

THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS
School of Economics and Finance

ECON2271 – Finance in History and Society
Fall 2016

I. Information on Instructor and Tutor

Instructor: Zhiwu Chen
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Office: 1112 KK Leung
Phone: 2219-4967
Lecture: semester 1, Tuesday: 13:30 – 16:20 in LE7

Tutor: TBA
Pre-requisite: ECON1210 Introductory Microeconomics
Textbook: no specific textbook but some papers and book chapters as assigned readings

II. Course Description

This course focuses on the social impact of financial market development from a historical perspective. In particular, we will examine how human societies have innovated to deal with the challenges of risk events such as natural disasters, climate shocks, epidemic viruses, and wars. Our goal is to develop a risk-mitigation perspective on the evolution of human civilizations so that we can better understand how human civilizations have evolved the way they did and that as investors and professionals, we can better foresee future growth areas in frontier, emerging, and developed markets. The course coverage addresses what finance does for society and how it works to liberate the individual and facilitate freedom.

III. Faculty Overall Learning Goals

Goal 1	Acquisition and internalization of knowledge of the programme discipline
Goal 2	Application and integration of knowledge
Goal 3	Inculcating professionalism and leadership
Goal 4	Developing global outlook
Goal 5	Mastering communication skills

IV. Course Learning Outcomes (CLOs)

Course Learning Outcomes	Aligned Faculty Goals
CLO 1. Knowledge of economic and social history as well as history of civilizations	Goals 1 and 2
CLO 2. Application of finance and economics analytical framework to understand history, business, culture and society	Goals 1, 2, and 4
CLO 3. Development of leadership skills for business and society	Goals 1, 2, 3, 4 and 5
CLO 4. Development of global outlook and analytical thinking	Goals 1, 2, and 4

V. Course Teaching and Learning Activities (T&Ls)

COURSE TEACHING AND LEARNING ACTIVITIES		
Course Teaching and Learning Activities	Expected contact hour	Study Load (% of study)
T&L1. Lecture with interactive presentation	36 hours	28%
T&L2. Tutorial and e-forum discussions	12 hours	9%
T&L3. Individual and Group assignments	42 hours	32%
T&L4. Self study	40 hours	31%
Total	130 hours	100%

VI. Assessment Methods and Alignment with Course Learning Outcomes

Assessment Methods	Brief Description (Optional)	Weight	Aligned Course Learning Outcomes
A1. Individual assignments	Five essay/problem sets done separately by each student (each worth 6%)	30%	CLO1, 2, 3 and 4
A2. Attendance and class & online participation	Participation in classroom and e-forum to discuss lecture materials and related topics	20%	CLO1, 2, 3,4 and 5
A3. Group term paper & presentation	A term paper of 8 pages or more, analyzing a case of novel risk-mitigating innovation (financial instrument or social institution coupled with cultural norms). In a group of 2 or 3 students. Three groups will be randomly selected to present in class	20%	CLO1, 2, 3,4 and 5
A4. Final examination	Open-book examination enabling student to demonstrate most of the stated CLOs	30%	CLO1, 2, 3,4 and 5
	Total	100%	

Each randomly-selected presenting group must prepare a 30-minute PPT presentation before the scheduled class. Each member in the presenting group must be responsible for some parts and do the presentation collectively.

VII. Standard for Assessment

■ Course Grade Descriptors

On a scale of 1-100 for the weighted average of A1, A2, A3 and A4, course grades for the students will be assigned based on the following:

A+, A, A-	Student has consistently demonstrated a thorough grasp of the subject as evidenced by original and in-depth analysis and synthesis and by active participation in class
B+, B, B-	Student has frequently demonstrated a substantial grasp of the subject and active participation
C+, C, C-	Some of the responses are well organized, clear but with insufficient elaboration
D+, D	Solutions to questions and problems containing unstructured but relevant observations, and marginally interesting but short of expectations.
F	Little evidence of basic familiarity with the subject

■ Assessment Rubrics for Each Assessment

Each assessment rubric will be determined on a 1-100 scale, that will be weighted according to the A1, A2 and A3 weights:

1. For attendance: missing one class leads to a loss of 2 points (out of 25 total points);
2. Class and online participation will be determined based on in-class/online comments and questions by the student. Every student is expected to participate in and help stimulate discussions;
3. Assignments and term paper write-up/presentation: based on (1) efforts put into the work and length of paper (at least 8 pages double-spaced), (2) clarity and structure of write-up, (3) reasoning and depth of analysis, (4) reasonableness and logic of answers to questions, and (5) points made and questions raised to stimulate discussion on the issues (for the presenting groups);
4. Final exam: a wrap-up of all topics covered in the course; grading based on correctness, clarity and structure of each answer as well as reasoning and depth of analysis.

VIII. Means/Processes for Student Feedback on Course

Students can provide feedback on the course through:

- “My comment” session on Student Intranet
- Email to tutor or professor

IX. Academic Integrity and Course Policy

The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on <http://www.hku.hk/plagiarism/>.

Cheating or plagiarism of any kind would result in an automatic F grade for the course plus strict enforcement of all Faculty and/or University regulations regarding such behavior. Incident(s) of academic dishonesty will NOT be tolerated.

Academic dishonesty is a behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

- a. Plagiarism - The representation of someone else’s ideas as if they are one’s own. Where the

arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one's own work. Paraphrasing of someone else's ideas is still using someone else's ideas, and must be acknowledged.

b. Unauthorized Collaboration on Out-of-Class Projects - The representation of work as solely one's own when in fact it is the result of a joint effort.

X. Course Content and Tentative Schedule

In what follows, articles and chapters marked with * are required readings. In cases of books, the most relevant chapters are listed. Each lecture topic will be for approximately two weeks.

Lecture 1: Risk, violence, and early innovations in technology

1. * Pinker, S., 2012, *The Better Angels of Our Nature: Why Violence Has Declined?*, Penguin Books. Chapters 1, 2 and 3.
2. Elias, N., 2000, *The Civilizing Process: Sociogenetic and Psychogenetic Investigations*, Blackwell Publishing.
3. * Matranga, A., 2014, Climate-driven Technical Change: Seasonality and the Innovation of Agriculture, Job Market Paper.
4. * Burke, M., Hsiang, S., Miguel, Climate and Conflict, *Annual Review of Economics*, Forthcoming.
5. Hsiang,S.M., Kyle, M., and Cane, M, 2011, Civil Conflicts are Associated with the Global Climate, *Nature* ,476(7361),pp.438-441.
6. Miguel, E. ,Satyanath, S., and E. Sergenti , 2004, Economic Shocks and Civil Conflict: An Instrumental Variables Approach, *Journal of Political Economy*, 112(4), 725—753.
7. Miguel, E. and Satyanath , S., 2011,Re-examining Economic Shocks and Civil Conflict, *American Economic Journal: Applied Economics*, 3(4), 228—232.
8. * Bai, Y. and Kung, J. 2011. Climate shocks and Sino-nomadic conflict, *Review of Economics and Statistics*, 93(3), pp. 970–98.
9. * Jia, R.,2013, Weather Shocks, Sweet Potatoes and Peasant Revolts in Historical China, *Economic Journal*, 124(575), 92-118.

Lecture 2: Risk and supernatural beliefs: do they work as a response to risk and uncertainty?

1. Barber, Nigel, 2011, A Cross-National Test of the Uncertainty Hypothesis of Religious Belief, *Cross-Cultural Research* 45(3) 318–333.
2. CristineLegare, Andre Souza, 2014, Searching for Control: Priming Randomness Increases the Evaluation of Ritual Efficacy, *Cognitive Science* 38, pp. 152–161.
3. * Miguel,E., 2005, Poverty and Witch Killing, *Review of Economic Studies*, 72(4), pp.1153-1172.
4. ManduhaiBuyandelgeriyn, 2007, Dealing with Uncertainty: Shamans, Marginal Capitalism, and the Remaking of History in Postsocialist Mongolia, *American Ethnologist*, Vol. 34, No. 1 (Feb., 2007), pp. 127-147.
5. Ekelund,R., Herbert,R., and Tollison,R., 1992, The Economics of Sin and Redemption: Purgatory As A Market-pull Innovation?, *Journal of Economic Behavior and Organization*, 19, 1-15.
6. * Oster, E., 2004, Witchcraft, Weather and Economic Growth in Renaissance Europe, *Journal of Economic Perspectives*, 18(1), 215-228.

7. Schiff, Stacy, 2015, "[The Witches of Salem: Diabolical doings in a Puritan village](#)", *The New Yorker*, September 7, 2015.
8. * Torgler, B., 2007, Determinants of superstition, *The Journal of Socio-Economics* 36, pp. 713–733.
9. * Tsang, Eric, 2004, Toward a Scientific Inquiry into Superstitious Business Decision-Making, *Organization Studies* 25(6): pp. 923–946.

Lecture 3: Marriage, family and social structure/cultural norms: do they work as a response to risk and uncertainty?

1. * Kung, J., and Ma, C., 2012, Can Cultural Norms Reduce Conflicts? Confucianism and Peasant Rebellions in Qing China, Unpublished Working Paper.
2. * Chen, Y., Chen, Z., and He, S., 2014, Confucianism, Social Norms and Household Saving Rates, Working Paper.
3. * Chen, Z., S. He, Z. Lin, and K. Peng, 2014, Women as insurance assets: a study of bride-price in 18th and 19th century China, Working Paper.
4. * Steven N. S. Cheung, 1972. "The Enforcement of Property Rights in Children, and the Marriage Contract", *The Economic Journal*, Vol. 82, No. 326, pp. 641-657.
5. Clark, G., 2014, *The Son Also Rises: Surnames and the History of Social Mobility*, Princeton University Press.
6. Bergstorm, T., 1996, Economics in a Family Way, *Journal of Economic Literature*, 34(4), 1903-1934.
7. Bergstorm, T., 1994, On the Economics of Polygyny, Technical Report, University of Michigan.
8. Isaac Ehrlich and Gary S. Becker, 1972. "Market Insurance, Self-Insurance, and Self-Protection", *Journal of Political Economy*, Vol. 80, No. 4, pp. 623-648.
9. Gray, R. F. 1960. "Sonjo Bride Price and the Question of African 'Wife Purchase'". *American Anthropologist*, 62: 34-57.
10. * Mark R. Rosenzweig and Oded Stark, 1989. "Consumption Smoothing, Migration, and Marriage: Evidence from Rural India", *Journal of Political Economy*, Vol. 97, No. 4, pp. 905-926.
11. Rosenzweig, Mark R. 1988. "Risk, Implicit Contracts and the Family in Rural Areas of Low-Income Countries." *Econ. J.* 98: 1148-70.
12. * Low, B., 1990, Marriage System and Pathogen Stress in Human Societies, *American Zoological Review*, 30:325-339.
13. Hoogeveen, H., van der Klaauw, B., van Lomwel, C., 2004, On the Timing of Marriage, Cattle and Weather Shocks, *Tinbergen Institute Discussion Paper*.
14. Dekker, M. et al., 2002, Bride Wealth Household Security in Rural Zimbabwe, *Journal of African Economics*, 11(1): 114-145.

Lecture 4: Financial markets, religion, and the welfare state: do they supplement, or compete with, each other as responses to risk and uncertainty?

1. W. Goetzmann and G. Rouwenhorst, 2009, *The origins of value*, Princeton University Press. Chapters 1 & 7.
2. J.B.C. Murray, 1866, *The history of usury: from the earliest to the present time*. J.B. Lippincott & Co.
3. Iannoccone, L., 1998, Introduction to the Economics of Religion, *Journal of Economic Literature*, 36(3), 1465-1496.
4. Miller, A., and Hoffmann, J., 1995, Risk and Religion: An Explanation of Gender Differences in Religiosity, *Journal for the Scientific Study of Religion*, 34(1), 63-75.
5. * Morse, A., 2011, Payday Lenders: Heroes or Villains?, *Journal of Financial Economics*, 102(1), 28-44.
6. * Dehejia, R., Deleire, T., and Luttmer, E., 2007, Insuring Consumption and Happiness through

Religious Organizations, *Journal of Public Economics*, 91(1-2), 259-279.

7. Gruber, J., and Hungerman, D., 2007, Faith-Based Charity and Crowd –out during the Great Depression, *Journal of Public Economics*, 91(5-6), 1043-1069.
8. * Gruber, J., 2004, Pay or Pray? The Impact of Charitable Subsidies on Religious Attendance, NBER Working Paper, No.10374.
9. Chen, D., and Lind, J., 2007, Religion, Welfare Politics, and Church-State Separation, *Journal of Ecumenical Studies*, 42(1), 42-52.
10. Kuran, T., 2011, *The Long Divergence: How Islamic Law Held Back the Middle East*. Princeton University Press.
11. * Scheve, K. and Stasavage, D., 2006, "Religion and Preferences for Social Insurance", *Quarterly Journal of Political Science*: Vol. 1: No. 3, pp 255-286.
12. * Scheve, K., and Stasavage, D., 2006, "The Political Economy of Religion and Social Insurance in the United States, 1910–1939." *Studies in American Political Development*, no. 20 (Fall 2006): 132–159.
13. *Chen, D., 2010, "Club Goods and Group Identity: Evidence from Islamic Resurgence during the Indonesian Financial Crisis." *Journal of Political Economy* 118, no. 2, 300-54.

Lecture 5: Finance as risk tools for national survival: historical lessons for national financial strategies

1. * James Mc Donald; 2006, *A Free Nation Deep in Debt: The Financial Roots of Democracy*, Princeton University Press. Chapters 1, 3 and 8.
2. Niall Ferguson, 2009, *The Ascent of Money: A Financial History of the World*, Penguin Books.
3. * Chen, Z., 2011, Financial Strategies for Nation Building, Working Paper.
4. Besley T., and Persson, T., 2009, The Origins of State Capacity: Property Rights, Taxation and Politics. *American Economic Review*, 99(4):1218–44.
5. Stasavage, D., 2011, *State of Credit: Size, Power, and the Development of European Polities*, Princeton University Press.

Lecture 6: Finance as enabler of equality: is finance just for the rich, or better for the poor?

1. * Calder, Lendol, 2001, *Financing the American Dream: A Cultural History of Consumer Credit*, Princeton University Press, 2001. Chapters 4 and 5.
2. * Davidoff, T., Brown, J. and Diamond, P., 2005, Annuities and Individual Welfare. *American Economic Review*, 95, 1573-1590.
3. King, R., and Levine, R., 1993, Finance, Entrepreneurship, and Growth: Theory and Evidence, *Journal of Monetary Economics*, 32, 513-542.
4. * Kerr, W., and Nanda, R., 2009, Financing Constraints and Entrepreneurship, *NBER Working Paper*, No.15498.
5. * Rajan, R. G. and Zingales, L., 1998, Financial Dependence and Growth, *American Economic Review*, 88: 559-586.
6. Levine, R., Demirguc-Kunt, A., 2001. *Financial Structure and Economic Growth: A Cross-country Comparison of Banks, Markets, and Development*. MIT Press, Cambridge, MA.

Lecture 7: Monetization as enabler of freedom in human society

1. * William Coetzmann, 2016, *Money Changes Everything: How Finance Made Civilization Possible*, chapters 1-4 and 8-9.
2. Chen, Zhiwu, 2015, "On monetization and freedom" (陈志武: “货币化与自由”).

XII. Additional Course Information

There are many assigned readings and references. You are encouraged to read all of them, or at least the starred ones. You can also search on the internet for additional articles on topics of particular interest to

you. As you can see from the course outline, learning in this course takes place in two forms: formal lectures and learning by reading the papers and working on the assignments. The two methods complement each other. In any case, you are expected to work hard for this course.

Penalty for late assignment reports and term paper is as follows: 50% off for the assignment or term paper if late by 24 hours; 75% off if late by 48 hours; and a score of 0 if late by more than 48 hours.

Attendance policy: If you are late by more than 5 minutes, you will be treated as missing one session (one half of a class).