Course Description:

Imagine a large pile of money. The virtue of the most basic forms of money is that they are fungible—meaning, you can buy anything with money and one dollar is as good as any other. But now place that pile of money into a bucket, and write something on that bucket: perhaps “hedge fund,” or “central bank,” or “payday lender.” The bucket is everything: even if the money on the inside is the same, the bucket will change the way insiders and outsiders alike treat that money. The law changes. The politics change. The history changes.

This course surveys a large number of these “buckets”—“financial institutions,” we’ll call them, though we use this term very broadly. These institutions are those that undergraduate and graduate students will encounter throughout their careers, whatever those careers might be. They include, among others:

1. Investment banks
2. Community banks
3. Central banks
4. University endowments
5. Hedge funds
6. Insurance companies
7. State funded enterprises
8. Payday lenders
9. Public pension funds
10. Mutual funds
11. Financial technology, or fintech

During this survey, we will ask a series of questions. Where does this institution come from? How has it changed over time? What is the political context? What is the regulatory context? In other words, we’ll look at the institution’s law, history, and politics, touching only briefly (and with no expectation of prior familiarity) on the economics and finance undergirding each one.

The course will be highly interactive as we learn these sometimes technical topics. It is not an economics or finance course. While a background or interest in finance may be helpful, I encourage students with no such background to enroll and will assume as much in each lecture.

**Grading:**

Your grade is divided into three parts: 25% class participation, 25% for six response papers, and 50% for the final projects. (More on the final projects, below.)

*Class participation.* Each class session, you will receive a grade of 0, 1, or 2 for class participation. Punctuality, attendance, professionalism, and the quality of your comments (meaning, how engaged with the reading, how responsive to other students, how focused on the discussion, and how frequent) determine that grade. I will take attendance and start each session precisely on time and will make a note of any latecomers or missing students each session for grading purposes. For class participation, I will solicit volunteer comments on the reading material/class discussion but will also “cold call” to ask students to walk through the assigned readings. Each student can’t comment in each session, of course, but I should hear from you at least every other session, at least once.

I’m very serious about attendance and punctuality, which will annoy some of you but affect all of you. This sounds harsh, I know. But hard experience teaches that prepared class participation is the best pedagogical tool we have available to us. If personal emergency means you’ll have to miss class or arrive less prepared, please notify me at least an hour before the beginning of the session. See me of course with any concerns.

By “professionalism,” I essentially mean how you treat others during class and how you interact with me with respect to grade finagling outside of class. Students who constantly ask for exceptions to rules or want to litigate grades run afoul of the professionalism standard. Those who demean others in class do much more significantly.

*Response Papers.* You should write six short response papers, 200 – 300 words. These
will be uploaded to Canvas and receive a 0, 1, or 2, but no comments. You must submit them 48 hours prior to the relevant class session. Late submissions are given no credit.

*Final Project.* The final project will be to choose a specific financial institution and provide a legal, political, and historical assessment. Examples might be a specific country’s central bank (the Central Bank of Kenya, for example), a specific hedge fund (Fortress Investment Group, for example), or something similar. The assessment should be 2,000 words multiplied by the number of students participating (no more than three students per group; solo projects are perfectly appropriate). You may divide the group work however you like, but each student must clearly identify individual contributions so that they can be graded accordingly.

Note: I will be running each report through anti-plagiarism software. Plagiarized work will result in severe consequences for the student(s), consistent with the University of Pennsylvania’s and Wharton’s rules and policies.

**Required Texts:**

All required texts will be available through the course bulk pack available at STUDY.NET. I will also supplement that reading throughout the semester.

**Readings:**

An updated syllabus with specific reading assignments will be posted to the course’s Canvas website at least two weeks ahead of the relevant class period.

**Course Thumbnail (tentative and subject to revision):**

**Session 1:** January 11, 2018

Introduction, Bullshit, and Consumer Protection


**Session 2:** January 18, 2018

Financial Inclusion, Financial Stability, and Economic Growth as organizing principles
b. Peter Wallison, Minority Report, Financial Crisis Inquiry Commission
c. Reinhart & Rogoff, *This Time is Different: Eight Centuries of Financial Folly* 2010 (preface)

Session 3: January 25, 2018
The Modern Corporation as a Financial Institution
b. Ida Tarbell, “The History of the Standard Oil Company,” McClure’s, November 1902 (17 pages)
c. Davis, *The Vanishing Corporation*, introduction, chapter 2, chapter 8. (45 pages)
d. Hansmann & Kraakman, “The End of History of Corporate Law,” Parts I & II (15 pages)
e. Amicus Brief of Historians, *Sebelius v. Hobby Lobby*

Session 4: February 1, 2018
Community Banking and Payday Lending
a. Louis Hyman, *Debtor Nation: The History of America in Red Ink*, introduction and chapter 3
b. Pew Trust, *Payday Lending in America*
c. Thaya Brook Knight, “Payday Lending is not Harmful to Low Income Borrowers,” The Hill, May 6, 2016
d. Readings on Wells Fargo
e. Selgin review of Calomiris and Haber

Session 5: February 8, 2018
Investment Banking


d. Testimony of Lloyd Blankfein, CEO of Goldman Sachs, Financial Crisis Inquiry Commission, January 13, 2010

Session 6: February 15, 2018

Central Banking


b. Conti-Brown, *The Power and Independence of the Federal Reserve*, introduction, chapter 1

c. Conti-Brown, *The Power and Independence of the Federal Reserve* (Chapter 11, conclusion)

d. The Economist, Buttonwood

Session 7: February 22, 2018

Venture Capital and Crowdfunding

a. Readings TBD

Session 8: March 1, 2018

Hedge Funds


Session 9: March 15, 2018
Insurance

c. Michael Lewis on AIG
d. Amicus Brief in MetLife v. Financial Stability Oversight Council

Session 10: March 22, 2018
State Finance: State Capitalism and Sovereign Wealth Funds
b. Robert Blackwill and Jennifer Harris, War by Other Means: Geoeconomics and Statecraft, Harvard University Press, 2015 (introduction and chapter 1).

Session 11: March 29, 2018
Private Equity, University Endowments
b. Schwarzman, two profiles

Session 12: April 5, 2018
The Promise and Perils of Public Pension Funds

Session 13: April 12, 2018
Mutual Funds
a. William Birdthistle, Empire of the Fund: The Way We Save Now, introduction

Session 14: April 19, 2018
Fintech and Advice for the Road
b. Ken Rogoff, The Cash Curse, introduction