Understanding the Transformation and Globalization of Monetary Policy

Program Details
This program will examine the transformation of monetary policy since the global financial crisis and its effects on countries and companies around the world. Specifically, participants will be presented with:

- How monetary policy has traditionally been set
- Why and how monetary policy has changed so dramatically since 2008
- How major central banks are making decisions regarding monetary policy today
- Implications of the expected tightening of U.S. monetary policy on emerging markets and the likely effects and responses in these markets
- The different ways in which companies can prepare for and respond to these changes

The program will include presentations on how central banks make monetary policy decisions and on the policy implications for major emerging markets, such as China, India, Brazil, and Turkey; a mix of case studies and exercises that will be worked through and discussed in class; and several group projects applying key concepts to decisions that central banks and governments around the world are facing today. Participants will:

- Discuss how companies should be preparing for upcoming monetary policy moves
- Work on projects evaluating the decisions and next steps for major central banks (the U.S. Federal Reserve, the Bank of England, the European Central Bank, and the Bank of Japan)
- Evaluate how forthcoming decisions by major central banks would be expected to affect emerging markets—including a discussion on the role of contagion and the global financial cycle
- Propose potential responses by major emerging markets and evaluate how companies operating in these markets should be preparing for and responding to these changes

The class will conclude with a discussion on the overall outlook for the global economy and key markets in the context of globalized monetary policies and other trends.

Program Takeaways
Participants will hear lectures and engage in discussions and group projects to help them:

- Understand how and why central banks adjust monetary policy
- Translate global monetary policy into financial analysis and decision making
- Build hands-on skills and predictive capabilities related to global monetary policy, in order to be able to evaluate how news and surprises in the future could affect monetary policy decisions
- Evaluate which emerging markets are most vulnerable to changes in U.S. interest rates and how they are likely to respond
- Weigh the pros, cons, and constraints of strategy

“The evolution of monetary policy requires top executives to have a new perspective and understanding on how the actions of central banks across the globe can impact their business strategy. This course helps them develop the skills and capabilities to navigate the new landscape of global monetary policy.” —Kristin Forbes, Faculty Director

http://executive.mit.edu/mon
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Sample Program Schedule
(subject to change)

Day 1
9:00 AM–10:30 AM: Basics of Monetary Policy: How monetary policy has traditionally worked
10:30 AM–11:45 AM: Break & Time to Work on Assignment #1
11:45 AM–12:15 PM: Discussion of Assignment: Discussion of U.S. monetary policy since 1990 and what matters for the future
1:15 PM–2:30 PM: The Transformation of Monetary Policy: Challenges of monetary policy at the zero lower bound and during the crisis
3:00 PM–4:30 PM: Additional Challenges for the Euro Zone: What is different about setting monetary policy in the euro area?

Day 2
9:00 AM–10:30 AM: Impact of Changes in U.S. Monetary Policy around the World: “Global cycle” of monetary policy in developed countries on capital flows and emerging markets
10:30 AM–11:45 AM: Break & Time to work on Assignment #2
11:45 AM–12:00 PM: Discussion of Assignment: Results of assignment for different emerging markets
1:00 PM–2:00 PM: Company Risks and Possible Responses: Case study discussion
2:15 PM–3:00 PM: What’s Next? The Future of Monetary Policy: What is the likely evolution of monetary policy in key economies in the future? What should you monitor that could alter this forecast?

“This course will enable executives to play the role of a central banker and policymaker, to get a better understanding of how decisions are made, and ultimately, to see how these decisions can impact their businesses.” —Kristin Forbes, Faculty Director

Who Should Attend
This program has been developed for executives seeking to understand how global monetary policy has evolved, where it may be heading, and how these transformations could impact the business decisions they make. Participants will include:

- Financial and investment professionals responsible for managing assets and interest-rate sensitive portfolios
- Economists
- Financial analysts
- Executives that work in an interest rate sensitive role, e.g. comptrollers, chief financial officers, loan offers, and bankers
- Business professional somehow affected by interest rate movement and monetary policy
- Managers with exposure to major emerging markets

The class will be taught at a level that assumes that students have had some background in international macroeconomics. Please bring a laptop computer with MS Excel to use for the exercises.

Program Faculty
Please note that faculty are subject to change and not all faculty teach in each session of the program.

Kristin Forbes. Faculty Director, Jerome and Dorothy Lemelson Professor of Management, Professor of Global Economics and Management, and Monetary Policy Committee Member, Bank of England

S.P. Kothari. Gordon Y Billard Professor of Management, Professor of Accounting, and Deputy Dean at the MIT Sloan School of Management

Athanasios Orphanides. Professor of the Practice of Global Economics and Management

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