

## **Course: Global Monetary and Financial Institutions: Theory and Practice**

**Goal:** Provide the future global manager and economist the knowledge on the inter-workings of financial markets and policies set by central banks, regulators and governments. The core of the course will connect between the micro-structure of financial markets, their institutional frameworks and the macroeconomy in the US, the EU and other countries. The course will heavily use the data and events of the 2007-2010 financial crisis.

### **Content:**

1. **Financial markets Policies:** Provide the basic framework of setting the financial markets regulations in the US and other leading countries. Explain the tension between financial market innovations (Repo, MBS, CDS and other instruments) and financial markets regulations and potential fragility. Explain the main economic analysis of financial markets fragility and potential market dysfunctions as these were evolved in practice and analyzed by economic theory. Explain the role and concepts of micro-prudential, macro-prudential, systemic risk, conduct of business regulations and their global practice by the BIS, G-20 and IMF. Go over news analysis, public lectures and central banks stability reports on financial risk as well the implications on the individual business environment and compensation policies. The data, events and policy during the 2007-2010 financial crisis will be used much in this section.
2. **Monetary Policy:** Provide the basic framework of setting Federal Fund rate in the US and the interest rate by other central banks in leading countries to get price stability. Explain the inflation target and the Taylor rule as it is developed from theory to practice and how it affects financial markets. Attention will be given to connections of these policies on the banking sector and the macroeconomy. Special attention will be given to the implication it has on each firm financing of working capital and investment. Comparison of policies of different countries as it has been done during the crisis and today. Go over news analysis, public lectures, inflation reports, minutes of committees and the institutional framework including the IMF and BIS. Extend the analysis to FX markets and exchange rate policies as they are understood (or not) by theory and practice and their implications for global and local firms. The actual monetary policy during the recent financial crisis will be used to explain the monetary theory and practice.
3. **Fiscal Policy:** Provide the basic concepts and framework of setting the governments budgets of expenditures and taxes in the US and other main countries. Explain the basic macroeconomic theory of automatic stabilizers, counter cyclical policy and the implications on macroeconomic stability and monetary policy. Go over the recent changes in the US and other countries changes in expenditures taxes, deficits and national debt as well as their implications for macroeconomic stability. Special attention will be given to the recent events in developed countries, the European Union and emerging market countries. Explain the link between fiscal policy stability, monetary policy and financial stability by looking at debt crises in history and today.

Show the link of these aspects to running the business and to news analysis and current events.

**Requirements:** Final and mid term examinations and a term paper that provides a description and analysis of one or more of the main topics for a certain country.

**References:** Use one textbook as well as additional books, reports and analysis that were recently published on each of the topics.

**Main Texts:**

1. Mishkin, Frederic, S., "The Economics of Money, Banking and Financial Markets", 9<sup>th</sup> edition,
2. Reinhart, Carmen, M., and Rogoff, Kenneth, S., "This Time is Different – Eight Centuries of Financial Folly", Princeton University Press, 2009.