Spring 2016

# challenges and governance in global financial market

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COURSE DESCRIPTION

In an increasingly globalized world, international financial market is perhaps the most dynamic space, where diverse actors, both private and public, are interacting with each other, producing daily market activities and issues, while shaping up major trends in the global economy. The purpose of this course is to complement academic theories of international economy and finance with practical experiences and knowledge of policy makers and various major market participants to help students better understand major issues in global economy and how they affect the international financial market with underlying structural changes. Thus the course intends to help students familiarize themselves with current topics discussed in major newspapers and various international fora, and how academic theories are actually applied in practice, as well as to better understand various viewpoints of major players on major global issues and how major players in the market interact with each other, to enhance the capacity of students to actively participate in the global economy in various capacities in the future. As such, the course plans to benefit from actual experiences of the lecturer and outside speakers to share their experiences, providing opportunities for students to interact with various players in the global economy.

**COURSE FORMAT**

This course will require students’ presentations and active discussions to complement regular and special lectures.

* Regular lectures will cover current major issues in the global economy and financial market.
* A few special lectures from outside speakers will be arranged when available to give students opportunities to benefit from actual experiences of policy maker and market participants..
* Students are expected to make individual and/or group presentation at least once. For presentation, students should choose a topic covered in the syllabus and are required to submit a PPT file after presentation.
* Active participation of students is essential and will be strongly encouraged.
* Each class will start by discussing major international financial issues of the previous week

### **TEXTBOOKS**

There will be no text book as the course intends to deal with major current issues. However, there are some recommended reference books and each class’s reading materials will be posted on the website before class begins. Students are also advised to read the Economist and the Financial Times and visit websites of international financial institutions as frequently as possible.

Recommended Books

Paul R. Krugman, Maurice Obstfeld *International Economics* ,9th edition, Pearson

Charles P. Kindleberger, Robert Z.Aliber *Manias, Panics and Crashes, A History of Financial Crise*s 6th edition Palgrave Macmillan

Carmen M. Reinhart, Kenneth S. Rogoff (1997) *This time is Different* Princeton University Press

Recommended Database

Hans Rosling, Gapminder http://www.gapminder.org/world-offline/

#### EVALUATION

Final grades will be determined on the basis of class participations (30%), Presentations (30%), and a final exam or term paper (40%)

#### COURSE OUTLINE

### .Week1: Introduction

* Class Overview
* Structure of Class
* Survey of Hot Issues
* Hans Rosling” Gapminder http://www.gapminder.org/world-offline/
	+ Course Outline

### Week2: Course Introduction and Globalization

* History of Globalization
* The Hyperglobalization of Trade and its Future: Arvind Subramanian and Martin Kesssler
* Global Value Chain and Emergence of Multi-FTAs
* Globalization and its effects

Discussion: Globalization and Backlash

### Week3: Global Financial Market /Reserve Currency/Financial Deepening

* International Economics, theory and policy. Krugman and Obstfeld Chapter 21
* BIS Int’l banking statistics
* Triennial Central bank survey 2013.
* Reserve currency

Discussion: Libor Scandal, Exorbitant privilege of Reserve Currency

### Week4: Shifting Wealth and the Coming of Asian Century

* Perspective on Global Development 2010. Shifting Wealth, OECD
* Asia 2050, ADB report. Executive summary, part 1
* Global Trends 2025, National Intelligence Council,
* Great Deceleration, IMF briefing. July 27, 2013
* Middle Income Trap

Discussion: Coming of the Asian Century vs. Middle Income Trap

### Week5: Demography, Immigration and Impact on Financial Market

* World Population Prospects, 2012 Revision, UN
* Global Trends 2025, National Intelligence Council, Chapter
* Aging and Financial Market, IMF, F and D magazine, September 2006, volume 43
* International Migration Outlook 2013, OECD

Discussion: Implication of Aging on the Economy and Financial Sector

Week6:Energy, Climate change and Oil Market

* The most Recent World Energy Outlook (IEA)
* Stern Review : Executive Summary
* COP21: Paris Agreement on Climate Change
* Towards Green Growth, OECD
* Greening Growth : World Bank Group

Discussion: Prospect of Green Growth or Oil market prospect

Speaker : Dr. Lee, Jung woo, GGGI (tbc)

# Week 7: Global Governance and G20

* THE GROUP OF TWENTY: Origins, Prospects and Challenges for Global Governance, Brookings Institute
* 1st G 20 Communique
* 2010 Seoul G 20 communique
* Most recent G20 communique and agenda
* BEPS

Discussion: Effectiveness of G20, Google and Starbuck’s tax dodging

### Week 8: : Financial Regulation in Global Market

### IMF and World Bank’s FSSA and ROSC

### Progress Report on Basel III, FSB

### Progress Report on OTC Derivative Reform, FSB

### Effective Resolution of G- SIFIs, FSB

### Initial List of G SIIs

### THINKING BEYOND BASEL III: Necessary Solution for Capital and Liquidity, OECD

* Shadow banking

### Discussion: Will the current reform prevent the next crisis?

### Week 9  **International Financial Architecture , the IMF reform**

* IMF Reform agenda and its progress
* Umbrella Report for G20 MAP, IMF
* IBRD and development institutions

Discussion: Evolving Role of the IMF and its Reform Agenda

Week 10:  **Chinese Economy: Curetn Status and Prospect**

* China 2030 Report, World Bank
* Hard Landing versus Soft Landing
* State Capitalism: Economist’s Special Report
* Recent Initiatives including AIIB, and “One Belt and One Road”
* Yuan Internationlaization

Discussion: Prospect and Challenges of Chinese Economy. Two camps discussion

# Week 11: Crisis : Cause of Financial Crisis

* Manias, Panics, and Crashes, a History of Financial Crisis : Charles P Kindelburger
* This time is different: Reinhart and Rogoff
* Financial Crises: Explanations, Types, and Implications, IMF Working Paper; Stijn Claessens and M. Ayhan

Discussion: Why does the crisis happen again and again?

Week 12**: Asian Financial Crisis and European Financial Crisis**

* The Asian Crisis, causes, Policy Response and Outcome. IMF
* European Financial Crisis: Causes, policy Response, and Outcome, IMF
* Regional Financial Safety net with a focus on CMIM

Discussion: Regional Financial Safety Net and CMIM

### Week 13: Great Recession and Global Imbalance

* The Financial Crisis Inquiry Report: US congress
* The Financial Crisis, IMF and WB reports
* Global Imbalance: IMF, CSR report
* Capital Control and Tobin tax
* IMF IEO report
* Movie.”Big Short”

Discussion: What are causes of the current crisis and why can’t we predict it?

Week 14: New Normal and New Challenges

* Monetary Policy after the Crisis
* Secular stagnation
* Fiscal Challenges
* Labor Market

Discussion: What is new Normal?

Week 15: **Back to Basics**

* Global Financial Stability Report (IMF. Most Recent editions)
* Better Life Index and Inequality
* Debt-financed growth
* Thinking fast and slow :Kahneman
* The future of finance, Economist briefing

Discussion: What have we learned?

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