

Monetary Policy, Economic Growth And International Affairs



Marco Magnani

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Syllabus

PROFESSORS	Marco Magnani
COURSE CODE	M226
GENERAL DISCIPLINE (SSD)	SECS-P/01
COURSE YEAR	2
SEMESTER	Primo Semestre
PARTITION OF STUDENTS	0
CREDITS	6
TOTAL WORKLOAD	150
TOTAL LESSON HOURS	48
TEACHING LANGUAGE	English

The course helps to understand the main interdependences among monetary policy, economic growth and international affairs. Lehman Brothers, the Arab Spring, climate change, oil and commodities price, the financial crisis in South-East Asia in the '90s, the slowdown of Chinese and BRICs' economies, Brexit, the US Presidential election, the Eurozone crisis, the Greek crisis, deflation in Japan, are all events somehow linked with monetary policy decisions. The course helps to understand these links. And to analyze the complex interdependences in today's world.

During the course students analyze – through simulations and class debates, guest speakers, newspapers articles and Mario Draghi and Janet Yellen videos – the many and complex implications of Central Bank's decisions: on world's economies, on financial markets' stability, on social and political stability of emerging countries, on environmental policies.

INSTRUCTIONAL GOALS

Main objectives of the course are the understanding of the relation among money, credit, and the economic and financial system, the study of central banks and monetary policy, and the analysis of financial and banking intermediaries, including their roles, functions and regulations. The program is designed to provide students with exposure to the decision-making process of the main economic and financial institutions, also through direct interaction with some senior representatives.

The course allows students to build skills useful in seeking employment in the areas of monetary and financial economics, either in the public or in the private sector, in international or domestic institutions. The course teaches how to successfully face a public debate on current economic and political topics. The course helps building a good economic knowledge and a way to interpret current events, skills that are very useful in any career path.

Knowledge and understanding

The course will offer key theoretical tools to compare international economics theories and to understand pros and cons on each one. The course provides advanced

knowledge that will enable students to understand the processes, content and consequences of different policies across countries and globally as well as their potential impact on international affairs.

Applying knowledge and understanding

The students will be able to:

☒☒ apply international trade theories to current economic situation

☒☒ examine international trade policies through comparing different approaches across countries in Europe, USA and Asia

☒☒ look at how politics and institutions shape, constrain and enable policy making

Making judgments

We expect students to be able to analyze international economics theories, public policy and governance models to demonstrate an in-depth,

critical understanding of their scope and challenges.

Throughout the whole course, students will be invited to critically analyze current events that influence international economics.

Communications Skills

This course will give the students the possibility to acquire and understand major terms and concepts in order to communicate their ideas, proposals, analysis and critical reasoning. This will be done through individual contribution in class, class discussions and simulations and team work among students.

Learning skills

This course will contribute to empower learners giving them the tools to determine benefit and challenges of certain policies and the impact of current events on international economics.

INTENDED LEARNING OUTCOMES

PREREQUISITES

Basic understanding of economics and interest in current economic and political affairs

COURSE CONTENTS	<p>The program covers the functions of money, the role of financial intermediaries, and the making, implementation and transmission of monetary policy in modern advanced economies and the impact on emerging countries. The role of central banks – specifically European Central Bank, US Federal Reserve, Bank of England and Bank of Japan – and their monetary policies, traditional and non traditional, will be investigated. The program analyses the role and reaction of central banks and other main financial institutions facing the recent economic and financial crisis (also with the contributions in class of central bankers as guest speakers, with simulations and case studies discussed in working groups). The course analyses Quantitative Easing, (QE) and other policy tools used by Central Banks in Europe and in the United States, and the implications for the economy and for the political stability of emerging countries. It also covers the role of financial intermediaries, specifically commercial banks and investment banks, in the great crisis on 1929 and 2008-15 and it discusses the main challenges faced by the financial sector (also with the contributions of CEOs of major banks / financial institutions and with simulations and case studies). Individual participation to class, team work in class, simulations and class debates will significantly contribute to the final evaluation.</p>
REFERENCE BOOKS	<p>Students are encouraged NOT to purchase any book. Studying materials will be distributed or suggested during class: papers, articles, videos.</p>
TEACHING METHODS	<p>Lectures (often interactive), team work, role-playing or other kinds of simulations, cases studies, seminars, guest speakers, activities with enterprises and/or institutions, presentations.</p>
ASSESSMENT METHOD	<p>Final oral exam: 25%</p> <p>Class attendance: 25%</p> <p>Participation to class discussions and class debates/simulation: 25%</p> <p>Individual work executed during the course (e.g. class presentation/public speaking, memo writing, etc): 25%</p>
THESIS ASSIGNMENT CRITERIA	<p>Instructor's approval of final paper's topic</p>
EXTENDED PROGRAM AND REFERENCE READING MATERIAL	

WEEK 1 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>LESSON 1 Course introduction. Overview of valuation methodology. Students introduction, specifically their background, objectives and professional aspirations. Students will be asked what their expectations in this course are.</p> <p>LESSON 2 Program introduction. Definition of currency. Barter / trade economy and money economy. Currency as pure mean of exchange, mean of payment, reserve of value. Introduction of money in general equilibrium models.</p>
WEEK 2 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>LESSON 3 Demand for money in traditional models. The Simple Quantity Theory of Fisher and the Liquidity Preference Theory of Keynes. The Harris-Wilson models of Economic Order Quantity (EOQ) and Economic Batch Quantity (EBQ) mode. Tobin portfolio theory. Demand for money, Milton Friedman, monetarist and the Chicago school.</p> <p>LESSON 4 Money supply and the execution of monetary policy.</p>
WEEK 3 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>LESSON 5 Monetary base and transmission mechanisms of monetary policy. Money multiplier. Integrated model of monetary market in closed and in open economies. Tools and factors affecting the market of monetary base. Reserve requirement. Open market transactions. Change in official discount rate.</p> <p>LESSON 6 Role and functions of central banks. Objectives and tools of monetary policy.</p>
WEEK 4 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>LESSON 7 Institutional aspects and modus operandi of central banks. Comparing the European Central Bank and the US Federal Reserve. The other central banks.</p> <p>LESSON 8 Central Bank, monetary policy and economic growth. Alternative growth models.</p>
WEEK 5 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>LESSON 9 Analysis of the role and behavior of central banks and their monetary policy during the 2008-2015 crisis. Non-traditional monetary policy. Quantitative Easing (QE) in the US and in Europe.</p> <p>LESSON 10 The South-East Asian financial crisis of the mid '90s. Fed and ECB decisions and implications on emerging economies.</p>
WEEK 6 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>LESSON 11 Central Banks, monetary policy and implications on international affairs and foreign policy.</p> <p>LESSON 12 Central Banks, monetary policy and climate change.</p>
WEEK 7 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>LESSON 13 Central Banks, monetary policy and commodity prices (oil, raw materials, agricultural products)</p> <p>LESSON 14 Group work and simulation on case studies regarding central banks and monetary policy. Class debate.</p>

<p>WEEK 8 / ON LINE AND ON CAMPUS LECTURES CONTENT</p>	<p>LESSON 15 Possible guest speaker</p> <p>LESSON 16 Money and financial intermediation. Monetary and credit functions. Liquidity and solvency risk. Credit as channel of monetary transmission. Main theories of financial and banking intermediation.</p>
<p>WEEK 9 / ON LINE AND ON CAMPUS LECTURES CONTENT</p>	<p>LESSON 17 Banks as suppliers of credit (credit function). Standard debt contracts and uncertainty. Long term relations between banks and clients. Banks and the monetary function. Panic and bank runs. Two development paths for financial systems: market and banking sector. Asymmetric information and equilibrium credit rationing. Interbank market.</p> <p>LESSON 18 Financial innovation. Monetary and financial aggregates. Function of financial markets. Classification of financial assets. Nature of financial contracts. Derivative products. Hedge funds, speculation, arbitrageurs. Market regulation. Development of financial markets in Italy. Stock Exchange market and its organization.</p>
<p>WEEK 10 / ON LINE AND ON CAMPUS LECTURES CONTENT</p>	<p>LESSON 19 Analysis of role and behavior of main financial institutions in the US and in Europe during the 2008-2015 crisis.</p> <p>LESSON 20 Group work or simulation with class debate</p>
<p>WEEK 11 / ON LINE AND ON CAMPUS LECTURES CONTENT</p>	<p>LESSON 21 The world (and the economy) after the Corona virus. What is the economic, social and political impact of the Covid19 pandemic and what policies</p> <p>LESSON 22 Prudential supervision. Deposit insurance. Issues regarding the separation of the functions of monetary policy and banking supervision. Regulation of the banking and financial sector.</p>
<p>WEEK 12 / ON LINE AND ON CAMPUS LECTURES CONTENT</p>	<p>LESSON 23 Analysis of employment opportunities in international institutions (World Bank, International Monetary Fund, European Investment Bank, European Union etc.), central banks, commercial and investment banks, national and international think-tanks. Possibility of guest speaker.</p> <p>LESSON 24 Summary conclusions and preparation to the exam.</p>

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