

An understanding of Economics and Monetary Theory and Practice

Code:	
Term:	Spring 2018
ECTS credits:	5
Lessons per week:	90 + 90 min
Language:	English
Instructor:	John H. Baron, MBE., TD., FCIB..
Form of study:	Lecture and Seminar

Prerequisites

- Fluent English
- A lively and enquiring mind and a real interest in the impact of economic measures on everyday life and business

Course Objectives

At the conclusion of the programme those participating will

1. Have a basic understanding of the economic importance of money
2. Understand the nature of money supply, the creation of credit and the balance of payments
3. Understand the nature and impact of interest rates on domestic and international markets and the money supply
4. Appreciate the importance of international trade both in goods and services and the role of the banks and other institutions in the settlement of international debts and obligations
5. Have an overview of the international financial markets and their roles in business
6. Understand the basic of corporate finance and risk management
7. Appreciate the way in which business, the markets and political decisions interact on the economy of a country
8. Have a general understanding of market and economic terminology

Contents

Over the course of the term, participants will examine the origins of money and its evolution, over time to the situation today where cash plays only a small role in the economy. We will look at credit and its impact on the money supply, the internal economy of a country, the

effects of international trade and trade finance and the interconnection between economies, especially as a consequence of the creation of the Euro zone.

This programme is designed very much with the layman in mind and will focus more on the practice of everyday life rather than deep macro-economic theory.

Themes and Readings involved

1. Introduction. Basic terminology. The institutions involved
2. What is money? Money and the Mechanism of Exchange. Reading *Money and the Mechanism of Exchange, Chapter 16, WS Jevons*
 - The economic importance of money
 - The quality of money
 - The functions of money
 - The concept of liquidity
 - Inflation and the resulting problems
3. Financial institutions
 - Intermediation, intermediaries
 - Central banks – European Central Bank and national central banks and their respective roles
 - Commercial Banks
 - Effects of Government economic policy on the banking system
 - Insurance companies
 - Pension funds
 - Unit trusts
 - Investment trusts
4. Financial Markets
 - Money Markets
 - Discount market
 - Central bank intervention
 - Inter-bank market
5. Capital Markets
 - Raising capital
 - De-regulation and investor protection
 - Eurocurrency markets , origin, sources of funds, usage, participants
6. The money supply
 - The cash base
 - Credit creation
 - Public Sector Borrowing
 - National Debt
 - Balance of Payments flows

7. Interest Rates

- Real and nominal interest rates
- Theories on general level of interest rates
- Reasons why interest rate levels change
- Differential rates between different assets
- Domestic v. International rates
- Eurocurrency interest rates
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8. Review of programme to date

9. Economic policy

- Objectives
- Implementation, instruments and their effects
- Demand management and fiscal policy

10. Monetary Policy

- Nature
- Targets of monetary policy
- Methods of monetary control
- Effectiveness

11. Balance of Payments

- Current account
- Capital account
- Terms of trade

12. Exchange Rates and the FX Markets

- Participants and their roles
- Types of rate (Spot, Forward etc)
- Factors determining rates
- Role in international trade
- Mitigation of trade risk

13. Regulation of the markets and where to now after the global financial crisis

14. Conclusion

Obligatory Readings

Primary Sources

The Ascent of Money, Niall Ferguson, ISBN 978 1 846 14192 8 (paperback)

Secondary Sources

Supplementary Readings and Sources

The Economist (weekly magazine)

Newspapers such as the Financial Times and the Wall Street Journal

John H. Baron, MBE., TD., FCIB..

Mr Baron is an experienced teacher and trainer who, before re-locating to Slovakia, was a Divisional Training Manager with a major UK bank.

A native UK English speaker, he was an adviser to both The State Bank of CzechoSlovakia and to The National Bank of Slovakia prior to roles as a Regional Director of Deloitte and subsequently with KPMG.

He is also a past Chairman of the British Chamber of Commerce in the Slovak Republic.