

# CET Syllabus of Record



**Program:** CET Prague

**Course Title:** World Financial Institutions and Markets

**Course Code:** PR/ECON 340

**Total Hours:** 45

**Recommended Credits:** 3

**Primary Discipline / Suggested Cross Listings:** Economics / Sociology, Political Science, Finance, International Business

**Language of Instruction:** English

**Prerequisites/Requirements:** Prior coursework in economics is strongly recommended but not required

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## Description

This course introduces the basics of the evolution of financial institutions and markets around the world. The course uses both economic and political lenses to contextualize the state of financial institutions and markets against a background of 20th century political development and history, and the current state of major world economic centers.

The course examines main economic issues related to finance, markets and macroeconomic policies during the second wave globalization post-WWII.

- Part I of the course covers the rebuilding of the world economy after 1945. It analyzes the establishment of the economic order which gave foundation to the new era – Pax Americana.
- Part II provides an explanation of the impact of the two oil shocks on the rebuilt world economy in the 1970s, and deals with the origins and present state of European economic integration and the inevitability of the fall of the Communist regime in Central and Eastern Europe. It also analyzes the financial crisis of the 1990s in Mexico, Brazil, East Asia and Argentina.
- Part III provides a brief introduction of contemporary major world economic centers, namely the United States, Japan, China and the EU. It also aims to introduce the challenges of the real political, social, and business environment.

## Objectives

The aim of this course is to develop students' understanding of financial institutions and markets from 1945 to the present in the context of important international events. Specifically, by the end of the course, students are able to:

- Connect real events with economic theory.
- Employ the analytical methods of economics to formulate relevant questions about financial institutions and markets.

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- Locate data/information sources relevant to the problem under consideration and/or which support a particular point of view.
- Understand the origin and development of financial institutions and their functioning.
- Understand the background of macroeconomic policies and events.
- Understand the goals and tools of fiscal and monetary policies.
- Understand international linkages between economies.

### Course Requirements

Course readings average 40 to 80 pages per session and should be completed before class. Students are not expected to merely sit and take notes in class. “Iron sharpens iron” and real knowledge is not born from memorizing passive knowledge but instead from active dialogue. Thus emphasis is placed on active participation during class sessions.

Students are expected to abide by CET’s attendance policy.

### Methods of Evaluation

Active class participation/attendance – discussion of readings	10%
HW – notes from reading	10%
Working paper + presentation of results	25% + 5%
Test – midterm	20%
Test - final	30%
Total	100%

#### *Active class participation*

The course will be conducted through a combination of lectures and in-class discussions. There will normally be a formal in-class lecture, followed by a discussion of the central issues and required readings for case studies. Students are expected to complete all the required readings prior to each class and come to class prepared to participate fully in the discussions.

Students will read the texts required for each lesson and discuss them in the class. Lively discussion is expected. Students should ask anything that is not clear enough, bring their own ideas, and participate actively in the program of the course.

#### *Homework – notes from readings*

Students prepare memos as a base for class discussion. The memos should be about half of a page (1500 characters) and stem from readings presented. The overall content of the reading and keynotes should be included. Every required reading should have a separate memo. The prepared memos will be graded twice during the semester.

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### *Working paper + presentation of results*

A 10-page structured working paper (WP) should be written according to a Short Guide (to be provided by the course instructor). The topic and hypothesis of the WP should be related to one of the weekly topics in this syllabus. One class will be specifically dedicated to the structure and methods that should be used. During this class students will be also given examples of an A-grade project, as well as a list of common errors to avoid.

### *Exams*

Written mid-term exam: mix of approximately 20 multiple choice and open-ended questions

Written final exam: mix of approximately 30 multiple choice and open-ended questions

### **Primary Texts**

Goldstein, J.S.-Pevehouse, J.C.: International Relations, 7<sup>th</sup> Ed., 2006.

Mishkin, F.S.: The Economics of Money, Banking and Financial Markets, 7<sup>th</sup> Ed. Update, 2004.

Evan, T.: Chapters of European Economic History, Karolinum Press, Prague, 2014.

### **Supplementary Texts**

Eiteman, D.K.-Stonehill, A.I.-Moffett, M.H.: Multinational Business Finance, 10<sup>th</sup> Ed., 2004.

J.B. Rosser, M.V. Rosser (2004): Comparative Economics in a Transforming World Economy (2nd edition).

MIT Press, 2004, ISBN 0 262 18234 3

S. Estrin (1991): Yugoslavia: The Case of Self-Managing Market Socialism. The Journal of Economic Perspectives, Vol. 5, No. 4 (Autumn 1991), pp. 187-194

S. Estrin, G.W. Kolodko, M. Uvalic (eds., 2007): Transition and Beyond. Palgrave, 2007

S. Fries, D. Neven, P. Seabright (2002): Bank Performance in Transition Economies. William Davidson Institute Working Paper 505

J. von Hagen, R.R. Strauch, G. Wolff (2002): East Germany: Transition with Unification, Experiment and Experiences. ZEI working paper B19/2002

B. Hofman, J. Wu (2009): Explaining China's Development and Reforms. The International Bank for Reconstruction and Development / The World Bank, Working paper No. 50, 2009

J. Kornai (2000): Ten Years After "The Road to a Free Economy": The Author's Self-Evaluation. World Bank ABCDE Conference, 2000

T. Evan, I. Bolotov (2014): The Weak Relation between Foreign Direct Investment and Corruption: a Theoretical and Econometric Study, Prague Economic Papers, VŠE. 4/2014.

T. Evan (2010): Some issues of Political Economics of Multinational Corporations, Acta Oeconomica Pragensia 4/10, VŠE, Praha 2010, s. 32-43.

Economic news, articles discussed on lectures.

### **Outline of Course Content**

Note: Fall/Spring students cover approximately one topic each week.

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Topic 1 – Introduction, Overview of course and syllabus

Topic 2 – Rebuilding the world economy after 1945: Origins of world financial institutions (WB, IMF, GATT), International Division of Labour

Topic 3 – Modern organisations and influence of MNCs, Internalisation of financial markets, Second wave of globalisation: Pax Americana

Topic 4 – European economic integration

Topic 5 – Decolonization and the Third World markets, PC-lab WP preparation

Topic 6 – Midterm

Topic 7 – World before and after oil crisis of 1973: end of Golden Standard

Topic 8 – Global change as an sociological issue, Origins of international mobility of capital: from banks to MNCs and FDI in 1980s

Topic 9 – Governments and political power, Countries of Eastern block before and after its fall, sociological and political perspectives

Topic 10 – Financial institutions, International mobility of capital and financial crisis of 1990s (Mexico, Brazil, East Asia, Argentina)

Topic 11 – European Monetary Union and EU macroeconomic policies

Topic 12 - Major world economy centres at the dawn of the 21st century: USA and NAFTA

Topic 13 – Major world economy centres at the dawn of the 21st century: Japan and APEC, China

Topic 14 – Presentation of the WP

Topic 15 – Finals