

# **GLOBAL BUSINESS AND FINANCIAL ENVIRONMENT PART 1**

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**Further papers by robin Matthews can be found at**

**<http://robindcmatthews.com>**

**<http://www.tcib.org.uk/about.html>.**

**Also <http://kpp-russia.ru> and <http://www.russtrategy.ru>.**

**<http://kingston.ac.uk/CIPB.php>**

# **Global business environment: history**

- **Postwar recovery 1945 – 70**
  - Keynesian policies
- **Stagflation 1970 -1980**
- **Monetarism and supply side economics  
1980 – 2007**
- **Global crisis**

# **fundamentals**

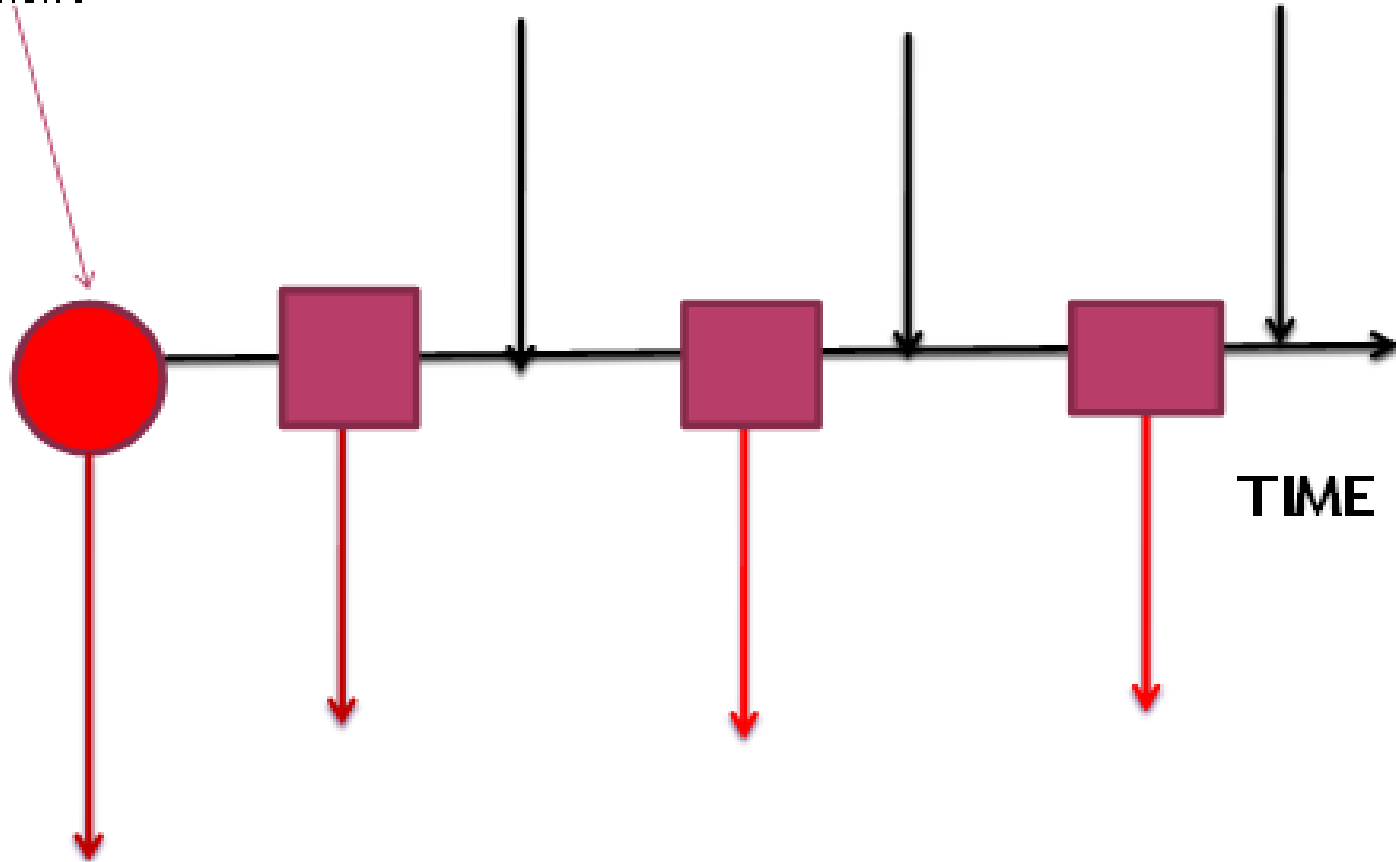
Integrating the real and financial  
sectors



BANKS REFINANCE THE TIME GAP BETWEEN CASH INFLOWS AND OUTFLOWS

Initial investment

Cash inflows



robindermatthews **Cash outflows**

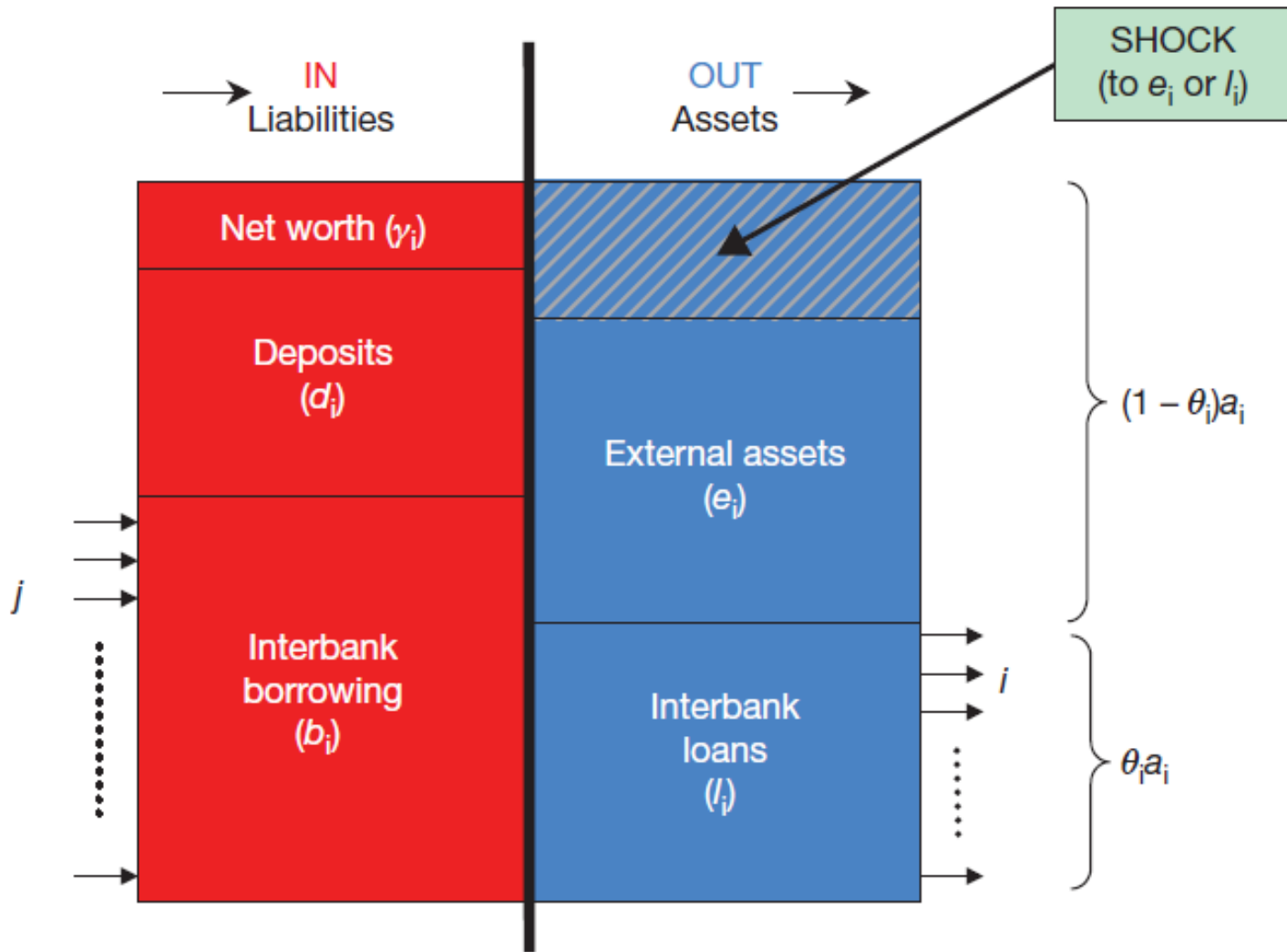
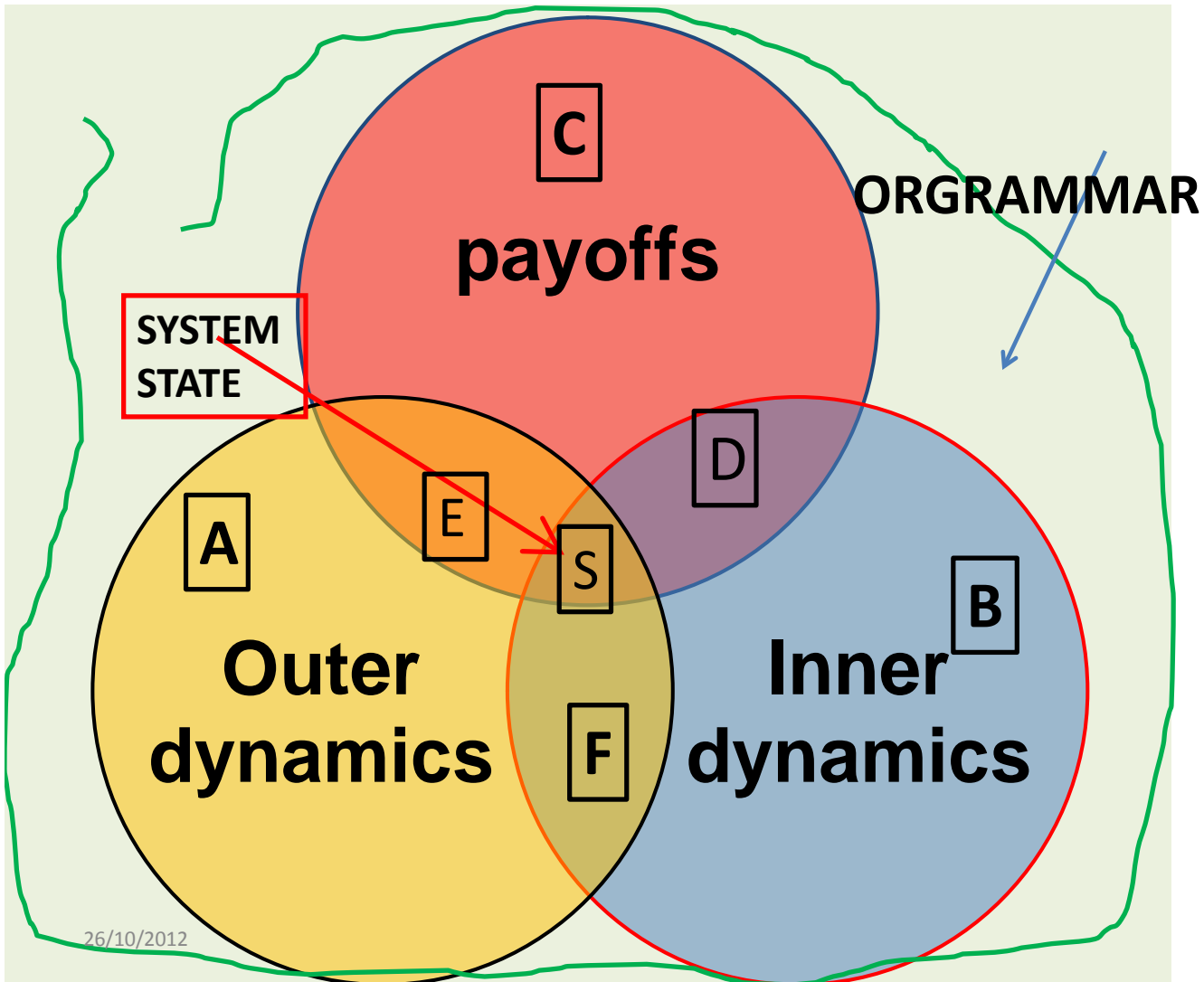


Figure 3 | Schematic model for a node in the interbank network. Adapted with permission from ref. 25.

# Meta Model



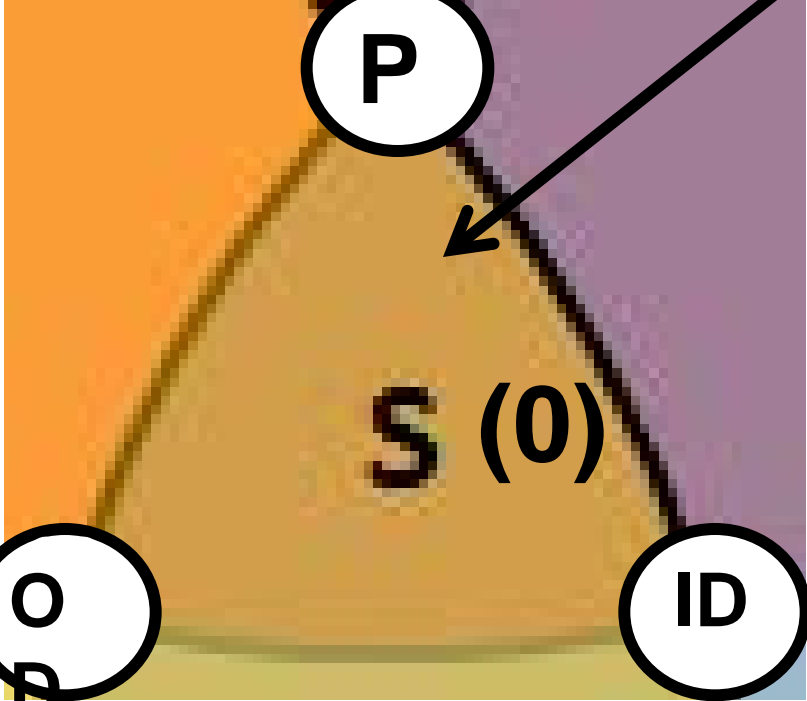
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grammar

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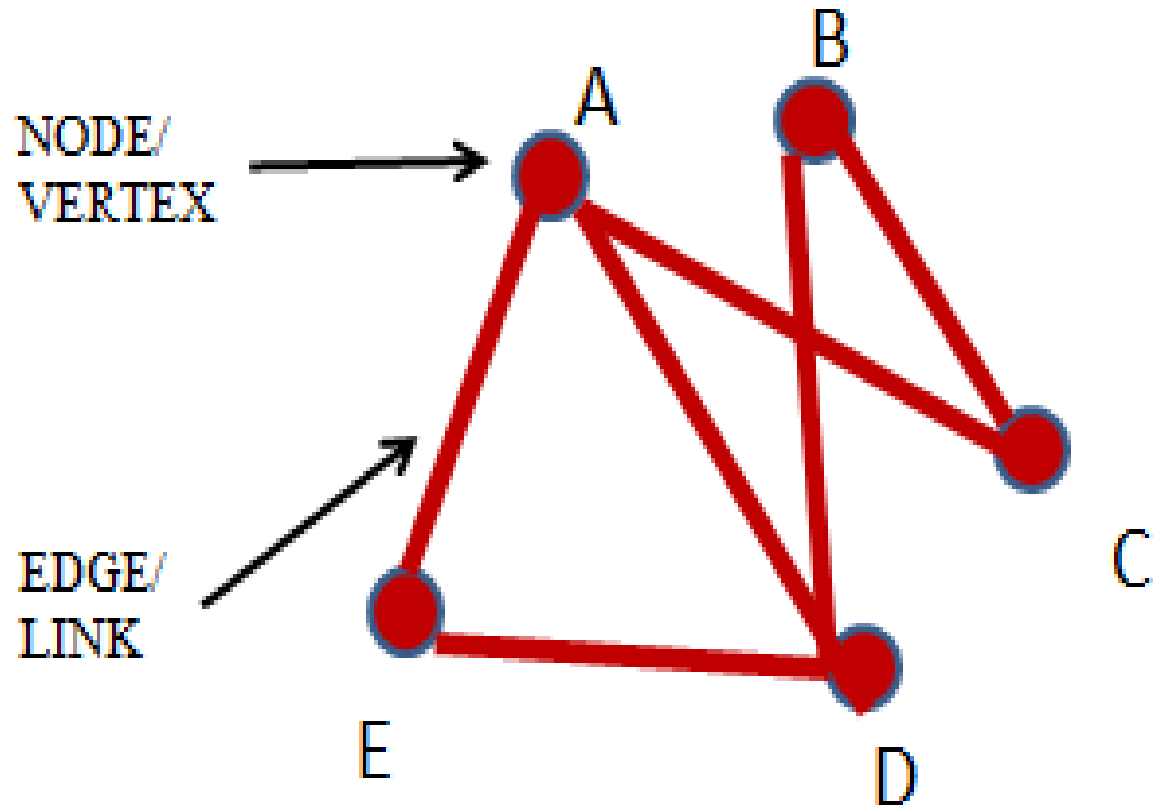
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# networks

Synergies and feedback

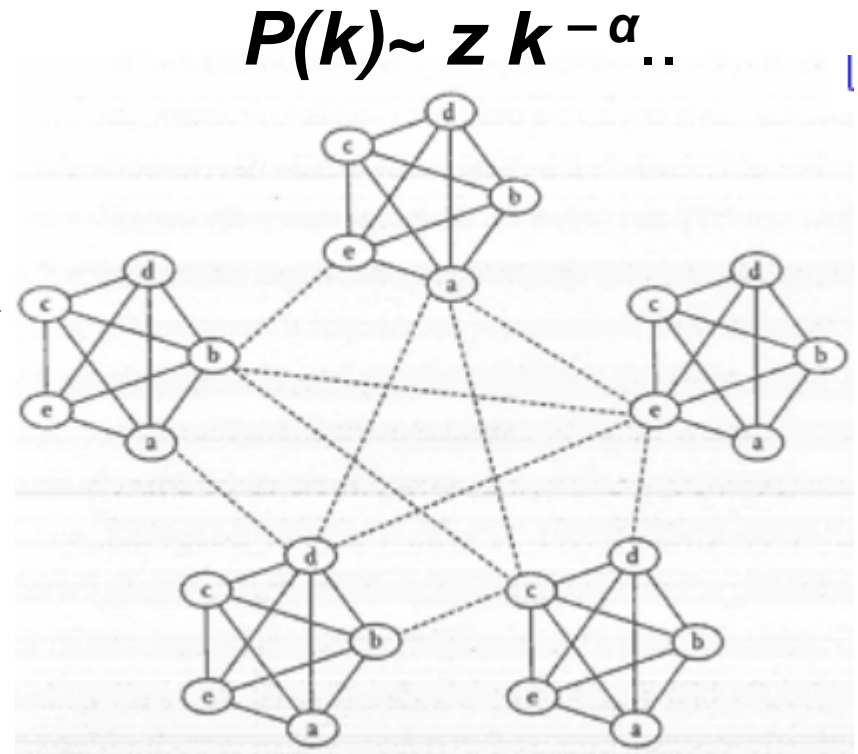


# More complex networks

# Networks: default state

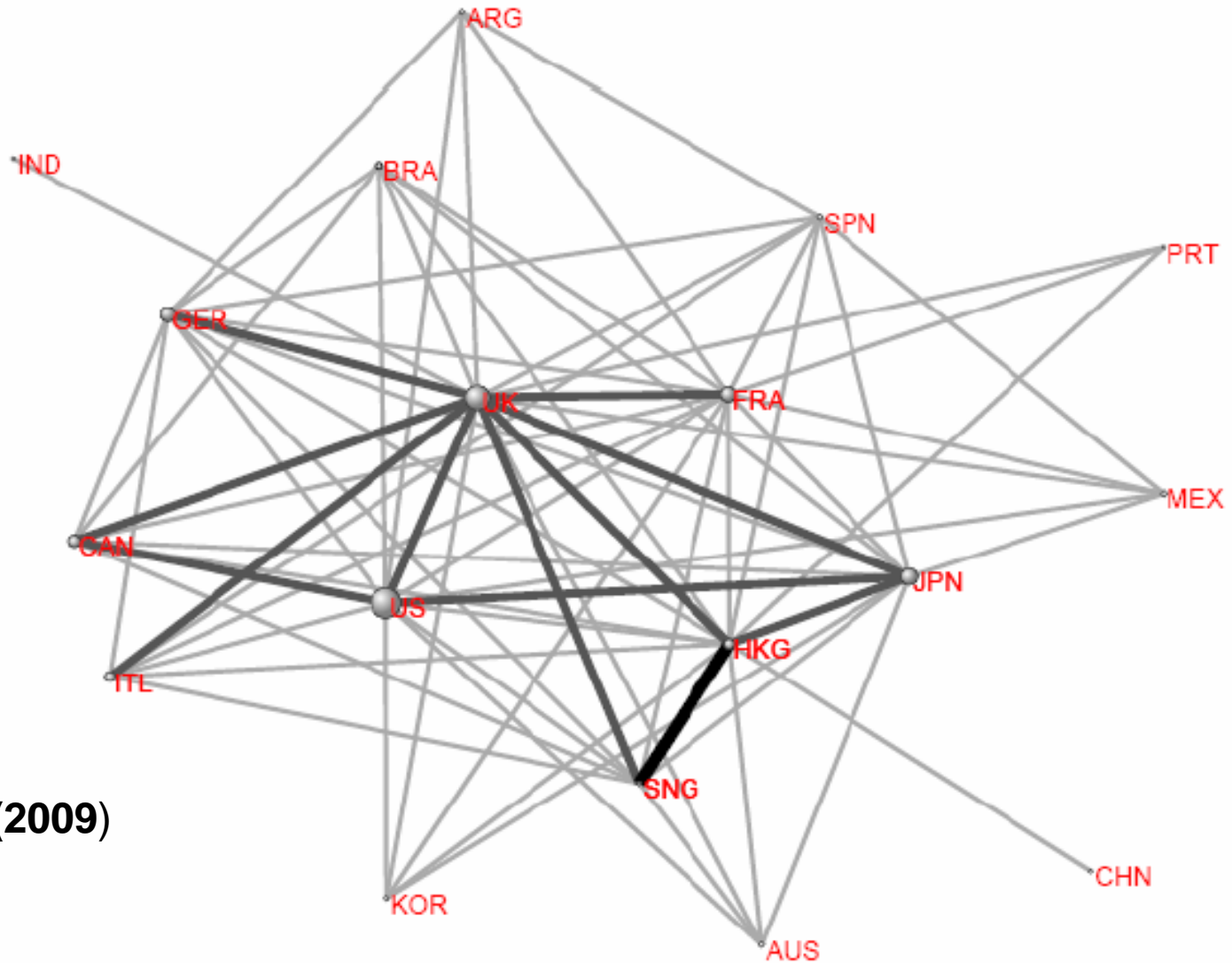
## Small world: highly clustered, short path lengths

- Degree of a node is the number of edges ( $k$ ) connecting it to other nodes.
- High degree nodes have many connections (high  $k$ ); low degree nodes have few (low  $k$ )
- $P(k)$  probability of degree  $k$  follows a power law
- $P(k) \sim z k^{-\alpha}..$



# Chart 1: Global Financial Network: 1985

1985

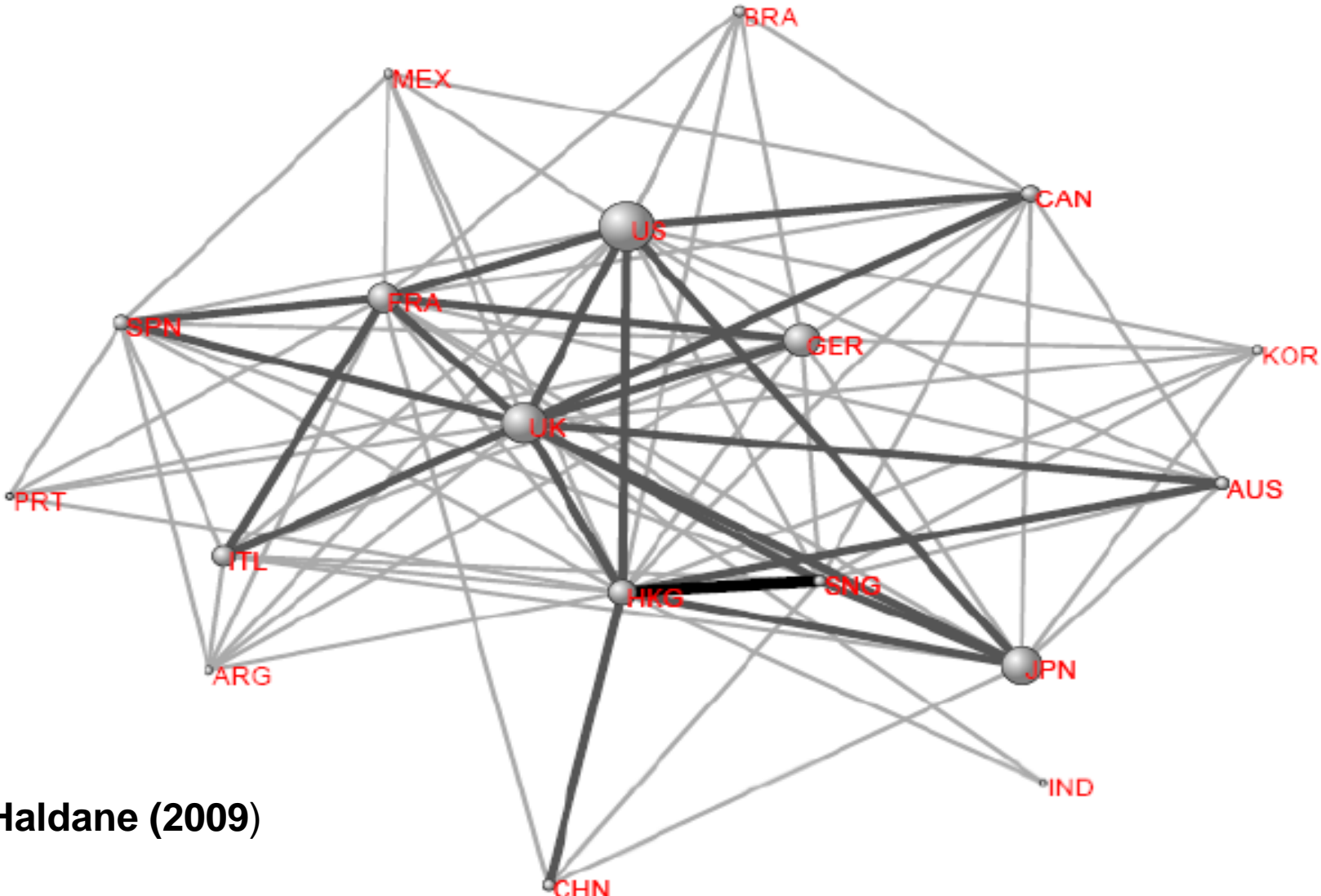


Haldane (2009)



# Chart 2: Global Financial Network: 1995

1995



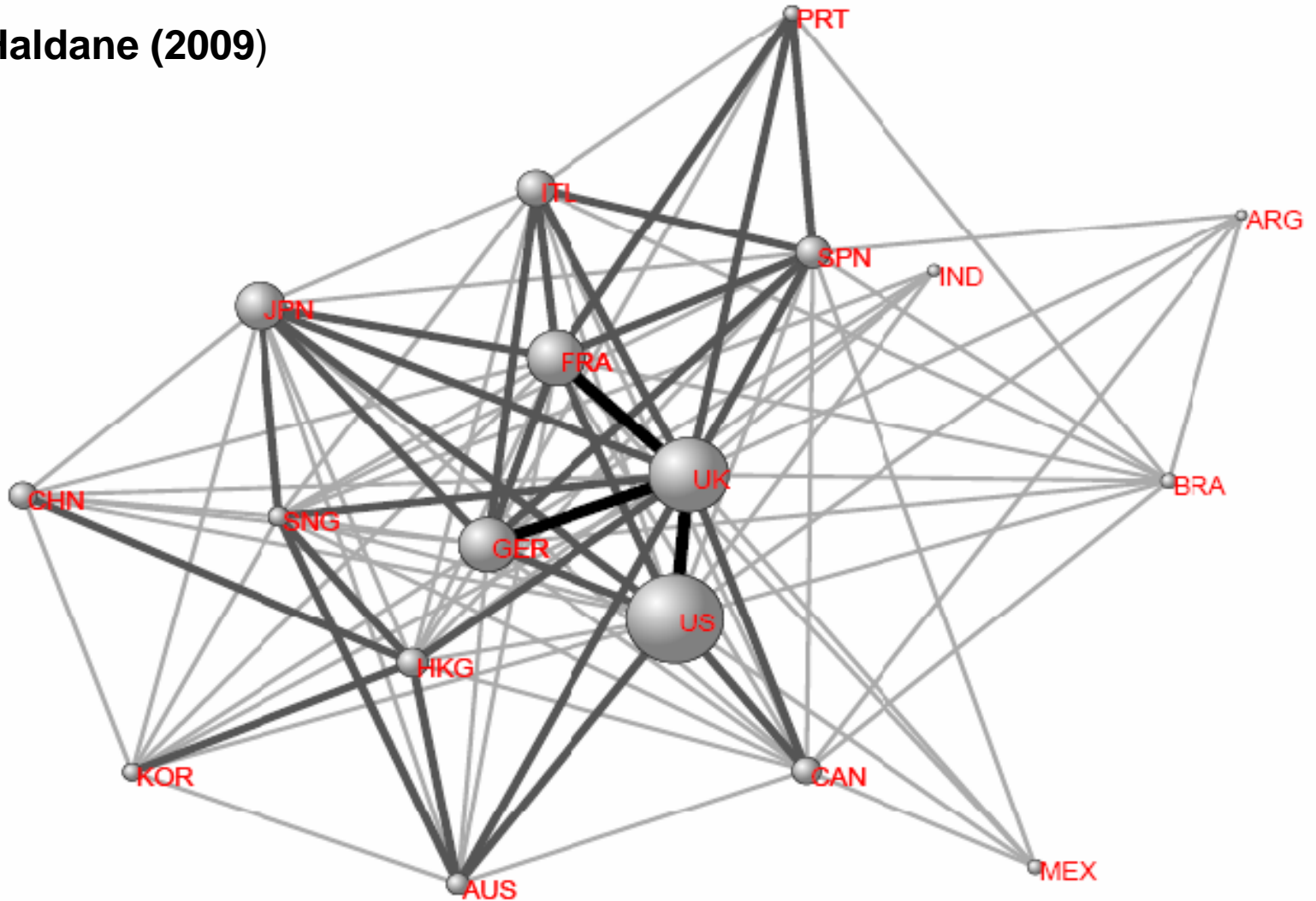
Haldane (2009)

Key: — 0.003-0.03 robindcmatthews 0.03-0.2 >0.2

# Chart 3: Global Financial Network: 2005

2005

Haldane (2009)

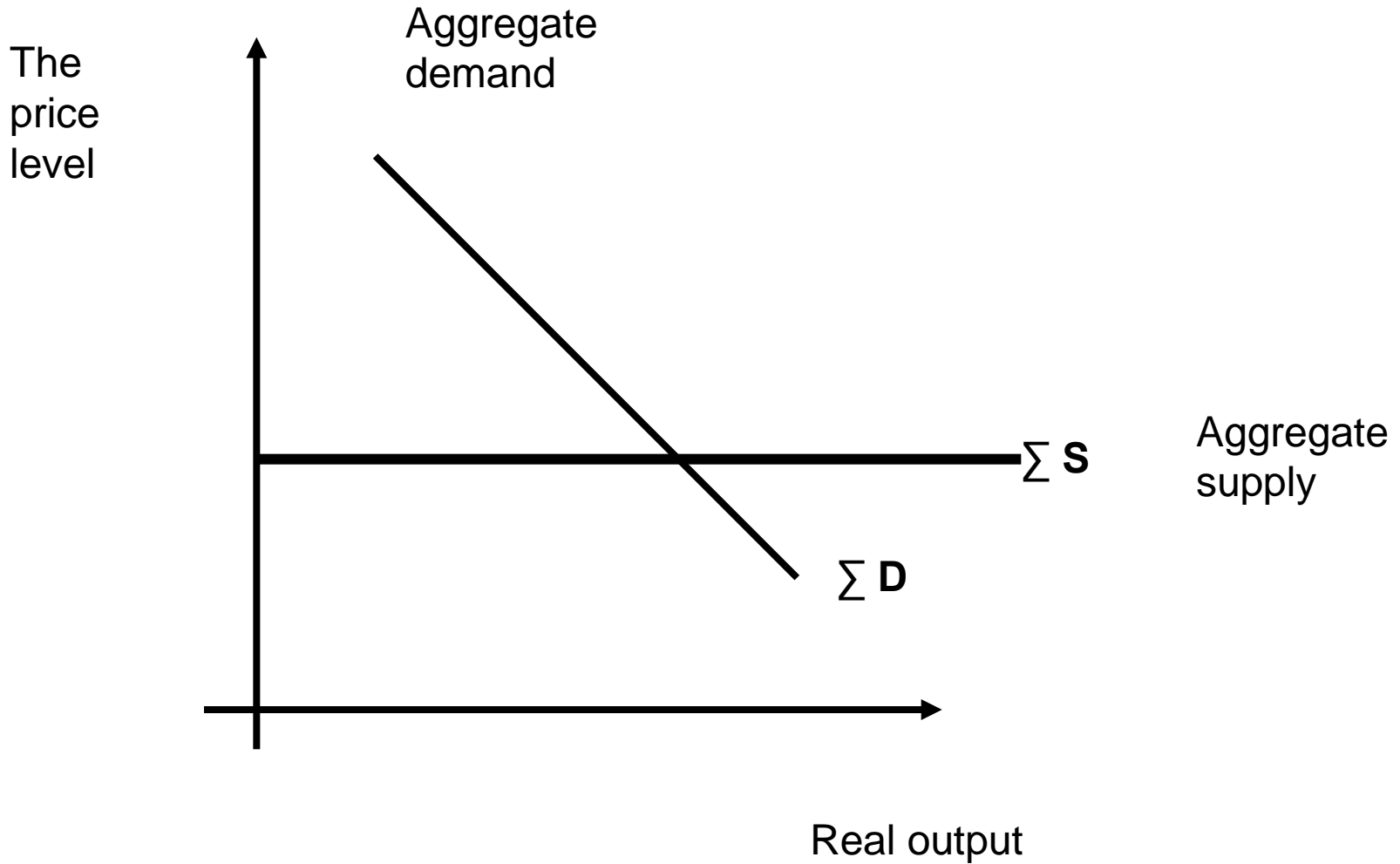


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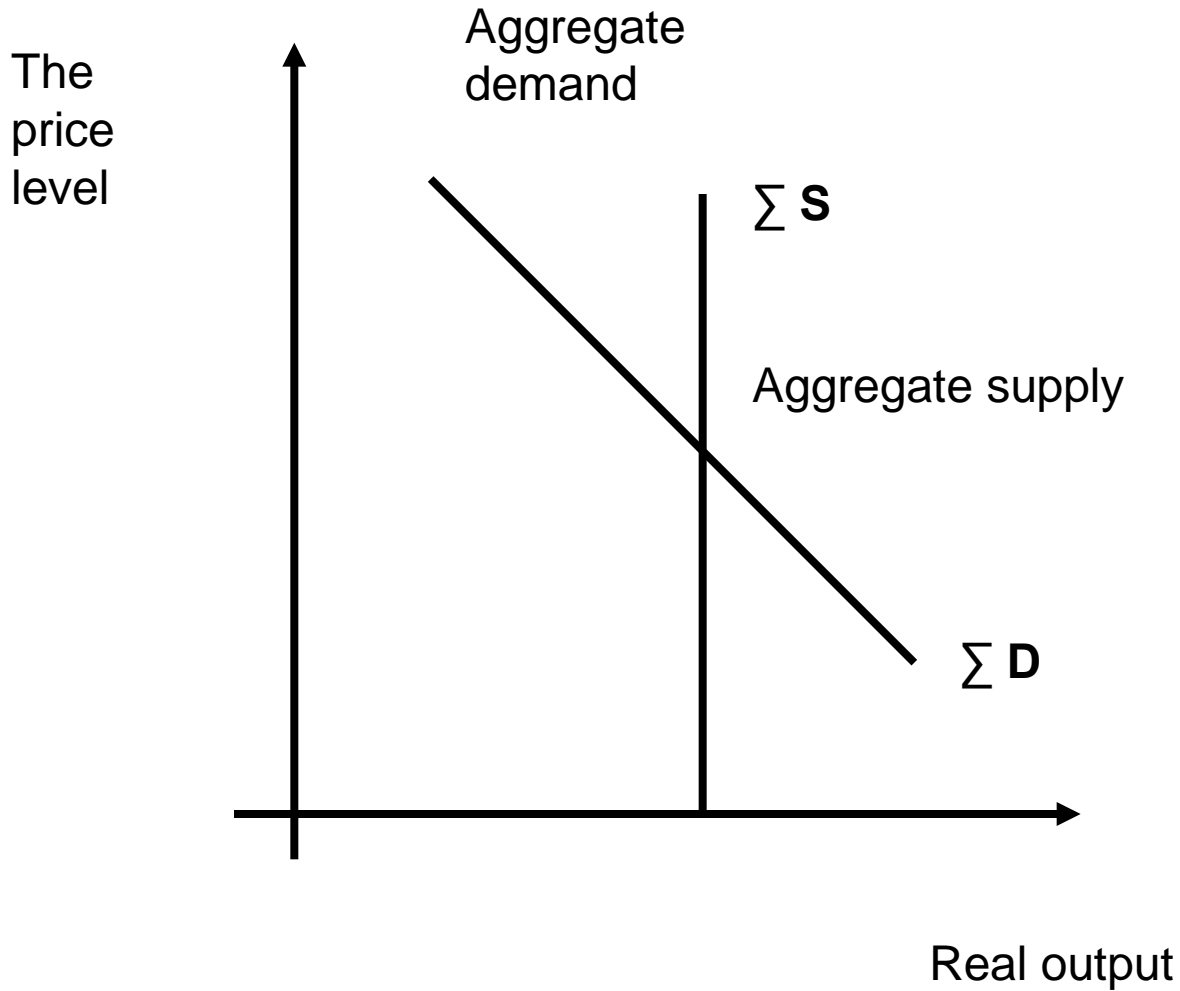
# Cryptic models

Keynesian and monetarist





Keynesian case with liquidity trap



The pure classical case  
Reagonomics and crowding out

# Simple Keynesianism

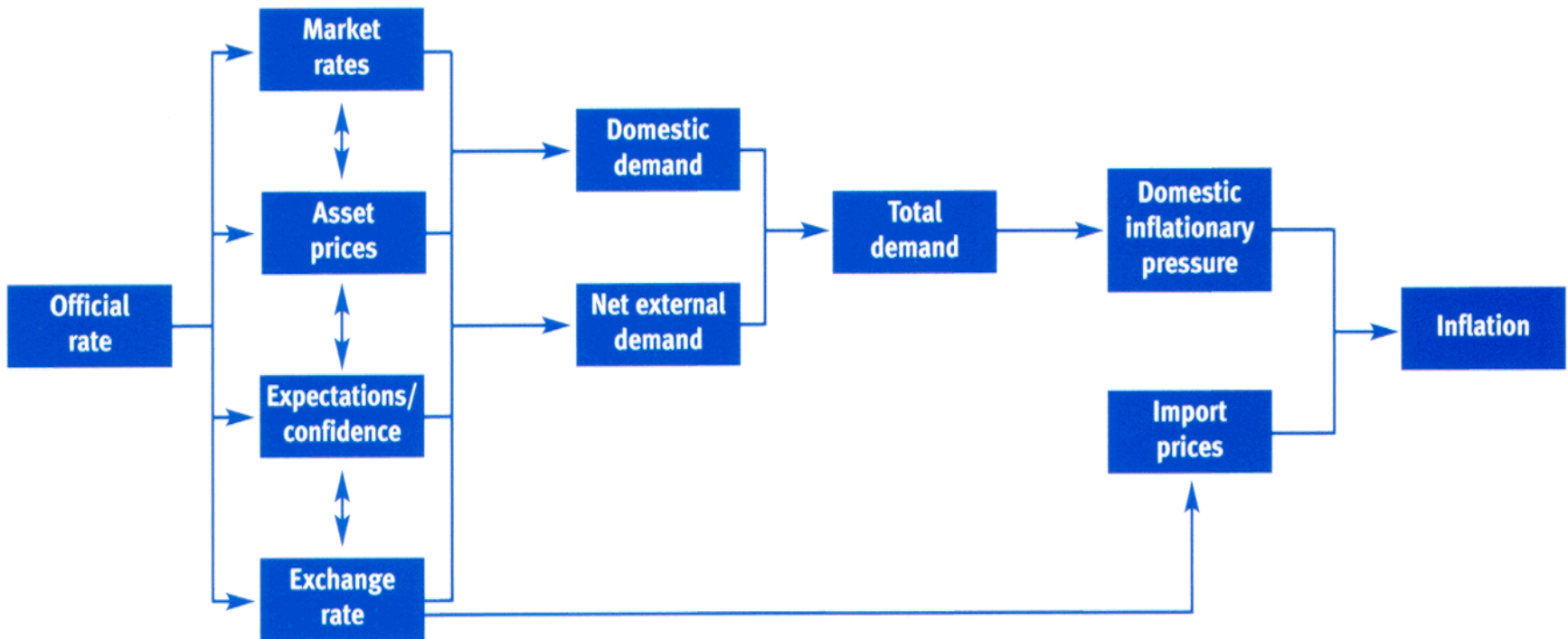
- The multiplier
- The marginal propensity to consume
- The importance of aggregate demand

# **Keynes: sources of unemployment**

- **The liquidity trap**
- **Inconsistency between savings and investment**
- **Rigid money wages**

# Monetarism

Figure 1: From interest rates to inflation – the transmission mechanism of monetary policy



# The Phillips curve

