

全国财经本科专业
规划教材



现代金融理论文选 (英文版)

徐 涛 主编



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(英文版)

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前言

随着我国经济开放程度的日益提高和金融业的快速发展,金融在经济中的作用受到了越来越多的重视。如何借鉴国外先进金融理论,从而推进我国金融改革和经济发展,已经成为国内学术界和实务界亟待解决的问题。在国内外金融、经济加速接轨的情况下,金融和经济的发展对高校金融专业教育提出了更高的要求,金融专业本科生、研究生需要掌握更多的国外资料、精通现代金融理论。

国内外金融学科存在一定的差异:国内高校在金融教学中比较注重货币银行和货币政策,国外金融教学注重金融市场和公司金融领域。这种差异导致了国内高校在引进国外教科书时存在口径不一的问题。国内现在不乏高校英文版金融类教科书,但现有教科书要么直接采用了国外教科书,要么仅限于介绍相关英文术语,对现代金融理论特别是宏观金融理论的介绍略显不足。英文版金融理论教科书既要体现国内金融学教学的特点,和其他课程匹配,同时还要紧跟国外金融学科发展趋势和潮流,反映金融学研究的新成果。有鉴于此,编者根据长期的相关课程的教学实践,立足于宏观金融理论的教学,编写了本教材。

全书分为12章。第1章介绍了货币与金融机构;第2章介绍金融中介理论;第3章介绍了金融监管;第4章介绍了金融创新;第5章介绍了金融发展理论;第6章介绍了货币需求;第7章介绍了货币供给;第8章介绍了中央银行及其独立性问题;第9章介绍了中央银行最后贷款人问题;第10章介绍了货币政策传导机制;第11章介绍了货币政策效应;第12章简要介绍了现代投资理论。

本书具有以下特点:第一,本书在内容上力图深入浅出,为财经类本科高年级学生和研究生在基础专业英语和金融理论之间构建必要的阶梯。每一章的阅读材料既有取自金融经济类报刊上的通俗读物,也有国外相关领域的最新成果。第二,本书在结构上遵循循序渐进的原则,每一章都先介绍主要术语,再通过阅读材料帮助学生了解该领域的一般情况,引出该领域主要理论,然后通过理论材料辅助学生了解研究,

最后提供若干习题。

本书适用于高等学校金融专业及其他财经类专业高年级本科生和研究生的教学,也可供金融实际业务部门从业人员和其他有兴趣的读者使用。

本书在编写过程中参考了许多书籍、报刊及互联网资料,在此向相关作者及相关单位表示感谢!同时,本书的出版得到了苏州大学出版社汤定军老师的大力支持和帮助,在此一并致谢!

本书从酝酿到完成交稿经历了五六年时间,其中多数资料在教学中已经采用,效果较好。但是,由于编者水平及经验所限,书中难免存在许多不妥之处,敬请广大读者批评指正。

编 者

2012年12月于苏州大学

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UNIT 1

Money and Financial Institution

Money has long been used by people. It has been a very important basis for financial activities. With money, a lot of financial transactions can be possible, so we can have various financial institutions and financial markets.

Section 1

Concepts

1 Money

Money is any object or record that is generally accepted as payment for goods and services and repayment of debts in a given socio-economic context or country. The main functions of money are distinguished as: a medium of exchange; a unit of account; a store of value; and, occasionally in the past, a standard of deferred payment. Any kind of object or secure verifiable record that fulfills these functions can serve as money.

Money is historically an emergent market phenomenon establishing a commodity money, but nearly all contemporary money systems are based on fiat money. Fiat money is without intrinsic use value as a physical commodity, and derives its value by

being declared by a government to be legal tender; that is, it must be accepted as a form of payment within the boundaries of the country, for “all debts, public and private”.

2

Financial Markets

Within the financial sector, the term “financial markets” is often used to refer just to the markets that are used to raise finance; for long-term finance, capital markets; for short-term finance, money markets. Another common use of the term is as a catchall for all the markets in the financial sector, as per examples in the breakdown below.

Capital markets consist of:

- ① Stock markets, which provide financing through the issuance of shares or common stock, and enable the subsequent trading thereof.
- ② Bond markets, which provide financing through the issuance of bonds, and enable the subsequent trading thereof.
- ③ Commodity markets, which facilitate the trading of commodities.
- ④ Money markets, which provide short-term debt financing and investment.
- ⑤ Derivatives markets, which provide instruments for the management of financial risk.
- ⑥ Future markets, which provide standardized forward contracts for trading products at some future date; see also forward market.
- ⑦ Insurance markets, which facilitate the redistribution of various risks.
- ⑧ Foreign exchange markets, which facilitate the trading of foreign exchange.

Capital markets may also be divided into primary markets and secondary markets. Newly formed (issued) securities are bought or sold in primary markets, such as during initial public offerings. Secondary markets allow investors to buy and sell existing securities. The transactions in primary markets exist between issuers and investors, while in secondary market transactions exist among investors.

Liquidity is a crucial aspect of securities that are traded in secondary markets. Liquidity refers to the ease with which a security can be sold without a loss of value. Securities with an active secondary market mean that there are many buyers and sellers

at a given point in time. Investors benefit from liquid securities because they can sell their assets whenever they want; an illiquid security may force the seller to get rid of their asset at a large discount.

Financial markets are broadly divided into 2 types: 1) capital markets and 2) money markets. Capital markets are subdivided into 1) primary market and 2) secondary market.

Section 2 Reading Materials

1 Origin and Evolution of Money

Barter

Money, as we know it today, is the result of a long process.

At the beginning, there was no money. People engaged in barter, the exchange of merchandise for merchandise, without value equivalence.

Then, a person catching more fish than the necessary for himself and his group, exchanged his excess fish for the surplus of another person who, for instance, had planted and harvested more corn than what he would need. This elementary form of trade prevailed at the beginning of civilization, and may be found today among people of primitive economies, in regions where difficult access makes money scarce and, even in special situations, where people barter items without regard for their equivalence in value. This is the case, for instance, of a child who exchanges with his friend an expensive toy for another of lesser value, which it treasures.

Goods used in barter are generally in their natural state, in line with the environment conditions and activities developed by the group, corresponding to elementary needs of the group's members. This exchange, however, is not free from difficulties, since there is not a common measure of value among the items bartered.

□ **Commodity Money**

Some commodities, for their utility, came to be more sought than others are.

Accepted by all, they assumed the role of currency, circulating as an element of exchange for other products and used to assess their value. This was the commodity money.

Cattle, mainly bovine, was one of the mostly used, and had the advantages of moving for itself, reproducing and rendering services, although there was the risk of diseases and death.

Salt was another commodity money, difficult to obtain, mainly in the interior part of continents, also used as a preservative for food. Both cattle and salt left the marks in the Portuguese language of their function as an exchange instrument, as we keep using words such as *pecunia* (money) and *pecúlio* (accumulated money) derived from the Latin work *pecus* (cattle). The word *capital* (asset) comes from the Latin *capita* (head). Similarly, the word *salário* (salary, compensation, normally in money, due by the employer for the services of an employee) originates from the use of *sal* (salt), in Rome, for payment of services rendered.

Brazil used, among other commodity moneys, cowry—brought by Africans—Brazil wood, sugar, cocoa, tobacco and cloth, exchanged in Maranhão in the 17th century due to the almost complete lack of money, traded in the form of yarn balls, skeins and fabrics.

Later, commodities became inconvenient for commercial trades, due to changes in their values, the fact of being indivisible and easily perishable, therefore checking the accumulation of wealth.

□ **Metal**

As soon as man discovered metal, it was used to made utensils and weapons previously made of stone.

For its advantages, as the possibility of treasuring, divisibility, easy of transportation and beauty, metal became the main standard of value. It was exchanged under different forms. At the beginning, metal was used in its natural state, and later under the form of

ingots and, still, transformed into objects, from rings to bracelets.

The metal so traded required weight assessment and assaying of its purity at each transaction. Later, metal money gained definite form and weight, receiving a mark indicating its value, indicating also the person responsible for its issue. This measure made transactions faster, as it saved the trouble of weighing it and enabled prompt identification of the quantity of metal offered for trade.

❑ ***Money in the Form of Objects***

Metal items came to be very valued commodities.

As its production required, in addition to knowledge of melting, knowing where the metal could be found in nature, the task was not at the reach of everyone.

The increased value of these objects led to its use as money and the circulation as money of small-scale replicas of metal objects.

This is the case of the knife and key coins found in the East and the talent, a copper or bronze coin with the form of an animal skin that circulated in Greece and Cyprus.

❑ ***Ancient Coins***

In the 7th century BC the first coins resembling current ones appeared: they were small metal pieces, with fixed weight and value, and bearing an official seal. That is the mark of who has minted them and also a guaranty of their value.

Gold and silver coins are minted in Greece, and small oval ingots are used in Lydia, made of a gold and silver alloy called electrum.

Coins reflect the mentality of a people and their time. One may find political, economic, technological and cultural aspects in coins. Through the impressions found in coins, we are able to know the effigy of personalities who lived centuries ago. Probably, the first historic character to have his effigy registered in a coin was Alexander the Great, of Macedonia, around 330 BC.

At the beginning, coin pieces were made by hand in a very coarse way, had irregular edges, and were not absolutely equal to one another as today's ones.

❑ ***Gold, Silver and Copper***

The first metals used in coinage were gold and silver. Employment of these metals

happened for their rarity, beauty, immunity to corrosion, economic value, and for old religious habits. In primeval civilizations, Babylonian priests, knowledgeable about astronomy, taught people the close relationship between gold and the sun, silver and the moon. This led to a belief in the magic power of such metals and of objects made with them.

Minting of gold and silver coins was common for many centuries, and pieces were guaranteed by their intrinsic value, that is to say, by the trade value of the metal used in their production. Then, a coin made with twenty grams of gold was exchanged for goods of even value.

For many centuries, countries minted their most highly valued coins in gold, using silver and copper for lesser value coins. This system was kept up to the end of the last century, when cupronickel, and later other metallic alloys, became used, and coins came to circulate for their extrinsic value, that is to say, for their face value, which is independent from their metal content.

With the appearance of paper money, minting of metal coins was restricted to lower values, necessary as change. In this new role, durability became the most requested quality for coins. Large quantities of modern alloys appeared, produced to support the high circulation of change money.

□ *Paper Money*

In the Middle Ages, the keeping of values with goldsmiths, persons trading with gold and silver items, was common. The goldsmith, as a guaranty, delivered a receipt. With time, these receipts came to be used to make payments, circulating from hand to hand, giving origin to paper money.

In Brazil, the first bank notes, precursors of the current notes, were issued by Banco do Brasil in 1810. They had its value written by hand, as we today do with our checks.

With time, in the same form it happened with coins, the government came to conduct the issue of notes, controlling counterfeits and securing the power to pay.

Currently, all countries have their central bank in charge of issuing coins and notes.

Paper money experienced an evolution regarding the technique used in their printing. Today, the printing of notes uses especially prepared paper and several printing processes, which are complementary to each other, assuring the final product to a great margin of security and durability conditions.

Money has greatly changed its physical aspect along the centuries.

Coins had already very small sizes, as the stater, which circulated in Aradus, Phenicia, and some reached large sizes, such as the thaler, a 17th century Swedish copper piece.

Although today the circular form is used in almost the whole world, there had been oval, square, polygonal and other shapes for coins. They were also minted in different non-metallic materials, such as wood, leather and even porcelain. Porcelain coins circulated, in the 20th century, in Germany, when the country was under the economic hardships caused by the war.

Bank notes were generally of rectangular lengthwise format, although with great variety of sizes. There are, still, square notes and those with inscriptions written in the vertical.

Bank notes depict the culture of the issuing country, and we may see in them characteristic and interesting motifs as landscapes, human types, fauna and flora, monuments of ancient and contemporary architecture, political leaders, historical scenes, etc.

Bank notes bear, in addition, inscriptions, generally in the country's official language, although several also bear the same inscriptions in other idioms. The inscriptions, frequently in English, aim at permitting the piece to be read by a larger number of people.

Monetary System

The set of coins and bank notes used by a country form its monetary system. The system is regulated by appropriate legislation and organized from a monetary unit, its base value.

Currently almost all countries use a monetary system of centesimal basis, in which

the coinage dividing the unit represents one hundredth of its value.

Normally, higher values are expressed in notes while smaller values are represented by coins. The current world trend is that daily expenses be paid with coins. Modern metallic alloys enable coins to be more durable than notes, making them more appropriate to the intense use of money as change.

The countries, through their central banks, control and guarantee the issue of money. The set of notes and coins in circulation, the so-called monetary mass, is constantly renewed through the process of sanitation, substitution of worn-out and torn notes.

□ Checks

As coins and notes ceased to be convertible into precious metal, money became more dematerialized and assumed abstract forms.

One of these forms is the check that, for simplicity of use and security offered, is being adopted by an increasing number of people in their day-by-day activities.

This document, by which one orders payment of a certain amount to its bearer or to a person mentioned in it, aims mainly at transactions with bank deposits.

The important role played today in the economy by this form of payment is due to the innumerable advantages offered by it, speeding transactions with large sums, avoiding hoarding and diminishing the need of change by being a document completed by hand in the necessary amount.

Money, whatever the form it has, is not valuable for itself, but for the goods and services it may purchase. It is a sort of security giving its bearer the faculty of being creditor of society and take advantage, through his or her purchasing power, of all conquests of modern man.

Money was not, hence, invented by a stroke of genius, but stemmed from a need, and its evolution reflects, at each time, the willingness of man to harmonize its monetary instrument to the reality of its economy.

2

Financial Markets

The first Stock Exchange based on modern principles was established in Holland

during that country's booming trading era in the 17th century. But soon afterwards, in London, shares were traded in two coffee houses—including shares in the infamous East India Company, which was formed in 1688 with a view to undertaking projects “as yet undecided”. No wonder the share price languished until it was “pumped” by operators, who promised untold riches to a naive public (sound familiar). The share price reached over £1,000 (a massive sum then) and then crashed when it was realized there were no profits.

As in most bubbles, the share price crashed by about 90% from high to low, and many investors were wiped out (Isaac Newton, the scientist, was one of them).

Today, the vast majority of financial markets are traded electronically. The main exceptions are in the USA, where in Chicago, agricultural commodities are still traded by open outcry. Here, traders stand in pits (large, round steps) and often scream bids and offers with hand signals, with prices being recorded by observers who are suspended above the pits watching the action. At times, it seems very chaotic, and it is, but trading does take place and prices do reflect the actual flows of trading.

The electronic markets are now open almost 24/7 and turnover in the major markets has exploded over the past 20 years. For us, the important point is that we are all able to participate in these markets either through brokerage accounts, or direct purchase of shares and debt instruments.

We will concentrate on trading the major (very high volume) markets with a wide public participation (this is because they give us the most reliable signals and where government agencies and other large players generally have minor direct impact).

The main markets we are concerned with are:

- ① Stock Indices, such as the Dow Jones Industrials, the S&P 500 (usually the emini version, since the full S&P future is very large), the NASDAQ (National Association of Securities Dealers Automated Quotations System), the FTSE 100;
- ② Fixed Interest Instruments, such as the US Treasuries (10-year and 30-year), the UK Gilts;
- ③ Currencies, such as the Euro/US Dollar, and the British Pound/US Dollar (sometimes called “cable” for historical reasons);