

E491 SPR22

Banking and Monetary Policy in the Global Economy

Course Summary

This course analyses the relationships between the financial system, central banks and the economy. We will explore the following questions: What purpose does the financial system serve? How are money and credit created in the modern economy? How do banks, central banks and financial markets interact? How have central bank tools and objectives evolved? How should the financial system be regulated? We will make frequent references to current debates among policy-makers and financial market participants

Learning Outcomes

On successful completion of this course, you will understand:

- how banks actually work and the environment in which they operate
- the process of creation of money and liquidity
- the role of central banks and banks in that process
- key indicators of fragility of the financial system
- how central banks and financial markets interact
- how financial crises propagate throughout the international economy and affect the business environment
- current approaches to regulation and the impact of new regulation on the financial sector

Course Preparation

Before the course begins

Pre-requisite: Core macroeconomic course

Reading List

Stephen Cecchetti and Kermit Schoenholtz, *Money, Banking and Financial Markets 6th Edition*, McGraw-Hill Education 2021

Note: This textbook is recommended, not required. The stronger your background in core macroeconomics, the less likely you are to need it. I mention it in case you find you need a little extra help with the basic concepts, in which case this is an excellent book.

Additional readings from journal articles and policy publications are indicated for each session.

Assessment Information and Policies

Assessment Table

Assessment type	Weightings	Group/ Individual	Release date of assessment component	Deadline/ Time & Date of exam
Take-Home Assignment 1 1500 - 2000 Word Limit	40%	Individual	Monday 7th February Distributed in the 1st Class	Tuesday 1st March 23:59 GMT
Take-Home Assignment 2	60%	Individual	Friday 11th February 12:00 GMT	Thursday 24th February 12:00 GMT

Requirements to Pass

In order to successfully complete a Core or Elective Course, students will be required to achieve the following minimum requirements:

- i. A minimum of 50% overall; **and**
- ii. A minimum of 50% across the weighted average of individual assessment component/s excluding class participation; **and**
- iii. Satisfy any attendance requirements where applicable

Academic Integrity Expectations

All students completing this course should be aware that in submitting any assignment for this course, you agree to the following declaration:

“I certify that the coursework that I have submitted is entirely my own unaided work, and that I have read and complied with the School’s guidelines on plagiarism and referencing as set out in the School handbook.

I understand that the School may make use of plagiarism detection software and that my work may therefore be stored on a database which is accessible to other users of the same software.”

Students should be aware that, where plagiarism is suspected, a formal investigation may be carried out under the School's Student Disciplinary Procedure. This may result in penalties ranging from mark deduction to expulsion from the School.

Attendance Policy

Students must attend a live teaching session, either in-person at campus or via Zoom if an exemption has been approved by the School. Students are expected to attend 80% of teaching sessions. Attendance will be monitored by:

Students attending in-person must register their attendance using the SEAtS card readers upon entry to the lecture theatre. Any misuse of the School's attendance monitoring systems will be treated extremely seriously.

Students who have an exemption to attend live sessions virtually will have their attendance monitored via Zoom.

Students who are persistently absent or late will be contacted by the School, may be required to meet with their Programme Office, and may be subject to disciplinary action. This response will normally be triggered if a student's attendance is 80% or less but may occur sooner if deemed appropriate. For students on Tier 4 visas poor attendance may lead to the student being withdrawn and their visa cancelled.

Late Submissions Penalty

Students are expected to submit all assessments for marking by the deadline stated in this course syllabus. However late submissions are accepted for the following assessment(s) of this course:

- Take Home Assessment 1
- Take Home Assessment 2

Type	Time period	Reduction (for the assessment)
Penalty 1	Up to 48 hours late	20% of total marks available
Penalty 2	Up to 96 hours late	40% of total marks available
Penalty 3	Over 96 hours late	Fail

The applied penalty will be calculated based on the total marks available for the assessment and not based on the score achieved by the student. Assessments that are submitted more than 96 hours after the stated deadline will not be marked and students are not entitled to individual feedback.

Faculty

Lucrezia Reichlin

Professor of Economics

Lucrezia Reichlin is Professor of Economics at the London Business School, Chair of the European Corporate Governance Institute (ECGI), Trustee of the International Financial Reporting Standards Foundation (IFRS) for which she is chairing the task force on sustainability reporting standard and Trustee of the Center for Policy Research (CEPR). She is co-founder of Now-Casting Economics Ltd and non-executive director of Ageas Insurance Group. She is a columnist for the Italian national daily Il Corriere della Sera and a regular contributor of Project Syndicate.

Reichlin received a Ph.D. in economics from New York University. She has held a number of different academic and non academic positions. From 2005 to 2008 she was the Director General of Research at the European Central Bank. From 2009 – April 2018 she was non-executive director of UniCredit Banking Group and from 2013-2016 she was Chair of the Scientific Council at the Brussels based think-tank Bruegel. Reichlin has been an active contributor to the life of the Centre for Economic Policy Research (CEPR) over the years and she is now honorary fellow. Reichlin has published numerous papers on econometrics and macroeconomics. She is an expert on forecasting, business cycle analysis and monetary policy. She pioneered now-casting in economics by developing econometrics methods capable of reading the real time data flow through the lenses of a formal econometric model. These methods are now widely used by central banks and private investors around the world.

She is a Fellow of the Econometric Society, the British Academy, the European Economic Association, and Academia Europaea. In 2016 she received the Birgit Grodal Award, European Economic Association, and the Isaac Kerstenetzky Scholarly Achievement Award.

Helene Rey

Lord Raj Bagri Professor of Economics

MS (Stanford) PhD (EHESS, Paris) PhD (London)

Hélène Rey is Professor of Economics at London Business School. Until 2007, she was at Princeton University, as Professor of Economics and International Affairs in the Economics Department and the Woodrow Wilson School.

Her research focuses on the determinants and consequences of external trade and financial imbalances, the theory of financial crises and the organisation of the international monetary system. She demonstrated in particular that countries gross external asset positions help predict current account adjustments and the exchange rate.

In 2005 she was awarded an Alfred P. Sloan Research Fellowship. She received the 2006 Bernácer Prize (best European economist working in macroeconomics and finance under the age of 40). In 2012 she received the inaugural Birgit Grodal Award of the European Economic Association honoring a European-based female economist who has made a significant contribution to the Economics profession. In 2013 she

received the Yrjö Jahansson Award (European economist under 45 years old who has made a contribution in theoretical and applied research that is significant to economics in Europe), shared with Thomas Piketty.

Professor Rey is a Fellow of the British Academy, of the Econometric Society and of the European Economic Association. She is on the board of the Review of Economic Studies and associate editor of the *AEJ: Macroeconomics Journal*. She is a CEPR Research Fellow and an NBER Research Associate. She is a member of the Haut Conseil de Stabilité Financière (French Macro Prudential Authority), of the Commission Economique de la Nation and of the Bellagio Group on the international economy.

Currently, Professor Rey was formerly one of the Academic Directors of the AQR Asset Management Institute at LBS. She was a member of the Conseil d'Analyse Economique until 2012, on the Board of the Board of the Autorité de Contrôle Prudenciel et de Résolution (2010-2014). She writes a regular column for the French newspaper *Les Echos*.

Hélène Rey received her undergraduate degree from ENSAE, a Master in Engineering Economic Systems from Stanford University and her PhDs from the London School of Economics and the Ecole des Hautes Etudes en Sciences Sociales.