

Module 5

6.5.1. Macroeconomics: The Global Economy and Financial System

Module title						Macroeconomics: The Global Economy and Financial System									
Module NFQ level (only if an NFQ level can be demonstrated)						9									
Module number/reference						MA05									
Parent programme(s)						Master of Arts in Accounting and Finance									
Stage of parent programme															
Semester (semester1/semester2 if applicable)						Semester 1									
Module credit units						ECTS									
Module credit number of units						10									
Duration of the module						One Academic Semester, 12 Weeks Teaching.									
Average (over the duration of the module) of the contact hours per week						6									
Analysis of required learning effort															
Effort while in contact with staff															
Classroom and demonstrations		Mentoring and small-group tutoring		Other (specify)		Directed e-learning (hours)	Independent learning (hours)	Other hours (specify)	Work-based learning hours of learning effort	Total effort (hours)					
												Hours	Minimum ratio teacher/learner	Hours	Minimum ratio teacher/learner
48	1:40	24	1:20				178			250					
Allocation of marks (within the module)															
						Continuous assessment		Supervised project		Proctored practical examination		Proctored written examination		Total	
Percentage contribution						100 %					100%				

Minimum intended module learning outcomes

On the successful completion of this module, students should be able to:

- MIMLO 5.1** Demonstrate a critical understanding of macroeconomic theory in the context of economic globalization.
- MIMLO 5.2** Explain and compare contrasting international trade theories and perspectives on the role of international financial markets.
- MIMLO 5.3** Discuss and evaluate the implications of financial globalization and global capital flows for national and international regulatory frameworks.
- MIMLO 5.4** Critically evaluate and systematically assess the contemporary macroeconomic policies of Ireland, Europe, the USA and elsewhere, and the implications of European economic integration for individual member states.

Indicative Syllabus:

1 Macroeconomic Theory

- Measuring economic activity; Keynes and aggregate demand; consumption function; savings function; investment function; government expenditure and taxation; exports and imports; the determination of national income; the multiplier effect; the paradox of thrift;
- Equilibrium in the goods market: the IS curve;
- Equilibrium in the money market: the LM curve;
- Fiscal and monetary policy;
- The crowding out effect;
- The Mundell-Flemming model under fixed and floating exchange rates; internal and external balance;
- The Aggregate Supply and Aggregate Demand models;
- The Phillips curve;
- Modern critiques of Keynesianism and the role of expectations;
- Supply-side policies and demand side policies

2 The Financial System and the Regulatory Framework

- Bank and non-bank financial institutions including the role of the central bank
- The nature of financial intermediaries and in particular the role of maturity transformation;
- Money in a modern economy; the credit multiplier;
- The importance of liquidity and capital adequacy;
- Moral hazard; The Basle accord;
- Tripartite supervision: Dept of Finance/Irish Central Bank/Financial Services Regulatory Authority;

- Regulation in practice;
- Recapitalising the banks and alternative responses to the financial crisis;
- Recent experience globally and nationally of corporate collapse and financial distress;
- The current credit crisis, its nature and implications.

3 Financial Markets and Financial Products

- Financial markets for money, capital, stocks and bonds;
- The role of the Bank and the determination of interest rates;
- The term structure of interest rates; the normal yield curve;
- Foreign exchange markets: spot and forward rates
- The interbank market and the nature of a credit crunch;
- Derivatives: (forwards, futures, options, swaps);
- Securitization and CDOs;
- Hedge funds; short selling; toxic assets; recent developments in the interbank markets
- The response of various national regulators (e.g.: USA, UK and Irish) to the credit crunch; the credit crunch and its impact on the real economy
- The implications of bank failure and how to respond (e.g. the contrasting cases of Lehman Brothers, Northern Rock and Anglo Irish Bank etc.).

4 The Eurozone

- Economic integration in the EU;
- The single market programme;
- Free capital and labour mobility in EU;
- ERM and EMU; The Eurosystem of central banks;
- Role, objectives and effectiveness of the ECB;
- The independence of central banks;
- The European Central Bank, the Federal Reserve and the Bank of England: alternative responses to the financial crisis;
- The relationships between the Euro, the Dollar and Sterling;
- The "Stability and Growth" pact of the EU;
- The scope for independent national government policy within the Eurozone; the implications of the current economic crisis for further economic integration in the EU.

5 International Trade and Globalisation

- The theory of comparative advantage;
- Free trade versus protectionism and the effectiveness of the WTO;
- The balance of payments: current and capital accounts;
- Creditor and debtor nations;
- Financing a current account deficit;
- FDI and portfolio investment flows;
- The nature and volume of international capital flows;
- International capital markets;
- Emerging economics and China as a growing global economic force; China and the USA: the creditor and debtor nation;
- The extent of global interdependence;
- The role of IMF; the World Bank and the WTO (including the Doha round) and their relationship to national economies;

- Ireland's dependence on international capital and its implications for private and public financing;
- Maintaining competitiveness within the Eurozone;
- Globalization and the need to reform international institutions for global supervision.

6 Macroeconomic Policies and Objectives

- The objectives of Irish government policy; fiscal policy; monetary policy; industrial policy; competition policy
- The constraints on policy imposed by membership of the Eurozone; the transformation of the Irish economy during the period of the Celtic Tiger;
- The sudden and rapid reversal of Irish economic performance: the return of unemployment; internal and external economic factors contributing to the reversal;
- Policy options available to and Irish government; a critical appraisal of current macroeconomic policy in Ireland; international comparisons: Ireland the USA and the UK.

Reading lists and other information resources

Title	Author	Publisher	Year
Essential:			
The Macroeconomy of the Eurozone	Anthony J. Leddin and Brendan M. Walsh	Gill and Macmillan	2003
An Introduction to Global Financial Markets (5 th Ed)	Stephen Valdev	Palgrave Macmillan	2007
Recommended:			
The Subprime Solution- How Todays Global Financial Crisis Happened and What to Do About It	Robert Shiller	Princeton University Press	2008
Economics (3 rd ed)	James O'Leary	Gill and Macmillan	2007
Financial Markets and Institutions (6 th ed)	Frederic Mishkin and Stanley Eakins	Pearson Education	2008
The Crunch	Alex Brummer	RH Business Books	2009
Capital Markets (4 th ed) Institutions and Instruments	Frاند J Fabozzi and Franco Modigliani	Pearson International	2009
Global Shift (5 th ed)	Peter Dicken	Sage	2007
Challenges of Globalisation	Ed: Anders Aslund and Marek Dabrowski	Petersen Institute for International Economics	2008
Making Globalisation Work	Joseph Stiglitz	Alan Lane	2006
China and America	Charles Dumas	Profile Books	2008

REFERENCES:

Journals / Publications:

The Financial Times

The Economist
Business and Finance

Quarterly Bulletins (Irish Central Bank)
Monthly Bulletins (European Central Bank)
Quarterly Economic Commentary (ESRI)
Eurostat (European Commission)
The International Trade Journal
International Monetary Fund Publications/Reports
OECD Publications/Reports
International Trade Statistics (WTO)
International Economic Review

Websites:

www.centralbank.ie
www.ifsra.ie
www.esri.ie
www.ecb.int
www.federalreserve.gov
www.imf.org
www.wto.org
www.finfacts.ie
www.worldbank.org
www.bis.org

Professional Magazines

Financial Management (CIMA)
Student Accountant (ACCA)
Accounting and Business ACCA
Accountancy Plus (CPA)
Accountancy Ireland (ICAI)