The course Global Economic Environment II (GEE II-B8250) must be taken prior to or concurrently with B8251. Knowledge of the GEE II material is only required for the second half of B8251. Taking the two courses concurrently is not only possible, but has advantages. By taking GEE II in the A-term concurrently with B8251, students will have this material fresh in their minds when they make use of it in the second half (B-term) of B8251.

GENERAL DESCRIPTION

The course is intended to help students understand the role that financial markets and monetary policy play in the global economic environment that they will have to face in the future. It also provides an understanding of the underlying institutions, both political and economic, that either make financial markets work well or that interfere with the efficient performance of these markets. The course develops a series of applications of principles from finance and economics that explore the connection between financial markets and the macro economy. In addition, given the instructor’s prior position as a governor of the Federal Reserve, the class also provides an inside view on how the most important players in financial markets, central banks, operate and how monetary policy is conducted. The course will have a strong international orientation by examining monetary policy and financial crises in many countries and possible reforms of the international financial system. We will also focus on current events reported in the financial press with an extensive and open-ended discussion of 20-30 30 minutes in every class in which we will use the analytic frameworks developed in class to help us to understand these developments.
REQUIRED TEXTS

(MB) Mishkin, Frederic S., *The Economics of Money, Banking and Financial Markets*, 13th Edition (Pearson: Boston). Each of the assigned chapters can be found in the *Files* section of CANVAS for this course, listed as MB1 for chapter 1, MB2 for chapter 2, etc.

(NGG) Mishkin, Frederic S., *The Next Great Globalization: How Disadvantaged Nations Can Harness Their Financial Systems to Get Rich* (Princeton: Princeton University Press, 2006). The assigned chapters can be found in the *Files* section of CANVAS for this course, listed as NGG1 for chapter 1, NGG2 for chapter 2, etc.

(C) Casebook, which is electronic and can be accessed through Canvas by going to the tab *Library Reserves*, which is second from the bottom on the left-hand-side of the main screen for the course.

GRADING:  EXAM, PROBLEM SETS AND CLASS PARTICIPATION

- The course will have the final exam in the last class (closed book when not virtual), and it will count toward 50% of the final grade.
- There will be nine problem sets which will be graded and count toward 20% of the final grade. (There is one additional problem set which will not be handed in or graded: however, the material covered in the problem set will be covered in the final.) Problem sets are in the Type B category: they are to be completed *individually*, but consultation with other students is allowed as long as the answers are written up *separately* by each student. Problem sets must be uploaded into Canvas on the due date/time on the corresponding assignment created for each of the problem sets. Canvas will not allow late submissions.
- Class participation from Poll Everywhere multiple choice questions will count toward 20% of the final grade. Other class participation will not be graded and is strictly voluntary, but is essential to a successful classroom experience.
- Attendance via Poll Everywhere will count for the remaining 10% of the grade. (Valid excuses for missing class will include job interviews, medical issues and family problems). If a student has a valid excuse for missing a class, he or she must send an email to the TA before the missed class in order not to be penalized.)
CLASS CONDUCT (For virtual class)

All students must keep their video on during class. If you have a technical problem that day that prevents this, send me an email.

CLASS CONDUCT (For in person class: not applicable for Spring 2021 term)

Late arrival or leaving and coming back into the classroom will not be tolerated because it disrupts the class. Either arriving late or leaving and coming back into class will require that a student come see me after class to make sure it doesn’t happen again. There is a no laptop policy or any electronics in class (unless a student has special needs). If a student needs to leave class early for any reason, they should send me an email and sit at the outside edge of the class, so they can leave quietly without disrupting the class.

OFFICE HOURS

Official office hours are Monday and Wednesday, from 2-4. Let me know what time you want to meet during office hours via email. I am also happy to see students at other times that are more convenient for them as long as an appointment is made via e-mail.

TEACHING ASSISTANT

The teaching assistant for the course is xxxx, whose email address is: xxxx@gsb.columbia.edu. He is available for any help you may need during the term by appointment which can be made by email.
TOPICS AND SPECIFIC READINGS

I. INTRODUCTION AND REVIEW

(MB) Ch. 1 Why Study Money, Banking and Financial Markets
(MB) Ch. 2 An Overview of the Financial System
(MB) Ch. 3 What is Money?
(MB) Ch. 4 Understanding Interest Rates
(MB) Ch. 7 The Stock Market, the Theory of Rational Expectations and the Efficient Markets Hypothesis

II. BOND, COMMODITY AND FOREIGN EXCHANGE MARKETS

(MB) Ch. 5 The Behavior of Interest Rates, pp. 86-102.
(MB) Ch. 17 The Foreign Exchange Market

Optional:

(MB) Ch. 6 The Risk and Term Structure of Interest Rates
III. FINANCIAL STRUCTURE, FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH

(MB) Ch. 8 An Economic Analysis of Financial Structure
(NGG) Ch. 1 The Next Great Globalization: A Force for Good?
(NGG) Ch. 2 How Poor Countries Can Get Rich: Strengthening Property Rights and the Financial System
(NGG) Ch. 3 Financial Development, Economic Growth and Poverty

Optional:

IV. MANAGEMENT OF FINANCIAL INSTITUTIONS AND THEIR REGULATION

(MB) Ch. 9  Banking and the Management of Financial Institutions, especially pp. 188-203.
(MB) Ch. 10  Economic Analysis of Financial Regulation

Optional:

(MB) Ch. 11  Banking Industry: Structure and Competition

V. FINANCIAL CRISES IN ADVANCED ECONOMIES

(MB) Ch. 12  Financial Crises

Optional:

VI. FINANCIAL CRISES IN EMERGING MARKET ECONOMIES

(NGG) Ch. 4  When Globalization Goes Wrong:  The Dynamics of Financial Crises
(NGG) Ch. 5  Mexico, 1994-1995
(NGG) Ch. 6  South Korea, 1997-1998
(NGG) Ch. 7  Argentina, 2001-2002

Optional:

(NGG)  Ch. 8-13, pp. 137-219.

VII. THE THEORY (SCIENCE) OF MONETARY POLICY

(MB)  Ch. 21 The Monetary Policy and Aggregate Demand Curves
(MB)  Ch. 22 Aggregate Demand and Supply Analysis
(MB)  Ch. 23 Monetary Policy Theory
(MB)  Ch. 24 The Role of Expectations in Monetary Policy

Optional:

(MB)  Ch. 20  The IS Curve
(MB)  Ch. 25  Transmission Mechanisms of Monetary Policy
VII. CENTRAL BANKING AND THE TOOLS OF MONETARY POLICY

(MB) Ch. 13 Central Banks and the Federal Reserve System
(MB) Ch. 15 The Tools of Monetary Policy
(MB) Ch. 16 The Conduct of Monetary Policy: Goals, Strategy and Tactics, pp. 369-374, 391-397.

Optional:

(MB) Ch. 14 The Money Supply Process

VIII. CENTRAL BANK STRATEGY AND COMMUNICATION: THE INTERNATIONAL EXPERIENCE

(MB) Ch. 16 The Conduct of Monetary Policy: Goals, Strategy and Tactics, pp. 374-391.
(MB) Ch. 18 International Financial System, pp. 443-449.
(C) Mishkin, F.S., “Comfort Zones, Shmumfort Zones,” speech delivered to the Virginia
Association of Economists, Washington and Lee University, Lexington, Va.,
March 27, 2008.
(www.federalreserve.gov/newsevents/speech/mishkin20080327a.htm)

(www.federalreserve.gov/newsevents/speech/mishkin20080403a.htm).

(www.federalreserve.gov/newsevents/speech/mishkin20071129a.htm)


(C) Bernanke Ben S., “Monetary Policy Objectives and Tools in a Low-Inflation Environment,” speech delivered at the Revisiting Monetary Policy in a Low-Inflation Environment Conference, Federal Reserve Bank of Boston, Boston, Massachusetts, October 15, 2010,
www.federalreserve.gov/newsevents/speech/bernanke20101015a.htm

(C) Bernanke, Ben S., “The Effects of the Great Recession on Central Bank Doctrine and Practice,” speech given at 56th Economic Conference, Federal Reserve Bank of Boston, Boston, Massachusetts, October 18, 2011.
www.federalreserve.gov/newsevents/speech/bernanke20111018a.htm


Optional:
