



Course Title:	Financial Development	Course Coordinator:	Dr Yuemei Ji
Course Code:	SEESGS51	Course Prerequisites:	Introductory Level Economics
Credit Value:	15 (6 ECTS)	Runs in (2013/14):	Term 2
		Contact hours:	2 hours per week
Compulsory for:	Optional Core for MA Comparative Economics and Policy		
Open to: MA CBE, CEP, IMESS (E&B) and other qualified UCL MA students subject availability			

Course Outline

The course starts with an overview of some key concepts and dominant theoretical models of financial. It proceeds with looking at the finance-growth relationship, and how the institutional context shapes it. The course is followed by focusing next on the two major strands of literature, namely the financial repression and markets imperfection literature. On the one hand distortions from financial repression, particularly interest rate ceilings, discourage saving, reduce the average productivity of capital through the replacement of high-yielding with low-return investments which altogether hinder economic growth. Thus, Financial Liberalization is regarded as a growth-enhancing policy. On the other hand, information asymmetries rendered many emerging financial markets inefficient and prone to failure, so, 'optimal' financial repression is often advocated to enhance economic growth through improving the efficiency of capital allocation. Along with the concept of financial repression, the course explores the concepts of *seigniorage* and *inflation tax*, which appear to be complementary in considering the issue of implicit taxation of the financial system. The other key topics covered in the course include the following: financial crises, financial regulation, monetary policy, and banking and capital markets development & their role in promoting economic growth.

The financial sector plays a crucial role in the growth process through allocating savings towards investment projects, and so increasing the rate of capital accumulation and altering the rate of technological innovation, both regarded as fundamental for long-term economic growth. The role of the financial system has become central in transition economies. While the role of finance under a planned economy was rather passive, for finance served as a monetary counterpart of an enterprise's output and input, it is assumed to gain a 'new' growth-enhancing role in a market system. All these issues are addressed in the course.

At the end of the module you should have fulfilled the following aims and objectives

1. To review prevailing theories of financial development in the historical perspective and to enable students to assess the relevance of particular theories to the analysis of financial restructuring in transition economies.
2. To understand methodological approaches in exploring relationship between finance and economic growth.
3. To enable students to apply the relevant theoretical concepts to the evaluation of the financial and monetary developments in transition economies and to assess the importance of the role of financial markets in the economic growth process in the context of Central & Eastern Europe and beyond.
4. Understanding of the theoretical concepts pertaining to financial development and its role in the wider economy.
5. Analytical skills necessary to relate existing theories to the analysis of financial developments in transition economies and to critically assess the progress in financial restructuring in Central and East European countries and its wider implications for national economies in comparative perspective.
6. An awareness of the key current problems and issues surrounding financial sector in the Central and East Europe and beyond with ability to draw policy implications.

Assessment Methods

Assessment Style: 1x3000 word Essay

Assessment Weighting: 100%

Feedback

Coursework: Verbal/written feedback on presentations, assessed and non-assessed coursework.

Examination: Students will be permitted access to markers' comments on individual scripts in line with the SSEES Policy on Examination Feedback.

Preliminary Reading

Fry, M. J., 1995. *Money, interest, and banking in economic development*. 2nd edition. Baltimore: The Johns Hopkins University Press.
Levine, Ross. 2005. *Finance and Growth: Theory and Evidence*. In Phillippe Aghion, and Steven Durlauf, eds., *Handbook of Economic Growth*, Volume I.A. Amsterdam: North Holland