PSCI 234W-1: THE PAST AND FUTURE
OF OUR FINANCIAL SYSTEM
Fall 2020: Tuesdays, 5-7:30 pm
This course will be taught remotely

This is a seminar in which each student will be asked to write a research paper on a topic related to our financial system. Our readings largely will be from my book, Misalignment: The New Financial Order and the Failure of Financial Regulation (Wolters Kluwer 2020). I have put four copies on reserve
Harkness Hall, Room 107.

Misalignment opens with the financial meltdown of 2007-2009, retraces how our financial system was developed beginning with the Continental Congress, describes the legislative response to the 2007-2009 meltdown, the 2010 Dodd-Frank Act, and then offers an analysis of why the Dodd-Frank Act was inadequate.

Your papers can focus on any mutually agreeable topic related to the course. Before choosing a topic, I will ask each of you to submit a two page proposal and discuss with me your proposal. Proposals must be selected by October 1. On November 24 or December 1, 8, each student will present her, his or their paper to the seminar. Your final papers may b2b2b2b

BACKGROUND

Our financial system today has many players, many products and many regulators. Let me offer a thumbnail of how the system works to help frame the course.

The United States

investors, rather than the traditional mortgage loans which were held by the bank or savings and loan.

As of 2016 all financial firms and investors held:

$33 trillion in stock, sometimes called equities. Stock can be held directly or through derivative instruments such as options or futures. Publicly held stock is traded on exchanges such as the New York Stock Exchange or the Nasdaq.

$14 trillion in marketable United States debt, typically through government issued securities called Treasuries. As of June 2019, total United States debt was larger, some $22 trillion.

$3.3 trillion in corporate bonds.

$8.9 trillion in mortgage related securities and $1.3 trillion in other securitized assets.

Today finance is regulated by Federal, State and private regulators.

Banks and depository institutions are regulated both at the Federal and State level.

The Federal Reserve System is an independent regulatory agency that regulates Bank and Financial Holding Companies and State banks that receive Federal Deposit Insurance.

The Comptroller of the Currency, which is part of the United States Treasury, regulates national banks.

The Federal Deposit Insurance Corporation administers deposit insurance and bank liquidations.

The National Credit Union Administration oversees nationally chartered credit unions.

Each state also regulates banks and credit unions.

Securities, financial commodities and pension plans respectively are regulated at the Federal level by the Securities and Exchange Commission, the Commodities Futures Trading Commission and the Department of Labor.

Securities regulation also occurs in each state and is buttressed by self-regulatory agencies, the most of important which today is the Financial Industry Regulatory Authority.

Insurance regulation today solely occurs at the state level.

November 24: Student Presentations

December 1: Student Presentations