FINANCIAL GEOGRAPHY

Capitals of Capital: History of European Banking and beyond

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| Course code | *FIN 126* |
| Compulsory in the programmes | *N/A* |
| Level of studies | *Undergraduate* |
| Number of credits | *6 ECTS (48 in-class hours + 6 consultation hours + 2 exam hours, 104 individual work hours)* |
| Course coordinator (title and name) | *Prof. Dr. Tom Hashimoto*  *[tomhas@ism.lt](mailto:tomhas@ism.lt)* |
| Prerequisites | *N/A* |
| Language of instruction | *English* |

**THE AIM OF THE COURSE:**

This course follows *Capitals of Capital: The Rise and Fall of International Financial Centres 1780-2009* (Cambridge University Press) by Youssef Cassis and investigates how the regional and global network of cities occupies a crucial position in understanding the development of financial markets. Our historical narrative is such that we primarily focus on the banking sector in Europe, while we constantly draw a comparison with the current situation. As a theoretical framework, Financial History allows us to flexibly examine the roles played by states, institutions, firms, and individuals, and to analyse the game-theoretical interaction among them. The knowledge (including methodology) obtained in this course shall be complementary to any modules offered within politics, economics, and finance.

**MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS**

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| Course level learning outcomes (objectives) | Degree level learning objectives (Number of LO) | Assessment methods | Teaching methods |
| CLO1. Utilise historical narratives to explain various mechanisms within the financial markets | BLO1.1  ELO1.1 | Group paper, discussion leader, quizzes, exam | Lectures, seminars |
| CLO2. Define and understand the network theories of international financial centres | BLO1.2  ELO1.2 | Group paper, exam | Lectures, seminars |
| CLO3. Demonstrate game-theoretical interaction among various financial actors within a context of social responsibility | BLO2.1  ELO2.1 | Quizzes, exam | Seminars |
| CLO4. Illustrate the complexity of contemporary financial markets with different incentives generated by each institutional setting | BLO2.1  ELO2.1 | Group paper, discussion leader | Seminars |
| CLO5. Prepare the audience to engage in constrictive dialogues while highlighting the above complexity | BLO4.1  ELO4.1 | Discussion leader | Seminars |

**ACADEMIC HONESTY AND INTEGRITY**

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

**COURSE OUTLINE**

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| **Topic** | **In-class hours** | **Readings** |
| **1. Introductory discussion: What is history?**  Do all facts have historical significance? How do we judge their significance?  What does *post hoc ergo propter hoc* try to teach us?  To what extent are institutions path-dependent? | 4 | -- |
| **2. Amsterdam – Financing international trade?**  Was the rise of Amsterdam top-down or bottom-up?  Experiencing the decline of Amsterdam, how did the bankers react?  Did the decline of Amsterdam mean the decline of the Netherlands or vice versa? | 4 | Cassis ch.1  (up to p.15) |
| **3. London – Lucky star of the Post-Napoleonic world order?**  To what extent was the rise of London characterised by geopolitics?  Given the dynamics of London in the nineteenth century, how foreseeable was London’s pre-eminence continuously observable today? | 4 | Cassis ch.1  (the rest) |
| **4. Paris and the other continental financial centres – Are they ‘subordinate’?**  To what extent is/was the network of the financial centres hierarchical?  How do each financial centre envision to compete against London? | 4 | Cassis ch.2  (up to p.54, then pp.60-68) |
| **5. Financing trade vs. trading finance**  How did the nature of risks change over time?  How can the emergence of various financial products be characterised?  How did the states initially react to financial products beyond traditional banking?  **Quiz 1** | 4 | Cassis ch.2  (the rest) |
| **6. Colonisation and Globalisation**  To what extent did the European financial market develop as a result of various colonisation projects?  To what extent were the development of financial centres in Europe independent from the state authorities? | 4 | Cassis ch.3  (particularly on Berlin and New York) |
| **7. Wars**  How did the states finance wars?  Were wars always perceived negatively among the financial actors?  How did New York re-arrange itself as a prominent international financial centre?  How did London avoid its decline?  **Group paper due** | 4 | Cassis ch.4  (particularly after ‘the years of crisis’) |
| **8 & 9. End of Geography? Globalisation revisited**  How does the rise of FinTech industry change the game of finance?  Did the rise of High Frequency Trade symbolise the end of geography?  Did the current financial crisis affect the economic growth in a similar manner in Europe, Asia, the Americas, and Africa?  After all, is it still meaningful to divide the financial markets according to geography rather than the level of institutional development?  **Quiz 2** | 8 | Cassis chs.5 & 6 |
| **10 & 11. Discussion sessions** | 8 | To be assigned by discussion leaders |
| **12. Beyond Cassis**  We now have a holistic view of financial geography and financial history. What’s next?  **Review** | 3+1 | -- |
|  | **Total: 48 hours** |  |
| CONSULTATIONS | 6 |  |
| EXAM | 2 |  |

**FINAL GRADE COMPOSITION**

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| **Type of assignment** | **%** |
| *Group Components 25%* |  |
| * Group paper | 25 |
| *Individual Components 75%* |  |
| * Discussion leader | 10 |
| * Quiz 1 | 15 |
| * Quiz 2 | 15 |
| * Exam | 35 |
| **Total:** | **100** |

**DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT**

1. *Quizzes:* They are written in-class, open-book (i.e. you are allowed to bring your own notebook, the textbook, and other paper-based materials – electronic devices are prohibited), and in an essay format. It is designed to tackle the major concepts and themes characterising each financial centre/theme.
2. *Group paper:* It should be 2,000-2,500 words (excluding bibliography and appendices) on a financial centre/theme of your choice (subject to approval by the lecturer). It shall provide a sufficient background for discussion sessions. **Group papers will be circulated to the class alongside the reading materials assigned by each group.** Therefore, late submission is heavily penalised. It is evaluated based on not only the depth of knowledge, but also the coherence of argument vis-à-vis the chosen theme/focus. Unless otherwise approved by the lecturer, each group shall choose different financial centre/theme which are not covered in the course.
3. *Discussion leader:* Each group must lead a 25-minute discussion session on the topic of the group paper. It is evaluated based on the *individual* contribution to the session. Each member, therefore, should provide enough information prior to the discussion session, clearly illustrate the foci of discussion, and link the topic within a larger framework of the course.
4. *Exam:* It is written in-class, open-book, and in an essay format. It is designed to assist your critical thinking on the issues beyond the historical and geographical knowledge.

***NB:*** You must obtain at least 5.0 points (out of 10.0) for *each* assignment to be counted for the total score.

1. Additionally, an *oral exam* (‘*viva voce*’) is carried out when the lecturer requires further explanations on the submitted assignments. The aim of the oral exam is to clarify what the students have written and how they understand the concepts/data in question.

**RETAKE POLICY**

The *retake* examination for the students who do not meet the passing score is normally scheduled 1-2 weeks after the announcement of the final grades. The retake examination covers the materials from the entire course, and it is worth 65% of the total grade (the remaining 35% comes from the group paper and discussion leader).

**ADDITIONAL REMARKS**

Regular attendance is strongly encouraged as both exams are open-book (i.e. you are allowed to bring your own notebook, printed materials, and the textbook). If for some reasons you need to miss a class, please notify the lecturer *beforehand*. The same etiquette rule applies for your peers when you gather for group projects.

**REQUIRED READINGS**

* Cassis, Youssef (2010) *Capitals of Capital: The Rise and Fall of International Financial Centres 1780-2009*, paperback edition. Cambridge: Cambridge University Press.

Supplementary readings:

* Cassis, Yousef & Wojcik, Dariusz (eds.) (2018) *International Financial Centres agter the Global Financial Crisis and Brexit*. Oxford: Oxford University Press.
* Kindleberger, Charles P. (2006) *A Financial History of Western Europe*, reprinted edition. Abingdon: Routledge.
* Sassen, Saskia (2001) *The Global City: New York, London, Tokyo*. Princeton: Princeton University Press.
* Taylor, Peter J. (2004) *World City Network: A Global Urban Analysis*. Abingdon: Routledge.

**ADDITIONAL READINGS**

For each lecture, please read the relevant chapter(s) – the connection between the topic of the day and chapter(s) should be straightforward. For our in-class discussions, students must refer to relevant academic and/or news articles to highlight current issues linked to the topic of the day. No formal presentations are required, however. Please note that our textbook was published prior to the current financial crisis, pandemic, or Brexit. Thus, you must update your knowledge with a critical mind-set.

**ANNEX**

**DEGREE LEVEL LEARNING OBJECTIVES**

**Learning objectives for the Bachelor of Business Management**

*Programmes:*

*International Business and Communication,*

*Business Management and Marketing, Finance,*

*Industrial Technology Management*

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| **Learning Goals** | **Learning Objectives** |
| Students will be critical thinkers | BLO1.1. Students will be able to understand core concepts and methods in the business disciplines |
| BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions |
| Students will be socially responsible in their related discipline | BLO2.1. Students will be knowledgeable about ethics and social responsibility |
| Students will be technology agile | BLO3.1. Students will demonstrate proficiency in common business software packages |
| BLO3.2. Students will be able to make decisions using appropriate IT tools |
| Students will be effective communicators | BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations |
| BLO4.2. Students will be able to convey their ideas effectively through an oral presentation |
| BLO4.3. Students will be able to convey their ideas effectively in a written paper |

**Learning objectives for the Bachelor of Social Science**

*Programmes:*

*Economics and Data Analytics,*

*Economics and Politics*

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| **Learning Goals** | **Learning Objectives** |
| Students will be critical thinkers | ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines |
| ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements |
| Students will have skills to employ economic thought for the common good | ELO2.1. Students will have a keen sense of ethical criteria for practical problem-solving |
| Students will be technology agile | ELO3.1. Students will demonstrate proficiency in common business software packages |
| ELO3.2. Students will be able to make decisions using appropriate IT tools |
| Students will be effective communicators | ELO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations |
| ELO4.2. Students will be able to convey their ideas effectively through an oral presentation |
| ELO4.3. Students will be able to convey their ideas effectively in a written paper |