

NATIONAL AND KAPODISTRIAN UNIVERSITY OF ATHENS

Graduate Program in Economics

Financial Economics

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COURSE SYLLABUS

The main textbook for the course will be:

Peter Howells & Keith Bain, **The Economics of Money, Banking and Finance - A European text**, Prentice Hall (FINANCIAL ECONOMICS), 2008.

A useful complementary text for this course could also be:

Frederic S. Mishkin, Kent Matthews, Massimo Giudioti, *The Economics of Money, Banking & Financial Markets-A European Edition*, Prentice Hall 2013.

COURSE OUTLINE

INTRODUCTION TO FINANCIAL INSTITUTIONS AND SYSTEMS

- The role of the financial system
- Introduction to financial systems

H&B CHS. 1, 2 (GREEK VERSION, CHS.1, 2)

Suggested Readings:

- Hellwig, M 1991 'Banking, financial Intermediation and Corporate finance', in Giovannini, A. & Mayer, C. (eds), *European Financial Integration*, Cambridge, CUP.
- Allen, F. 1990 'The market for information and the origin of financial intermediation' *Journal of Financial Intermediation*, 1, pp.3-30.
- Bernanke, B. and Gertler, M, 1987 'Banking in General Equilibrium', in Barnett, W. and Singleton, K. (eds). *New Approaches to Monetary Economics*, Cambridge, Cambridge University Press, 1987.

- Diamond, D .1984 'Financial Intermediation and Delegated monitoring', *Review of Economic Studies*, 51, pp. 393-414.

MONEY AND BANKING

- Banks and the supply of Money
- The demand for Money
- Monetary Policy

H&B CHS. 12, 13, 14 (GREEK VERSION CHS. 3, 4, 5)

Suggested Readings:

- Brunner K 1990 'Money Supply' in *Handbook of Monetary Economics*, BM Friedman & FH Hahn, Northern Holland.
- Pollin, R. 1991 'Two Theories of Money Supply Endogeneity: Some Empirical Evidence' *Journal of Post-Keynesian Economics*, pp.366-396
- Pollin, R. 1992 'Money Supply Endogeneity: What are the Questions and Why Do They Matter?' in Nell, E. & Deleplace, G. (eds) *Money in Motion: The Post Keynesian and Circulation Approaches*, Palgrave MacMillan.
- Goodhart, C. 2001 'The Endogeneity of Money', in Arestis, P., Desai, M. and Dow, S. (eds), *Money, Macroeconomics and Keynes: Essays in Honour of Victoria Chick*, Routledge, New York, pp.14-24.
- Laidler, D. 1993 '*The Demand for Money: Theories and Evidence*, Harper Collins, 4th edition, read especially chs. 4-13.
- Laidler, D. 1984 'The Buffer Stock Notion in Monetary Economics', *Economic Journal*, vol.94, Supplement, pp.17-34.
- Itoh, M. & Lapavitsas, C. 1998 '*Political Economy of Money and Finance*' London, McMillan, read ch.2
- Blinder, A. 2000 'Monetary Policy at the Zero Lower Bound: Balancing the Risks', *Journal of Money, Credit and Banking*, 32:4 pp.1093-99.
- Harris, L. 1981 '*Monetary Theory*' London, MacGraw Hill, read chs. 4-5.

- Morgan, J. 2009 'The Limits of Central Bank Policy: Economic Crisis and the Challenge of Effective Solutions', *Cambridge Journal of Economics*, pp.581-608.
- Barro, R and Gordon, D, 1983. 'Rules, Discretion and Reputation in a model of monetary policy', *Journal of Monetary Economics*, 12 pp. 101-121.
- Alesina, A, 1987. 'Macroeconomic Policy in a Two-Party system as a repeated Game', *Quarterly Journal of Economics* 102 (3) pp. 651-678.

CURRENT ISSUES (I)

- The Single European Market
- The European Monetary System and Monetary Union
- The European Central Bank and Eurozone Monetary Policy

H&B CHS. 21, 22, 23 (GREEK VERSION CH.6,7,8)

Suggested Readings

- Alesina, A. and Summers, L.H. 1993 'Central Bank Independence & Macroeconomic Performance: Some empirical evidence', *Journal of Money, Credit and Banking*, vol.25, No.2, pp.151-162.
- Scheller, H. P. 2004 'The European Central Bank, History, Role and Functions', ECB, in www.ecb.int
- ECB 2004 'The Monetary Policy of the ECB' in www.ecb.int
- Minsky, H. 'Central Banking and Money Market Changes', in *Can It Happen Again? Essays on Finance and Instability*, Routledge.

FINANCIAL THEORY

- Portfolio Theory
- The determination of Interest Rates
- The Structure of Interest Rates

H&B CHS. 8, 9, 10, 11 (GREEK VERSION CHS. 9, 10, 11, 12)

Suggested Readings

- Goodfriend, M. 1991 'Interest Rates and the Conduct of Monetary Policy' *Carnegie Rochester Series on Public Policy* 34.
- McCallum, B. 1986 'Some Issues Concerning Interest rate Pegging, Price Level Determinacy and the Real Bills Doctrine' *Journal of Monetary Economics*, 17.
- Miller, M.H. 1988 'The Modigliani-Miller Propositions After Thirty Years, *Journal of Economic Perspectives*, vol. 2, no.4 fall.
- Modigliani, F. & Miller, M.H. 1958 'The Costs of Capital, Corporate Finance and the Theory of Investment, *American Economic Review*, 48, pp. 201-297.
- Stiglitz, J. 1988 'Why Financial Structure Matters, *Journal of Economic Perspectives*, vol.2, no.4 fall.

FINANCIAL MARKETS

- Money Markets
- Bond Markets
- Equity Markets
- Foreign Exchange Markets
- Derivatives- the financial futures markets
- Options, swaps and other derivatives

H&B CHS. 15, 16, 17, 18, 19, 20 (GREEK VERSION CH.13, 14, 15, 16, 17, 18)

Suggested Readings

- Fama, E.F. 1971 'Risk, Return and Equilibrium' *Journal of Political Economy*, January-February.
- Fama, E.F. & MacBeth J. 1973 'Risks, Returns and Equilibrium: Empirical Tests', *Journal of Political Economy*, May.
- Sharpe, W.F. 1964 'Capital Asset Prices: A Theory of Market Equilibrium under conditions of Risk', *Journal of Finance*, September.

CURRENT ISSUES (II)

- Financial innovation
- The regulation of financial markets
- financial market efficiency

H&B CHS. 24, 25, 26 (GREEK VERSION CHS. 19, 20, 21)

Suggested Readings

- Tobias, A. and Hyuan, S. 2010 'The Changing Nature of Financial Intermediation and the Financial Crisis of 2007-9' *Federal Reserve Bank of New York*, Staff Report # 439.
- Crotty, J. and Epstein, G. 2011 'Proposals for Effectively Regulating the US Financial System to Avoid Yet Another Meltdown', *PERI Working Paper*, 181.
- Fama, E.F. 1970 'Efficient Capital Markets I' *Journal of Finance*, vol.25, no2 pp. 383-417.
- Fama, E.F. 1991 'Efficient Capital Markets II' *Journal of Finance*, vol.46, no.5, pp.1575-1617.