

GENERAL ELECTIVE

WINTER 2011
AHSS 2140 & AHSS 2140DE

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Course Title:	Money, Markets, and Democracy
Pre-requisites:	n/a
Co-requisites:	n/a
Credits:	0.5
Course Website (If applicable):	http://www.onlineguelphhumber.ca/
Method of Delivery:	Lecture and DE

Calendar Description:

This course provides an introduction to the currency, bond, and equity markets and poses the question: do these markets, on balance, negatively or positively influence the social structure, economy, and politics of nations? Students are expected to explore and evaluate whether the capital markets in their current form, serve the public interest.

Instructor's Course Description:

Over the past two-and-a-half decades, capital markets have markedly grown in influence, increasingly taking over from governments and banks the tasks of financing economic activity and serving the public's saving and retirement needs. After introducing students to the operational and regulatory framework of the currency, bond, equity, mutual/hedge funds, and derivative markets, the course poses the question: do these markets, on balance, negatively or positively influence the social structure, economy, and politics of nations? In assessing this issue, the course surveys the debate surrounding theories of capital market efficiency and rationality, the history of recurring financial bubble and crash sequences, social justice issues raised by investment in morally suspect industries and emerging economies, the constraints imposed by the markets on governments' ability to manage their economies, the tension between

democratic governance and central banking, the spread of an equity culture, and proposals for a new international financial architecture. Essentially, this course stresses the institutional details of capital markets, while placing them within their socio-economic and political contexts.

Course Learning Outcomes

On completion of this course the student will be able to:

1. Distinguish financial assets from real assets, while accounting for the origins, function, and social character of money;
2. Understand the political implications of the different ways—fiat- and reserve- based systems—that money supply might be managed by society;
3. Outline the history, nature, and role of central banks in industrialized Western economies, stressing the tension involved with democratic accountability;
4. Explain the main instruments traded in the capital markets—currencies, stocks, bonds, mutual/hedge funds, derivatives—as well as the key factors driving their daily movements;
5. Keeping Canada's situation in mind, assess the socio-economic and political implications of alternative foreign exchange systems, *viz*, fixed rate, floating rate, U.S. dollarization, and currency board arrangements;
6. Grasp the Efficient Markets Hypothesis, while outlining its implicit claim that markets pose little danger to society at large and can be trusted to allocate scarce investment capital with minimal government supervision;
7. Understand psychological accounts of capital market activity, such as behavioral finance, which stress the irrationality of investors and suggest that markets pose potentially significant dangers to society if left to operate without active government regulation;
8. Attentive to the debate concerning the efficiency and rationality of markets, describe famous historical market events like Tulipmania, the 1929 crash, and the technology/telecomm craze of the late 1990's from a broad social and political perspective;
9. Explicate and critically evaluate the ethical investing movement;
10. Analyze the charge that the growing influence of capital markets leaves governments, and their respective electorates, with a significantly smaller role to play in managing their economies;
11. Discuss the claim that the globalization of capital flows has brought instability to the world economy, while assessing proposals for a better international financial architecture;
12. Describe the emerging equity culture and its potential impact on government policies towards business and corporate governance.

Learning Resources

Required Textbook(s):

Title: Understanding Wall Street
Author: Jeffrey B. Little & Lucien Rhodes
Edition: 5th
***ISBN:**978-0-07-163322-2

Supplementary Text/ Other:

Articles in the U. of Guelph database for which links are available at the course website.

Handouts as provided by the instructor.

Course Schedule (Note: “Weeks” are counted starting with the first day of classes)

Week(s)/ Lesson	Topic	Reading(s)/ Activities
1	Introduction and Course Objectives	“What is Money?” in <i>Backgrounder: Bank of Canada</i> Smith, Adam. “Of the Origin and Use of Money” in <i>The Wealth of Nations</i>
2	Regulating the Supply of Money; Central Banking	<i>Understanding Wall Street</i> , pp. 206-209 & 242-254 Bordo, Michael D. “The Gold Standard” in <i>Concise Encyclopedia of Economics</i> Bernanke, Ben. “The Fed’s Exit Strategy”, <i>The Wall Street Journal</i> , Jul 21/2009
3 & 4	Stock Market	<i>Understanding Wall Street</i> , pp. 1-36 & 57-62 “Public vs. Private Equity: The Business of Making Money”, <i>The Economist</i> , July 5/2007 “Nasty, Brutish, and Short”, <i>The Economist</i> , June 19/2008 Optional Reading: <i>Understanding Wall Street</i> , pp. 37-56 & 255-286 Test # 1
5	Bonds and the Money Market	<i>Understanding Wall Street</i> , pp. 185-210 “The Long and Short of It”, <i>The Economist</i> , Jan. 7/2006 “Downgraded”, <i>The Economist</i> , July 23/2009

Week(s)/ Lesson	Topic	Reading(s)/ Activities
6	Mutual and Hedge Funds	<p><i>Understanding Wall Street</i>, pp. 99-100 & 105-115</p> <p>Lewis, Michael. "How the eggheads cracked" <i>The New York Times Magazine</i>, Jan. 24/1999</p> <p>Pooley, Erin, Sanford, Jim & Watson, Thomas. "The New Barbarians", <i>Canadian Business</i>, March 13-26/2006</p> <p>"Trillion Dollar Baby", <i>The Economist</i>, March 1/2008</p>
7	Derivatives, Oil, & Carbon Emissions	<p><i>Understanding Wall Street</i>, pp. 287-313</p> <p>Buffet, Warren. "On Derivatives"</p> <p>Duncan, Emma. "Trading Thin Air", <i>The Economist</i>, May 31/2007</p> <p>"Global OTC derivatives", <i>The Economist</i>, May 13/2010</p>
8	Foreign Exchange Markets and Canada's Currency Debate	<p>"When the chips are down", <i>The Economist</i>, July 22/2010</p> <p>"Handle with Care", <i>The Economist</i>, March 26/2009</p> <p>Europe's Three Great Delusions: The Eurozone crisis", <i>The Economist</i>, May 22/2010</p> <p>Grubel, Herbert G. "Who Needs this Roller Coaster?", <i>Fraser Forum</i>, June 2004</p> <p>Thiessen, Gordon. "Why a Floating Exchange Regime makes sense for Canada", Dec. 4/2000</p> <p>Test # 2</p>
9	Debates surrounding the rationality of markets	<p>Jones, Steven L & Netter, Jeffrey N. "Efficient Capital Markets" in <i>The Concise Encyclopedia of Economics</i></p> <p>"Efficiency and Beyond", <i>The Economist</i>, July 18/2009</p> <p>Dreman, David. "Psyching it out", <i>Forbes</i>, Aug. 21/2000</p>
10	Booms and Crashes	<p><i>Understanding Wall Street</i>, pp. 143-166</p> <p>Mackay, Charles. <i>Memoirs of Extraordinary Popular Delusions</i>, Vol. 1 – "The South Sea Bubble" and the "Tulipmania" [pdf files available at course website]</p> <p>"A Refresher on the 1930's", <i>Economist</i>, Sep. 19/1998</p>

Week(s)/ Lesson	Topic	Reading(s)/ Activities
11	Governing the Modern Corporation	Peet, John, "Survey Global Equity Markets: Governing the modern corporation," <i>The Economist</i> , May 5/2001 Carr, Edward. "In the money", <i>The Economist</i> , Jan. 18/2007 "Socially Responsible Investment Facts", <i>Social Investment Forum</i> "Survey: Profit and the Public Good", <i>The Economist</i> , Jan. 22/2005 Test #3
12	Are markets calling the political shots?	<i>Understanding Wall Street</i> , pp. 169-183 Woodall, Pam, "Survey World Economy: Who's in the driving seat," <i>Economist</i> , October 7/1995 Joseph Stiglitz. "America's House of Cards", <i>Project Syndicate</i> , 2007 "Financial Reform Summary", <i>US Senate Committee on Banking, Housing, and Urban Affairs</i> , 2010 Essay/Project due First Day of Week 12
13	EXAM REVIEW	
14	Final Exam -- TBA	

Evaluation and Due Dates

Students will be evaluated in this course through:

3 Term Tests	10%, 15%, 15%
Participation	10%
Major Assignment/Essay/Project	25%
Final Exam	<u>25%</u>
Total	100%

Participation Grades

Participation is evaluated on the basis of timely, frequent and appropriate participation in the online discussion groups. This includes posting responses to the weekly discussion questions, assisting other group members to understand the course material or introducing new topics from the financial press for group discussion.

Due Dates

A calendar of specific due dates/times for Term Tests and the Major Assignment will be posted to the "Updates" section of the web site in the first week of Term. These dates for the completion of graded work must be observed, not the generic indications in the various course content modules which serve for different Terms throughout the Academic Year. In particular, a specific date at the beginning of Week 12 will be set for submission of the Major Assignment. Students will be notified of the time and place of the Final Examination by a posting in the "Updates" section as soon as that information is received from the University.

Drop Box Policy

If late submissions are permitted by the late policy of this course outline, such assignments submitted after the due date must be electronically date stamped and placed in the secure assignment drop box, located on the second floor in the Learning Commons.

Late Submission of Assignments

Unless prior approval has been granted, late submission of assignments will be subject to a penalty of 2 percentage points per day, including weekend days, counting from the Due Date posted in the “Updates” section of the course web site. Assignments submitted more than two weeks (14 days) late may not be graded at the discretion of the Instructor. Approval for late submission will only be granted in special circumstances with appropriate documentation.

Academic Policies

Important University of Guelph-Humber Academic Regulations

Academic Integrity / Academic Honesty

Academic misconduct is behaviour that erodes the basis of mutual trust on which scholarly exchanges rest, undermines the University's exercise of its responsibility to evaluate students' academic achievements, or restricts the University's ability to achieve its learning objectives.

The University takes a serious view of academic misconduct and will severely penalize students, faculty and staff who are found guilty of offences associated with misappropriation of others' work, misrepresentation of personal performance and fraud, improper access to scholarly resources, and obstructing others in pursuit of their academic endeavours. In addition to this policy, the University has adopted a number of policies that govern such offences, including the policies on Misconduct in Research and Scholarship and the Student Rights and Responsibilities regulations. These policies will be strictly enforced.

It is the responsibility of the University, its faculty, students and staff to be aware of what constitutes academic misconduct and to do as much as possible through establishment and use of policies and preventive procedures to limit the likelihood of offences occurring. Furthermore, individual members of the University community have the specific responsibility of initiating appropriate action in all instances where academic misconduct is believed to have taken place. This responsibility includes reporting such offences when they occur and making one's disapproval of such behaviour obvious.

University of Guelph-Humber students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students should also be aware that if they find their academic performance affected by medical, psychological or compassionate circumstances, they should inform the appropriate individuals, (instructors, Program Advisor) and follow the available procedures for academic consideration outlined in the University's calendar.

Students are encouraged to review the policy in the 2009-2010 Academic Calendar at:
<http://www.uoguelph.ca/registrar/calendars/guelphhumber/current/c07/c07-amisconduct.shtml>

Grading Procedures

Feedback to students on work completed or in progress is an integral part of teaching and learning in that it allows students to measure their understanding of material and their progress toward achieving learning objectives. Feedback often goes beyond grading and should be an indication of the standard a student has achieved and should include comments on the particular strengths and weaknesses of a student's performance. While the nature and frequency of such feedback will vary with the course, the University of Guelph-Humber is committed to providing students with appropriate and timely feedback on their work. Faculty members are urged to provide meaningful feedback (approximately 20% of the total course evaluation is the standard), prior to the 40th class day. This is the last day that students are permitted to drop classes without incurring any academic penalties.

Missed Final Exams / Deferred Privileges

When students do not write a required final examination, complete a final assignment, or complete a work term report prior to the last class date, they must request Academic Consideration to be considered for a deferred privilege. When granted, a deferred privilege allows a student the opportunity to complete the final course requirements after the end of the semester, but during established timelines.

Please note that faculty members do not grant deferred privileges. Faculty can only grant academic consideration for work that is due during the semester and cannot grant extensions beyond their deadline for submission of final grades.

The nature of the deferred privilege may take the form of either a deferred condition or a deferred examination. The Admissions and Academic Review Sub-Committee grants deferred privileges on the basis of **medical**, **psychological** or **compassionate** consideration. Please see your Admission and Program advisor for details.

Accommodation Procedures

Students will identify themselves to Services for Students with Disabilities and, where required, provide appropriate documentation of their need. Where appropriate, students will inform individual instructors of their disabilities and academic accommodations required, by distributing the "*SSD Memo to Faculty*".

When students require test accommodations, they will:

- Remind instructors at least **one week in advance** of each test or as soon as possible, that they require test accommodations
- Book the test date and time in the SSD office or make the appropriate arrangements to write in the Test Centre at least one week in advance of each test, or as soon as possible.

Students with special needs are accommodated through Humber ITAL Services for Students with Disabilities. Students should make themselves familiar with the policies relating to special accommodations by visiting the website at:

http://studentservices.humberc.on.ca/ssd/pnp/fac_resp.htm.

It is the student's responsibility to be familiar with the University's policies and Academic Regulations. These policies can be found at:

<http://www.guelphhumber.ca/cstudents/policies/index.shtml>