

LINGNAN UNIVERSITY  
DEPARTMENT OF ECONOMICS  
Term 2, AY2022-23

<b>Course Title</b>	: Finance and Politics: Public Interests and Private Manipulation (2nd Term, 2022/23)
<b>Course Code</b>	: CLC9005
<b>Recommended Study Year</b>	: 1 <sup>st</sup> or 2 <sup>nd</sup> Year
<b>No. of Credits/Term</b>	: 3
<b>Mode of Tuition</b>	: Sectional
<b>Class Contact Hours</b>	: 3
<b>Category</b>	: Core Curriculum Cluster
<b>Core Curriculum Cluster</b>	: Management and Society
<b>Prerequisite(s)</b>	: Nil
<b>Co-requisite(s)</b>	: N/A
<b>Exclusion(s)</b>	: N/A
<b>Exemption Requirement(s)</b>	: N/A

**Instructors:**

Prof. Gary WONG

Tel: 2616 7388

Email: wongwc@ln.edu.hk

**Brief Course Description**

This course introduces students to the nature of financial institutions, corporate ownership structure and corporate governance through case studies, anecdotal evidence and academic papers. Students will be expected to develop practical perspectives on financial policies and government regulations, and be able to articulate implications for future financial development and practices in both Hong Kong and worldwide.

**Aims**

This course aims to:

1. familiarize students with financial institutions by applying the intellectual frameworks used in corporate finance, such as ownership and political connections, to analyze activities and institutions in the financial markets.
2. familiarize students with the key institutional features of the banking industry before and during the global financial tsunami of 2008-2009.
3. facilitate students to think analytically and critically about the ongoing currency wars between the United States (U.S.) and China.
4. guide students to examine how institutions and regulations are structured to mitigate agency costs and information problems that are endemic in financial markets.
5. instill into students a proactive learning attitude through active enquiry and critical reflection; encourage

them to work cooperatively and effectively in groups to carry out academic assignments.

### **Learning Outcomes (LOs)**

Upon completion of this course, successful students will be able to:

1. describe and explain the features of the recent financial crisis that originated from the interaction between the banking industry and politics;
2. collect, critically analyze and then synthesize information regarding currency wars between the U.S. and China, and its possible impacts on financial markets;
3. explain and clarify corporate governance issues related to financial regulation of markets.
4. articulate the weaknesses of different regulation approaches, differentiate the regulation paradigms in different countries, and summarize the impact of regulation on the market;
5. conduct a comprehensive analysis that evaluates the competing strategies for tunneling, investor protection and ownership concentration in the finance context;
6. identify, compare and contrast the key concepts that impact on corporate governance and government regulation issues in Hong Kong;
7. evaluate arguments related to the issues of corporate governance and finance costs.

### **Indicative Content**

#### **I. Financial crises**

- a. Relevant history of financial crises
- b. Causes of financial system failure
- c. Mortgage loans and the state of credit market
- d. Government bailout

#### **II. Currency wars between U.S. and China**

- a. The U.S.-China tension over Dollar-RMB rates
- b. The history of monetary policy in the U.S.
- c. The history of monetary policy in China
- d. Currency wars and trade wars

#### **III. Corporate corruption and media exposure**

- a. The abuse of corporate power
- b. Case stories and examples
- c. What can be done?

#### **IV. Political connection and firm valuation**

- a. The nature of political connections
- b. Market valuation of political connection

- c. Political connection and firm valuation

## **V. Tunneling: The transfer of corporate property to private pockets**

- a. The nature of tunneling
- b. Consequences of tunneling
- c. How to deal with tunneling

## **VI. Conclusion**

### **Teaching Method**

Lectures combined with tutorials. Teaching will be supplemented by real life examples and case-based studies during lectures and tutorials. Lectures provide students with knowledge and the use of financial theory and government policies. In tutorials, students will be divided into groups to make presentations and to discuss the applicability and limitations of these theories and policies. Students are encouraged to choose topics relating to the course contents for presentation during tutorials. Through the group term paper, students will work together to analyze the issues in current financial market.

### **Measurement of Learning Outcomes**

1. Students' communication skills and ability to conduct critical analysis on the issues covered in the course will be assessed in their presentations in tutorials (LOs 1, 2, 4 and 7).
2. Students' comprehension and synthesis of knowledge from the course to tackle the financial problems will be assessed in the midterm, quiz and term paper (LOs1 - 6).
3. In continuous assessment, each student will be evaluated based on their performance in both e-learning activities and their participation of discussions (LOs 1 - 7).

### **Assessment**

Continuous assessment	:	70% (group presentation and comment – 15%, group e-learning activity – 5%, Midterm examination and Quiz -35%, participation in discussions – 15%)
Final term paper	:	30%

### **Required/Essential Readings**

- Beck, Thorsten, Ross, Levine, and Alexey, Levkov, “Big Bad Banks: The Winners and Losers from Bank Deregulation in the United States”, *Journal of Finance*, 65, 1637–1667, 2010.
- Rajan, Raghuram G., *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, New Jersey: Princeton University Press, 2010.

### **Recommended/Supplementary Readings**

- Bebchuk, Lucian, A. and Zvika, Neeman, “Investor Protection and Interest Group Politics”, *Review of Financial Studies*, 23, 1089-1119, 2010.
- Beck, Thorsten, Ross, Levine, and Alexey, Levkov, “Big Bad Banks: The Winners and Losers from Bank Deregulation in the United States”, *Journal of Finance*, 65, 1637–1667, 2010.
- Foster, John, Bellamy and Fred, Magdoff, *The Great Financial Crisis: Causes and Consequences*, New York: Monthly Review Press, 2009.
- Houston, Joel F., Chen Lin, and Yue Ma, “Media Ownership, Concentration, and Corruption in Bank Lending”, *Journal of Financial Economics*, 2010.
- Johnson, Luke, “Politics is a dangerous game for business”, *Financial Times*, 20 Oct 2009.
- Johnson, Simon, Florencio Lopez-de-Silanes, and Andrei Shleifer, “Tunneling”, *American Economic Review (papers and proceedings)*, 90, 22-27, 2000.
- Larrain, Felipe, “Both China and US are at fault in currency war”, *Financial Times*, 17 October 2010.
- Rajan, Raghuram, G., and Luigi, Zingales, *Saving Capitalism from the Capitalists*, New Jersey: Princeton University Press, 2004.
- Rajan, Raghuram G., *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, New Jersey: Princeton University Press, 2010.
- Song, Hongbin, *Currency Wars* (in Chinese), Beijing: Tsai Fong Books, 2009.
- Sorkin, Andrew Ross, *Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System and Themselves*, London: Penguin, 2010.
- Yunus, Muhammad, and Alan, Jolis, *Banker to the Poor: The Autobiography of Muhammad Yunus*, Founder of Grameen Bank, Oxford: Oxford University Press, 2003.

### Grading Rubric for Tutorial Participation and Comment

Criteria	Excellent 8-10 pts A A- B+	Good 4-7 pts B B- C+ C	Average 1-3 pts C- D+ D	Poor 0 pts F
<b>Quality of Comments</b> (50%)	<ul style="list-style-type: none"> <li>Timely and appropriate comments, thoughtful and reflective, responds respectfully to other student's remarks, provokes questions and comments</li> </ul>	<ul style="list-style-type: none"> <li>Volunteers comments, most are relevant and reflect some thoughtfulness, may or may not lead to other questions from students</li> </ul>	<ul style="list-style-type: none"> <li>occasionally participates and offers a comment when directly questioned, may simply restate questions or points previously raised, may add nothing new to the discussion or provoke no responses or question</li> </ul>	<ul style="list-style-type: none"> <li>Does not participate</li> </ul>
<b>Active Listening</b> (50%)	<ul style="list-style-type: none"> <li>Posture, demeanor and behavior clearly demonstrate respect and attentiveness to others</li> </ul>	<ul style="list-style-type: none"> <li>Listens to others most of the time, demonstrate respect and attentiveness to others</li> </ul>	<ul style="list-style-type: none"> <li>may not stay focused on other's comments or loses continuity of discussion</li> </ul>	<ul style="list-style-type: none"> <li>Disrespectful of others when they are speaking</li> <li>Ignoring others' remarks</li> </ul>

### Assessment Rubrics for Group Paper

CATEGORY	Excellent	Good	Satisfactory	Unsatisfactory	POINTS
<b>Research Question</b> (20%)	8-10 points A A- B+	4-7 points B B- C+ C	1-3 point C- D+ D	0 points F	___/10
	Wrote clear, creative and interesting questions which fit the topic.	Wrote clear questions which fit the topic.	Wrote some questions which did not fit the topic.	Wrote many questions which did not fit the topic.	
<b>Argument</b> (35%)					___/10
	arguments both well supported and genuinely compared to conflicting explanations	main arguments valid, systematic, and well supported	some arguments valid and well supported, some not	weak, invalid, or no argument, perhaps a simple assertion	
<b>Use of Data or Evidence</b> (35%)					___/10
	fully exploits the richness of the data/evidence/ideas, and is sufficiently persuasive	feasible evidence appropriately selected and not over-interpreted	some appropriate use of evidence but uneven	draws on little or no evidence, mostly relies on assertions or opinions, or evidence not clearly presented	
<b>Organization and Writing</b> (10%)					___/10
	structure enhances the argument, strong sections and seamless flow. Virtually no English error.	structure supports the argument, clearly ordered sections fit together well. Some minor English errors.	structure is of inconsistent quality, may have redundancies or disconnections. Frequent English errors.	needs significant reorganization. English errors significantly impair Readability.	
<b>TOTAL POINTS</b>					___/40

### Assessment Rubrics for Presentation

CATEGORY	Good	Average	Poor
	10 -8 A A- B +	7 -4 B B- C+ C	3-0 C- D+ D F
<b>Show understanding of the topic (10%)</b>	Clearly and correctly define the topic in the project	Provide definition of the topic but it is not clear.	Provide definition of the topic but it is deviated from original plan to some extent without any rationale
<b>Relevant research material has been selected (15%)</b>	Select relevant research materials for analysis.	Select research materials but some of them are not relevant.	Some of the materials are not relevant and not updated.
<b>Research and original work is balanced (30%)</b>	Original work and research materials is balanced and relevant findings are used to support own opinions	Original work and research material is not balanced. Relevant findings are used to support own opinions	Original work and research material is not balanced. Few findings are used to support own opinions
<b>Findings and opinions are supported by evidence (20%)</b>	Empirical evidence or information (explanations, examples, illustrations, statistics, analogies, quotations from relevant authorities) is highly relevant, accurate and completed Sources are cited and used correctly	Empirical evidence or information (explanations, examples, illustrations, statistics, analogies, quotations from relevant authorities) is generally relevant and adequate to support the topic Sources are cited and used correctly with minor errors	Much of information included is not relevant and inadequate to support the topic; Some information is inaccurate or unverifiable No citing of sources or incorrectly cites the sources
<b>Consistency and logical flow (5%)</b>	Logical structure and consistent flow of the presentation	Structure and flow of the presentation is logical but sometimes not consistent.	Structure and flow of the presentation is not logical
<b>Visual Aid quality (5%)</b>	Student used visuals to reinforce screen text and presentation.	Visuals related to text and presentation.	Student occasional used visuals that rarely support text and presentation.
<b>Timing Control (5%)</b>	Allocates time appropriately and manages time effectively Appropriate pace	Marginally long or marginally short but uses time reasonably effectively Reasonable pace	Significantly too short or too long and does not use time effectively Pace is significantly too fast or too slow
<b>Quality of the question /answer (10%)</b>	Responds appropriately to all questions, with answers that demonstrate knowledge and understanding	Responds appropriately to the questions, with answers that demonstrate some knowledge and understanding	Is not able to respond the spot questions

### Assessment Rubrics Midterm Exam

Criteria	Excellent	Proficient	Satisfactory	Marginal Satisfactory	Unsatisfactory
Accuracy (50%)	41-50	31-40	21-30	11-20	0-10
	Appropriate concepts are all applied correctly	Most concepts are applied correctly	Some concepts are applied at too general level but the central ones are applied correctly and specifically	Most concepts are applied at too general level or misapplied	Most concepts are misapplied
Comprehension of all the relevant concepts. (40%)	31-40	21-30	11-20		0-10
	Demonstrates a deep insightful level of understanding	Demonstrates a good surface level of understanding	Demonstrates a fair level of surface understanding	Demonstrates a fair level of surface understanding	Demonstrates an inadequate level of understanding
Extent to which ideas are expressed logically, accurately and clearly. (10%)	9-10	7-8	4-6		0-3
	Expression of ideas is consistently accurate, logical and clear	Expression of ideas is generally accurate, logical and clear with some minor lapses	Expression of ideas is comprehensible and with some minor lapses	Expression of ideas is comprehensible but there are some major lapses	Largely incomprehensible with some major inconsistencies and errors

### Assessment Rubrics for E-learning activity: Video Presentation

CATEGORY	Good	Average	Poor
Show understanding of the topic (50%)	10 -8 A A- B +	7 -4 B B- C+ C	3-0 C- D+ D F
	Clearly and correctly define the topic in the project	Provide definition of the topic but it is not clear.	Provide definition of the topic but it is deviated from original plan to some extent without any rationale
Visual Aid quality (30%)			
	Student used visuals to reinforce screen text and presentation.	Visuals related to text and presentation.	Student occasional used visuals that rarely support text and presentation.
Clarity (20%)			
	Student used a clear voice and correct, precise pronunciation of terms.	Student's voice is clear. Student pronounces most words correctly.	Student's voice is clear but cannot speak fluently.
TOTAL POINTS			