Module Description:
This module is designed to introduce core economics reasoning about the fundamental businesses of commercial banking and investment banking. Those of the former can be classified roughly into two categories, financial intermediation and money creation, while those of the latter are mainly concerned with security issuance and merger and acquisition.
For each of them, as a viable business, the following questions naturally arise.

- What and how is the value added by this business?
- How is it provided in terms of contractual arrangements?
- What are the implications of these contractual arrangements for the banking industry and the whole economy?

It shall be underlined that the module will focus on economics reasoning and not be detailed in the practical side of the banking businesses, of which more material is provided in the EBS module BE610, Introduction to Banking. Students are encourage to audit, if not register, this module, besides to read the Economist weekly and the Financial Times most days. Moreover, students will find google and wiki useful to check the meaning of unfamiliar terminologies.

Learning and Teaching Methods:
The module will consist of one two-hour lecture per week and a one-hour class every other week. Lecture notes and supporting materials can be accessed via the course material repository. Problem sets will be posted in the course material repository on a bi-weekly basis. Students are expected to complete them for class.

Assessment:
Required coursework will consist of a term paper. A two-hour final exam will be held during the Summer Examination period. Your grade in the module will be whichever is the Greater:
EITHER 50 per cent Coursework Mark, 50 per cent Exam Mark
OR 100 per cent Exam Mark

Details of assessment and submission deadlines are contained in the Postgraduate Economics Handbook, available from room 5B.206. Further information about the course is contained in the University’s course catalogue, see; http://www2.essex.ac.uk/courses/.
Main Textbooks:


Module Content and Provisional Reading List:

Week 1: Introduction
The businesses of banking and their historical developments

Reading list:
- FR, pages 1-7.
- M, chapters 8, 10, 12.
- R, subsections 1.2, 1.3.

Week 2: Theories of Money
The main schools of theory about how fiat money helps real economic activities

Reading list:

Weeks 3 - 5: Money Creation by Banks, Central Banking, and Bank Liquidity

Reading List:

**Weeks 6 and 7: Financial Intermediation – Ex post monitoring**

Reading list:
- GW.

**Week 8: Increasing Returns to Scale and Trend of Concentration in the Banking Sector**

Reading List:
- FR subsection 3.5.3

**Weeks 9 and 10**

Investment Banking

Reading List:
- R.