The purpose of the seminar is for the students to gain an understanding of the complex U.S. banking system. The banking industry can be the engine of growth for the economy but can also be a source of instability and taxpayer subsidies. Society must weigh the economic benefits of a strong financial sector with the incentives given to bank shareholders and managers with material upside and social downside. The special economic role of banks needs to be studied to understand their benefits, limitations and shortcomings. Society needs to take an active role to encourage the economic benefits provided by banks yet avoid panics. Government involvement and regulation should foster social and economic goals but not stifle growth. Given the leverage that banks use combined with illiquid and opaque assets this challenge is meaningful. These goals involve politicians, academics and market participants with very different incentives. Technology has greatly changed institutions but not the functions of the financial sector. We will evaluate the importance of banks, discuss their history and potential structural improvements.

Prerequisites: Intermediate microeconomics and econometrics.

Semester offered: Spring
Undergrad Course Category: Finance
Macroeconomics