Economy, Institutions, Financial Markets

Prof. Enzo Dia

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to provide students with the theoretical tools to understand the basic principles of macroeconomic phenomena. In addition, the course analyses the nature of financial intermediaries and specifically of institutions such as banks. It also introduces students to the logic and the basic principles that regulate the sector and the role that such intermediaries play in the financial system as a whole.

The course analyses specific aspects of how single markets work and provides students with basic tools to understand how financial markets operate.

The last part of the course provides the basic principles for understanding the long-term macroeconomic analyses that study factors that influence growth and the role of economic policy aimed at dampening the economic cycle. This part studies the credit market as a whole and considers the various functions of today's central banks.

The course is designed to meet the needs of students studying cooperation for development and aims to provide a wide range of tools to students who have a heterogeneous background.

At the end of the course, students will be able to understand relevant economic problems of developing countries and to analyse in depth the institutional aspects and political processes that significantly influence the development of the countries.

***COURSE CONTENT***

1. *The evolution and role of financial institutions*

* The nature of the rules and institutions that characterise a market economy
* The role and origins of currency
* The origins of banks
* The origins of central banks

2. *Banks and financial markets*

* The liquidity risk and the bank runs
* Debt contracts and the risk of default
* The role of capital in banks
* Microcredit
* Investments, debts, and interest rates
* Stocks and bonds

*3. Macroeconomics and institutions*

* GDP and growth
* Public debt and tax policy
* Monetary policy and the central bank
* Exchange rates and exchange rate regimes.
* The ECB and the common monetary area.

***READING LIST***

F.S. Mishkin-S.G. Eakins-G. Forestieri, *Istituzioni e Mercati Finanziari,* Pearson Prentice Hall, 2012 (selected chapters).

The reading list is for integration and the textbook is not necessary to pass the exam. Students must stud course slides and course packs available on *Blackboard*.

***TEACHING METHOD***

The course is taught through frontal lectures.

Slides will be used as supporting material during class, but for some topics chalk and blackboard are irreplaceable.

***ASSESSMENT METHOD AND CRITERIA***

The exam consists of a compulsory written test. Students reaching a satisfactory standard in the written exam can choose an optional oral test.

The written exam can be either taken in two intermediary parts at the end of the first and the second part of the course, or on a single date during any of the official exam sessions (‘appelli’). The written test may include open-ended questions, closed questions, and exercises.

The final mark will be out of 30 and will take into consideration students’ level of knowledge and understanding and their ability to discuss course content during the exam.

The exam assesses not only the ability to understand economic problems in terms of abstract models, but especially the ability of problem analysing according to the specific institutional context in which they are addressed. Students must demonstrate their understanding of the fundamental nature of economic problems in developing countries. And they must show that they understood how and for what reasons some financial tools represent efficient institutional solutions while the limits of other tools make them unsuitable in certain contexts. In particular, students will have to demonstrate that they are always able to separate technical aspects of problems arising from the needs to make incentives of different agents compatible, from underlying political and ethical choices on which the institutional systems are based.

***NOTES AND PREREQUISITES***

The course is designed for students who have a heterogeneous background, so tools for understanding the course are provided in class and no specific previous skills are required.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.