

**Commerce 4FX3
The History of Finance
Winter 2021 Course Outline**

**Finance and Business Economics Area
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

This course explores the emergence, evolution, and future of the tools and organizations that make modern finance possible. Through the study of the history of payments, debt, banking, corporations, markets, derivatives, pensions, insurance companies, and investment funds students will learn why such institutions are organized as they are today. Class discussions and the consideration of related case studies will provide students with modern perspectives and insights regarding how better versions might be designed to tackle the challenges of the 21st century. This course will be of particular interest to students interested in world history, fintech, and financial innovation in general.

INSTRUCTOR AND CONTACT INFORMATION

William Huggins

Instructor

hugginsw@mcmaster.ca

Office: RJC XXX

Office Hours: after class

Tel: (647) 289-9240

Class Location: Virtual

Student TA

TA

TAsMACID@mcmaster.ca

Office: DSB 218

Office Hours: Mon 1-4pm

Tel: (905) 525-9140 x27438

Course website: Avenue to Learn

Synchronous sessions will be held on Mondays from 2:30-5:30. Zoom link on A2L

COURSE ELEMENTS

Credit Value: 3	Leadership: No	IT skills: No	Global view: Yes
A2L: Yes	Ethics: Yes	Numeracy: No	Written skills: Yes
Participation: Yes	Innovation: Yes	Group work: Yes	Oral skills: No
Evidence-based: Yes	Experiential: Yes	Final Exam: Yes	Guest speaker(s): No

COURSE DESCRIPTION

This course provides an introduction to one of humanity’s “killer apps” – financial intermediation. Be it a bank, pension plan, insurance company, or investment fund, these organizations are all means by which the world’s savings are used to fund the world’s investments. Each of the tools and organizations studied were invented to overcome the challenges of intermediation. Studying them in historical context tells us about how cultural, geographic, and demographic constraints or endowments have affected their current design and what they might look like in the future.

In each session, a new financial “technology” will be introduced and we will spend some time considering the history its related institutions, how they have changed over time, and what their current incarnations look like today. In doing do, students will be required to think about how design choices impact the stakeholders of various institutions, the path dependent nature of today’s structures, and how these organizations and tools can to be adapted to better suit society’s needs in the future.

LEARNING OUTCOMES

Upon successful completion of this course, students will be able to complete the following tasks:

- Explain the core functions of financial institutions in plain language
 - Understand variations in institutional design with reference to local challenges and cultures
 - Identify the key roles and processes required to complete those functions
 - Analyze the priorities and concerns of various stakeholder groups
 - Evaluate how existing institutions and their processes meet the needs of their stakeholders
 - Synthesize best practices to improve processes and organizational design at financial firms
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COURSE MATERIALS AND READINGS

REQUIRED:

1. “Money Changes Everything: How Finance Made Civilization Possible”, William Goetzmann (2016) Princeton University Press. ISBN: 978-0691143781
2. HBS Case pack: <https://hbsp.harvard.edu/import/780282>

COURSE OVERVIEW AND ASSESSMENT

You will be evaluated based on three core components according to the weights indicated below. The instructor reserves the right to modify the weightings to adjust for more or less material covered during the semester.

Missed tests/exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF. Late assignments will be penalized 10% for each day they are late. Your final grade will be calculated as follows:

Components and Weights

Case Studies	3 cases (group or solo), 10% each	30%
Group Project		30%
Writing Assignments	2 individual “take home” exams, 20% each	40%
Total		100%

Asynchronous Content

To facilitate on-line learning, weekly video series are recorded to support this course. You should watch each week’s videos on your own time BEFORE our synchronous sessions, read the class notes in detail, and explore some of the related links provided in the slides.

Synchronous Content

Each week the class will “meet” using Zoom for (roughly) an hour to discuss philosophical issues, innovations, and case studies related to that week’s primary topic. On weeks when a case study report is due, we will discuss it in detail. Office hours will also be held over Zoom at a time TBA

COURSE DELIVERABLES

Case Studies (3 x 10% = 30%)

*All case studies must be purchased through HBS at the link provided above (roughly \$15). Final reports are to be submitted to electronic drop boxes set up on Avenue (only one submission per group is required) by 11:59pm EST on the dates listed below. Because the cases will be discussed in class the next day, late submissions cannot be accepted. **You should make every attempt to form a group within the first two weeks of class so you can begin working together by mid-January.***

Group Project (30%)

This project requires collaborative effort with your selected group to apply the lessons from class to complete a detailed analysis of one of the types of institutions discussed in the course. Your report should identify the major players in Canada and how they are carrying out their allocation objectives to address the objectives and concerns of their major stakeholder groups. Most importantly, your report should address modern challenges and opportunities for these organizations, particularly related to how improvements in technology are affecting their markets, business models, and stakeholder relationships. Your final report should be approximately 3000-4000 words excluding figures, sources, and appendices. More details will be released via Avenue to Learn early in the second half of the course.

Writing Assignments (2 x 20% = 40%)

These individual assignments will cover material from the text book, readings, lectures and class discussion and are in effect, **open-book take-home tests**. Each will address the content covered in the course before their due dates. The final writing assignment is NOT cumulative. Both may require students to conduct (limited) external research to support their answers. Submissions have no minimum length but should be less than 2000 words each.

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. All students must receive feedback regarding their progress prior to the final date by which a student may cancel the course without failure by default.

- *For Level 1 and Level 2 courses, this feedback must equal a minimum of 20% of the final grade.*
- *For Level 3 courses and above, this feedback must equal a minimum of 10% of the final grade.*

Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar “Requests for Relief for Missed Academic Term Work” and the link below;

<http://ug.degroot.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/), located at <https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/>

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
- improper collaboration in group work.
- copying or using unauthorized aids in tests and examinations.

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster’s use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

ONLINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online.**

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University's [Academic Accommodation of Students with Disabilities](#) policy.

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

RESEARCH USING HUMAN SUBJECTS

All researchers conducting research that involves human participants, their records or their biological material are required to receive approval from one of McMaster's Research Ethics Boards before (a) they can recruit participants and (b) collect or access their data. Failure to comply with relevant policies is a research misconduct matter. Contact these boards for further information about your requirements and the application process.

McMaster Research Ethics Board (General board): <https://reo.mcmaster.ca/>

Hamilton Integrated Research Ethics Board (Medical board): <http://www.hireb.ca/>

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 4FX3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

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Winter 2021 Course Schedule**

Week	Topics	Deliverables
1	Course Introduction: why study history, institutions, institutional design	
2	Payment Systems: gifts, barter, ledgers, currency, fiat currency, digital money	
3	Debt: risks and safeguards, debt as money, bonds, peer-to-peer lending	
4	Banking: risks, governance, history, credit unions, offshore, microfinance	Case #1 (10%)
5	Central Banking: liquidity, monetary policy, independence, network centrals	
6	Companies pt 1: financing, monitoring, bankruptcy, family firms	Case #2 (10%)
7	Companies pt 2: public equity, operations at distance, governance, SOEs	
8	Stock Markets: economics of markets, margin trading, bubbles, regulation	Midterm (20%)
9	Derivatives: conditional payoffs, forwards, futures, options, quant finance	
10	Insurance: estimating risk, multi-line, actuarial science, specialty lines, failure	Case #3 (10%)
11	Trusts: endowments, sovereign wealth funds, mutual funds, hedge funds	
12	Pensions: annuities, sponsors, funding, design principles, the Canada model	
13	The State: political economy, market shaping, the welfare state, demographics	Group Project (30%)

READING LIST (BY TOPIC)

The book is best read in full, in order but in this course we explore the material by “tool” rather than chronologically. The page by page breakdown facilitates focused reading but the narrative is weakened by this approach.

You should try to read the entire book, in order as written, within the first 6 weeks of the course.

INTRODUCTION: 1-14, 137-141, 194-202, 398-404, 519-521

PAYMENTS SYSTEMS: 15-30, 92-102, 127-136, 143-151, 180-189, 191-193

DEBT: 31-40, 46-53, 57-58, 65-68, 161-166, 174-179, 227-237, 249-254, 417-422, 448-451

BANKING: 40-45, 81-87, 110-118, 207-220, 289-293

CENTRAL BANKING: 42-43, 103-109, 152-161, 189-191, 351-354, 386-388, 460-463, 465-466

COMPANIES: 53-55, 59-64, 87-91, 119-127, 238-248, 289-319, 430-434, 470-474

STOCK MARKETS: 284-288, 316-381, 405-415, 438-446, 467-470, 482-492

DERIVATIVES: 68-72, 185-186, 276-288

INSURANCE: 77-81, 363-375

INVESTMENT TRUSTS: 382-386, 416-417, 463-465, 477-482, 499-516

PENSIONS: 55-57, 254-275, 493-499, 516-518

THE STATE: 31-34, 73-76, 103-202, 221-237, 423-442, 454-4

