

Comparative Economics and the Origins of Modern-day Banking

ECON 203

Spring 2016

Dr. Valentina Galvani (instructor)

Classes: Monday and Wednesday 8:30 to 11:30. All- day field trips on May 5,12, and 19.

Office Hours: location and time TBA.

Textbooks

1. *The Economy of Renaissance Florence Paperback* by Richard A. Goldthwaite (Jan, 2011).
2. *Financial Structures and Regulation: A Comparison of Crises in the UK, USA and Italy* by Alessandro Roselli.

Both textbooks are required and are available on Kindle.

Course Objective

The course is constituted by three related learning modules. The first aims to make student familiar with the basic features of a banking system, the second is meant to illustrate the role played by banks in the evolution of the economy. The third, and last, learning module is to introduce students to the recent public debate on financial regulation.

The material will be presented drawing from historical events. In particular, the course does not require the display of any mathematical ability, as no formal analytical model will be utilized. Instead of econometric models and formal mathematical models, this course uses history to better our understanding of the works of the banking system. Students will be initiated to the basics of banking and economic development by means of historical examples, and a rich discourse on the fundamental economics concepts that have been shaping the way markets are operating in the selected four countries: Canada, the UK, the US and Italy. The discussion will employ examples drawing from three separate time periods, namely the Renaissance, the interwar period (1920-1939) and the post-World War II years, up to 2010.

Short presentation of the learning modules.

[Banking: the Origins] This module will review the evolution of the credit system, starting from the creation of the banking business in Florence during the renaissance. Part of the discussion will examine how the resources of Florentine banks affected political events throughout Europe during the renaissance period. This part of the course will be covered at the beginning of the term and will lead to a site visits in Florence and Siena. A related discussion of the role of money in economic development will be complemented by a visit to the Numismatic Museum in Perugia.

[Banking: Relationship with Industry] The Italian banking system in the interwar period was very different from that of Canada, US and UK, because it was composed by few mixed banks, where these are characterized by strong links with non-financial firms , usually through ownership (of banks of firms but also of firms by banks). The result of

the intertwined ownership between “commerce” and “banking” is that banks play a crucial role in shaping industrial development, by, for example, restricting credit availability to stifle competition threatening bank-owning firms. We shall argue that the mixed bank system is an institution that fits a developing economic system very well, in particular when capital markets are largely absent. However, it leaves banks highly vulnerable to industry’s downturns. As the course is taught in Italy, the course will also discuss as the intertwining of banking and politics has characterized Italy’s industrial development during the Fascism era, and supported the economic boom of the sixties. The works of the Italian banking system during the Fascist era will be contrasted with the structure of the banking system in Canada , US, and UK.

[Banking: the Rules] This module aims to encourage students to critically assess the economic principles that appear to be imbued in the current public discourse on financial market regulation. The critical review will be spurred by the analysis of the intertwined evolutions of economic ideas and of the enacted financial regulation and of the nature of the financial institutions (here, banks). In particular, the analysis will describe how episodes of financial instability have, historically, affected the “real” economy, and changed the economic thought informing the design of financial market and institutions.

Prerequisites: Pre-requisites waived

Grades

Over the term you will be assigned three short papers (1500 words each). You are encouraged to discuss the course material with your colleagues, but make sure your papers reflect your understanding of the material. Papers will be based on a choice of prompts. Each essay will be evaluated according to 2-point bundles of criteria, which are (1) evidence of doing the reading, (2) evidence of following lecture and discussion. Each of the papers will be worth 30% of the available marks.

Two words about the grading system: Grades reflect judgments of student achievement made by your instructor. These judgments are based on a combination of absolute achievement and relative performance.

Handwritten papers are not accepted. One letter grade will be deducted for the first week of delay in handling of the final paper. Late papers might not be accepted. All students should consult the information provided by the Office of Judicial Affairs regarding avoiding cheating and plagiarism in particular and academic dishonesty in general (see the Academic Integrity Undergraduate Handbook and Information for Students). If in doubt about what is permitted in this class, ask the instructor.

Additional Notes:

Policy about course outlines can be found in §23.4(2) of the University Calendar.

The University of Alberta is committed to the highest standards of academic integrity and honesty. Students are expected to be familiar with these standards regarding academic honesty and to uphold the policies of the University in this respect. Students are particularly urged to familiarize themselves with the provisions of the Code of Student Behaviour (online at www.governance.ualberta.ca) and avoid any behaviour which could

potentially result in suspicions of cheating, plagiarism, misrepresentation of facts and/or participation in an offence. Academic dishonesty is a serious offence and can result in suspension or expulsion from the University.

Audio or Video Recording

Audio or video recording of lectures, labs, seminars or any other teaching environment by students is allowed only with the prior written consent of the instructor or as a part of an approved accommodation plan. Recorded material is to be used solely for personal study, and is not to be used or distributed for any other purpose without prior written consent from the instructor.