

Current Issues in Global Economy

Spring 2017

Lecturer: Sang Chul Ryoo

Class Hours: Thursday 18:15~21:00

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I. Course Description

This course will take you into a variety of current issues in the global economy that include secular stagnation, deflationary pressure (falling commodity prices), youth unemployment, ultra-loose monetary policy (quantitative easing & negative interest rates), excessive debt, cross-border capital flows, and global financial crisis. Before we dive into those issues, we will touch upon some basics that will equip you to better understand them. We will first discuss in brief on "How does the economy work?" with the quantity theory of money. You will see the basic structure that shows the interlinkage between the real economy and the financial system. We will then look into key indicators that enlighten you to understand "How do financial institutions and financial markets work?" through the leverage and liquidity of financial institutions and the risk and risk premium reflected in market prices. We will also study the monetary policy so that you may grasp the mechanism that the central bank determines its policy rate. We will move on to the global financial crisis in 2008. This topic is relevant to the theme of this course because most current issues in the global economy are closely linked to the global financial crisis. We will examine the causes of and responses to the global crisis. This will enable us to check if we have fixed vulnerabilities in our financial system and are better equipped to overcome the future financial distress. We will finally discuss on above-mentioned current issues in the global economy and hopefully provide some guiding light to the future direction of the global economy.

This course is based upon interactions among students and between students and the lecturer. We will have group activities for solving problem sets and

presentations.

II. Course Schedule and Reading Materials

A. Week 1 (2 March)

1. Theme: How does the economy work?
2. Reading materials
 - Ray Dalio (2015) "How does the economy work?"
 - Russell Cooper & A. Andrew John "Macroeconomics: Theory through Applications, v.1.0, 11.1 The Quantity Theory of Money"

B. Week 2 &3 (9 & 16 March)

1. Theme: Financial stability indicators
2. Reading materials
 - Stephen D. and Simpson CFA "The Banking System: Commercial Banking – Key Ratios/Factors" Investopedia
 - Marc Farag and Damian Harland (2013) "Bank Capital and Liquidity" Bank of England, Quarterly Bulletin, Q3
 - IMF (2006) "Financial Soundness Indicators – Compilation Guide"

C. Week 4&5 (23 & 30 March)

1. Theme: Monetary policy framework
2. Reading materials
 - Bank of England (2016) "Monetary Policy Framework" website
 - Bank of England (2013) "Review of Monetary Policy framework"
 - Jahan, Sarwat (2014)"Inflation Targeting: Holding the Line" IMF
 - FRB (2006) "Monetary Policy"
 - Orphanides, Athanasios,"Taylor rules (Abstract)"The New Palgrave Dictionary of Economics, 2nd Edition. v. 8. pp. 200–04.
 - Mankiw, N. Gregory (2002) "Chapter 18: Money Supply and Money Demand". Macroeconomics (5th ed.). Worth. pp. 482–489
 - Tobin, James (2008). "Monetary Policy". In David R. Henderson (ed.). Concise Encyclopedia of Economics (2nd ed.)

D. Week 6 & 7 (6& 13 April)

1. Theme: Global financial crisis – causes and responses
2. Reading materials

- IMF "Financial Crisis" website
- "What Caused the Crisis": A collection of papers at the Federal Reserve Bank of St. Louis, website
- IMF (2010) "World Economic Outlook: Crisis and Recovery, April 2009"
- Brookings (2010) "Financial Crisis"
- Admati (2013) "Five Year of Financial Non-Reform," September
- Shiller (2014) "Booming Until It Hurts," Project Syndicate
- Friedman and Goldberg (2013) "Did Capitalism Fail?" September
- Lectures by Ben Bernanke to an economics class at George Washington University March 2012
- New York Times "Credit Crisis—The Essentials"
- Financial Times "In depth: Global financial crisis"

E. Week 8 (20 April)

1. Mid-term exam
2. Method: Group project
 - The lecturer decides which group each student belongs to
 - Each group chooses a project topic and submits by 16 December.
 - Before submission each group presents its project at the class.

F. Week 9-12 (27 April & 4, 11, 18 May)

1. Theme: Current issues in the global economy
2. Reading materials
 - IMF (2015) "World Economic Outlook"
 - IMF "Global Financial Stability Report"
 - BIS "Annual Report" 2014 & 2015
 - Robert C. Feenstra and Alan M. Taylor (2015) "International Macroeconomics"
 - Akerlof, G. O. Blanchard, D. Romer and J. Stiglitz (2014) "What have we learned? - Macroeconomic policy after the crisis"
 - World Economic Forum "Outlook on the Global Agenda 2015"
 - Economics Online "Global Economic Problems"
 - ECB (2014) "Challenges for global economic growth" remark at the

71st Plenary Meeting of the Group of Thirty

- Nouriel Roubini (2015) Introduction to the Course and Main Issues in the Global Economy
- JP Morgan, Global Data Watch, Sep 4 & 11, 2015
- Davies (2015) "Global Economy Survives the China and Commodity Shocks - So Far," Financial Times
- BIS (2015) "Emerging Market Economies Vulnerabilities Take Center Stage," September
- Blanchard (2015) Ten Take Always from The Rethinking Macro Policy: Progress or Confusion?" May

G. Week 13 & 14 (25 May & 1 June)

1. Theme: The way forward in the global economy
2. Reading material
 - Klaus Schwab, (2016), "The Fourth Industrial Revolution," World Economic forum
 - Arun Sundararajan, 2015, "The Sharing Economy: the End of Employment and the Rise of Crowd-based Capitalism," MIT Press

H. Week 15 (8 June)

1. Final exam
2. Written exam

III. Course Requirements and Grading

A. Attendance (20%)

- All be present at 18:15 and remain present until 21:15

B. Class participation (10%)

- Individuals and groups who actively participate in the class for problem solving and group presentation

C. Mid-term exam (20%)

- Group project

D. Final exam (50%)

- Written exam

IV. Qualification requirement for the course

A. Basic knowledge in Economics and Finance