

Monetary and Financial Architectures

Fiat Lux Freshman Seminar – Spring 2017

Information:

Professor: Saki Bigio

Time: Monday 3:00P 4:50P

Location: BUNCHE 2160

Course Description: Who owns what and who owes what to who? Economies are getting more and more complex. At a given country and time, people own stocks of shares companies, mutual funds, pensions systems and have savings in banks accounts. At the same time, people owe credit card and mortgage debts. Banks owe money to their depositors and lend money to others, including other banks. Hedge funds invest in derivatives and complex products. Governments hold vast amounts of debts. To make things even more complicated, this system of assets and liabilities is denominated in some monetary instrument which is in turn the debt of a Central Bank! How does this complex financial architecture look? Why? What has happened over time? Why is this important?

Format: We will meet for five consecutive weeks. During our meetings, I will prepare some presentations related to the topic of our class. In class, we will carry out some discussions on the topic. I will assign a list of movies or documentaries to watch after every class.

Course Project: After the semester is over, you will have 4 additional weeks to turn in a written paper. The paper should be 2000 words long. You can supplement your paper with figures. Of course, we can discuss the outline of your paper throughout the course.

- **For this paper, you must do the following: you must select one of the movies or documentaries in the reading list. You must then describe the following.**
- **What particular part of the financial and monetary architecture is your movie about: are they talking about hedge funds? Are they talking about traditional banks? Investment Banks? Exchange rate markets?**
- **What has happened in those markets? Did it expand, if so, how? Did that industry explode? If so, when and by how much? Who were borrowers and lenders in those market?**
- **Are governments represented in the movie? If so, how?**
- **At all steps, I want you to relate to the movie, and specific scenes in that movie.**
- **Finally, I want you to take a critical stance on the movie. Do you think it portrays a fair description of reality? Do you think it is missing the importance of the role of financial markets, or it shows a benign view?**

Grading: The full grading of the course will correspond to your course paper. For a passing grade, you must at least earn a B. In class participation will influence my opinion.

Outline: Class presentation on the following Topics

Week 1: Basic concepts of credit, money creation, borrowing and lending.

Week 2: Traditional Banks vs. Shadow Banks

Week 3: The Federal Reserve and what it does

Week 4: A Bird's Eye View of the Financial Crisis I

Week 5: A Bird's Eye View of the Financial Crisis II

List of Movies & Documentaries for Final Project

- **The Ascent of Money: A Financial History of the World by Niall Ferguson**

<https://www.youtube.com/watch?v=fsrtB5lp60s>

- **The Chicago Boys**

<https://www.youtube.com/watch?v=oS9lZB6HArk>

- **The Wolf of Wall Street**

<https://www.youtube.com/watch?v=FzrBurlJUNk>

- **Boiler Room**

<https://www.youtube.com/watch?v=1OpL6kKui8Q>

- **The Big Short**

<https://www.youtube.com/watch?v=LWr8hbUkG9s>

- **The Commanding Heights**

<https://www.youtube.com/watch?v=w9ms2WOZi74>

- **The Inside Job**

<https://www.youtube.com/watch?v=FzrBurlJUNk>

- **Global Financial Meltdown**

<https://www.youtube.com/watch?v=VQzEWeGJLP0>

- **Money For Nothing: Inside the Federal Reserve**

<https://www.youtube.com/watch?v=2WT2gzPevD0>

- **The Biggest Bank Heist Ever!**

<https://www.youtube.com/watch?v=BuyrBRUsu9A>

- **The Crash of 1929 & The Great Depression (PBS)**

<https://www.youtube.com/watch?v=ccNilnpvbJg>