ECO 2309 Money and Banking
Spring 2017
Guidelines and Potential Topics for Group Research and Presentation
Dr. Cameron Weber

There will be four groups with 3 or 4 students each. The presentations will be held the two class periods before the final exam (on April 25 and April 28). Groups can self-select and sign-up for a topic by the due-date March 10. The topics will be first-come, first serve, with no topic being presented twice. Students who have not chosen a group or a topic will be assigned a group and/or a topic on March 14.

Each group presentation will be between 15 and 20 minutes, and there will 5 minutes of group-led discussion after each presentation. All group members should participate in the research and the presentation and the group should speak with "one-voice" without repetition or incongruences.

The following is a list of suggested topics, though any group that is self-selected can choose their own topic of relevance to money and banking as long as they sign-up before or on March 10 and discuss the topic with the Professor before-hand. Each group will prepare a two-page outline of their presentation and should give it to the instructor on the day of the group presentation. The outline will include the name of the students in the group, the topic/research question for the research and an outline of the group's findings on the research question. The outline will also include a list of references. There should be at least two scholarly references, the Mishkin textbook can count as one. (Any work directly cited during the presentation should be noted.) Wiki does not count as a scholarly reference because it is anonymous, though it can be used as a supplemental reference. The instructor is available to help groups with their topics by providing advice and/or references at office hours or by email.

Potential topics:

1) The US Treasury (IRS) declared Bitcoin an asset rather than a currency, why is this? Are there any nation-states who are encouraging the use of alternative currencies or who have declared Bitcoin a currency rather than an asset? Can you explain why a State would encourage or suppress the use of alternative currencies?

2) The Fed greatly expanded its Balance Sheet (B/S) in response to the Financial Crisis of 2007-8. What types of assets did it place on the B/S? Which of these assets are extraordinary compared to the Balance Sheet prior to the crisis? Why and how did the Fed buy or guarantee or discount these extraordinary assets? How did the Fed decide which extraordinary assets it would discount? Is the Fed reducing its assets after the crisis now that economic growth and employment appear to be at pre-crisis levels? Why or why not? How has or how will the Fed sell-off its B/S assets?

3) The FDIC shuts-down banks it deems insolvent, sells the assets and fires the managers of these banks. What is the process by which the FDIC decides to shut-down the banks? How does the FDIC decide to whom to sell the assets? How does it decide to guarantee certain assets to those who purchase the assets? What are the factors considered by the FDIC when making these decisions? In addition choose one or two specific cases on which to do a case study on the FDIC liquidation process.

4) Part of the Dodd-Frank Act of 2010 as signed by President Obama in reaction to the Financial Crisis of 2007-8 was the creation of the Financial Oversight Stability Council (FSOC). The FSOC is to make determinations on the "systemic risk" caused by non-bank financial institutions which are deemed by the FSOC as "too big to fail". How does the FSOC make this determination? Are there clear rules of law for this procedure, or, does it depend on the discretion of technocrats? How have the mutual fund and insurance industries reacted to FSOC rule-making? What is your opinion on the soundness and operability of the FSOC in terms of providing an environment in the USA for the attraction of foreign portfolio investment into the United States? Is the FSOC a positive or negative force in the USA's ability to attract foreign capital?

5) What are the Basel III international banking standards? How do they differ from Basel II and do they address Mishkin's concerns that Basel II was "overly complicated"? Do the new standards address the contagion of reduced reserves for OECD government-backed derivatives like mortgage-backed bonds? What is adoption process and timeline for these standards? Have all OECD countries declared

their agreement to adhere to Basel III? How is the implementation of Basel III working so far?

6) Present an in-depth analysis of how the Consumer Price Index is calculated. Is this the inflation index used by the Fed when making its quarterly announcement on the outlook for inflation in the USA? If not, what is? How does the Fed analyze and react to expected inflation? Do you think the Fed measures and reacts to inflation accurately? Why or why not? How does the price-level as measured by the Fed relate to its “dual mandate”? Do you think this dual mandate creates incentives for under- or over-reporting inflation, why or why not?

7) Both the USA and the EU brought legal action against several banks for collusion on the determination of the London Interbank Offered Rate (LIBOR). What was the basis for this regulatory action? What exactly is LIBOR used for in the international financial markets, and what were the potential gains to these banks if indeed the charges are true? Additionally, who loses if these charges are true and to what extant are the financial damages? Given the Hayekian knowledge problem as discussed in class, do you believe it is actually possible to regulate LIBOR? Why are why not? Additionally, why has not competition prevented or diminished any type of insider LIBOR manipulation?

8) Recently Wells Fargo has been accused of creating millions of bogus deposit and credit card accounts? Why did the bank do this, what were the financial incentives? Were there regulatory reasons for this behaviour? How were the penalties determined for this fraud, both to the regulatory authority and the bank’s customers? What was the fall-out for the bank’s senior management of this fraud?