meanings of Money: A Sociological Perspective. *Theoretical Inquiries in Law*. Vol. 11, No. 1, 51-74

Belk, Russell W. and Melanie Wallendorf, 1990: The Sacred Meanings of Money. *Journal of Economic Psychology*. Vol. 11, 35-67.

Kirshner, Jonathan, 2003: Money is Politics. *Review of International Political Economy*. Vol. 10/4, 645-660.

Zelizer, Viviana, 1989: The Social Meaning of Money: "Special Monies". *American Journal of Sociology*. Vol. 95, No. 2, 342-377.

Polillo, Simone, 2013: Conservatives Versus Wildcats: A Sociology of Financial Conflict. Stanford: Stanford University Press, Chapter 1

Brunhoff, Suzanne de, 2005: Marx's Contribution to the Search for a Theory of Money. In: Moseley, Fred, ed., *Marx's Theory of Money: Modern Appraisals*. Palgrave Macmillan, 209-221.

Week 6A: Alternatives to Traditional Money

Required:

Ingham; Chapter 9

Watch: short video on Silvio Gessel & *Free Money* <https://www.youtube.com/watch?v=hxdPIOUTd2k>

Wikipedia entry: *Time-Based Currency* https://en.wikipedia.org/wiki/Time-based_currency

Wikipedia entry: *Complementary Currency* https://en.wikipedia.org/wiki/Complementary_currency

Levy, Steven (1994), "E-Money (That's What I Want)," *Wired* 2.12 (December) <http://archive.wired.com/wired/archive/2.12/emoney.html>

Suggested:

Maritain, Jacques, 1985: A Society Without Money. A Country in Which Money Would be Banished From the Lives of Its Citizens. *Review of Social Economy*. Vol. 43, No. 1, 73-83.

Angell, James W., 1935: The 100 Per Cent Reserve Plan. *The Quarterly Journal of Economics*. Vol. 50, 1-35.

Evans, Michael S., 2009: Zelizer's Theory of Money and the Case of Local Currencies. *Environment and Planning*. Vol. 41, 1026-1041.

Week 6B: Bitcoin, Cryptocurrencies, & Blockchains

Required:

Dodd, N. (2017). The social life of Bitcoin. *Theory, Culture & Society*.

Hayes, A. (2019). The Socio-Technological Lives of Bitcoin. *Theory, Culture & Society*.

Bech, M. L., & Garratt, R. (2017). Central bank cryptocurrencies.

IMF (2016), "Virtual Currencies and Beyond: Initial Considerations," Staff Discussion Note 16/03.

Suggested:

Raskin, M., & Yermack, D. (2016). Digital currencies, decentralized ledgers, and the future of central banking (No. w22238). National Bureau of Economic Research.

Bjerg, O. (2016). How is bitcoin money?. *Theory, Culture & Society*, 33(1), 53-72.

Bank for International Settlements (2015), "Digital Currencies," Committee on Payments and Market Infrastructure Report.

Yermack, D. (2013). Is Bitcoin a real currency? An economic appraisal (No. w19747). National Bureau of Economic Research.