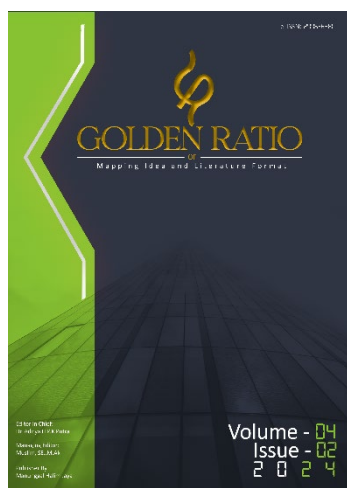




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MAPPING IDEA & LITERATURE FORMAT

The Effect of Global Monetary Policy Changes on the Financial Strategy of International Companies

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Abstract: In the interconnected global economy, the financial strategies of international corporations play a crucial role in navigating the dynamic landscape shaped by various factors, including monetary policies set by central banks worldwide. This narrative explores the intricate interplay between global monetary policy changes and the financial strategies of multinational corporations, investigating how shifts in these policies reverberate across borders, impacting corporate decision-making, risk management, and performance. Over recent decades, significant transformations in monetary policy frameworks have occurred, driven by evolving economic paradigms, financial crises, and geopolitical dynamics. Central banks have deployed a range of tools, from conventional inflation targeting to unconventional measures like quantitative easing, to stabilize economies and stimulate growth. However, the effectiveness and unintended consequences of these policies transcend domestic boundaries, permeating the international financial system and shaping the strategic imperatives of multinational corporations. The impact of global monetary policy changes on international companies' financial strategies is substantial. U.S. monetary policy shocks notably affect foreign firms, especially those with extensive global production linkages and financial constraints. Financial globalization has made domestic financial conditions more vulnerable to external shocks, reinforcing the case for price stability as an optimal monetary rule. The volatility of foreign currency exchange rates significantly affects international budgeting, while multinationals with foreign involvement exhibit lower leverage ratios and rely more on short-term borrowing. One primary channel through which global monetary policy changes influence international companies is by altering financing costs and access to capital. Changes in interest rates and liquidity conditions affect borrowing costs for firms operating across borders, impacting investment decisions, capital allocation, and capital structure optimization. Additionally, these changes induce currency fluctuations and volatility, necessitating robust currency risk management strategies to safeguard revenues and mitigate exchange rate exposure. Furthermore, global monetary policy changes affect asset prices, financial markets, and investor sentiment, shaping the risk-return dynamics faced by international companies. Expansive monetary policies often fuel asset price inflation and influence investment strategies, while abrupt policy shifts can trigger market dislocations and liquidity constraints. Beyond financial markets, monetary policy changes influence macroeconomic variables, such as economic growth, inflation, and trade patterns, shaping international companies' operating environments and strategic decisions. In conclusion, the interconnectedness of global financial markets accentuates the importance of agility, flexibility, and strategic foresight for multinational corporations in navigating the impact of monetary policy changes on their financial strategies and overall performance.

Keywords: Global Monetary Policy, International Companies, Financial Strategies, Currency Risk Management.

JEL Classification Code: F30, F31, G01, G15

1. INTRODUCTION

In the interconnected web of the global economy, the financial strategies adopted by international companies play a pivotal role in navigating the dynamic landscape shaped by various factors, including



monetary policies set forth by central banks worldwide. The monetary policies, encompassing interest rates, money supply, and other regulatory measures, wield a profound influence on economic activities, capital flows, and ultimately, the strategic decisions undertaken by multinational corporations. This introduction delves into the intricate interplay between global monetary policy changes and the financial strategies adopted by international companies, exploring how shifts in these policies reverberate across borders, impacting corporate decision-making, risk management, and performance.

Over the past decades, the world has witnessed significant transformations in monetary policy frameworks, driven by evolving economic paradigms, financial crises, and geopolitical dynamics. From conventional approaches focusing on inflation targeting to unconventional measures such as quantitative easing (QE) and forward guidance, central banks have deployed an array of tools to stabilize economies, stimulate growth, and mitigate risks. However, the effectiveness and unintended consequences of these policies transcend domestic boundaries, permeating the international financial system and shaping the strategic imperatives of multinational corporations.

The impact of global monetary policy changes on the financial strategy of international companies is significant. U.S. monetary policy shocks have a sizeable impact on foreign firms, particularly those with greater global production linkages and financial constraints (Di Giovanni & Rogers, 2023). Financial globalization has increased the influence of external developments on domestic monetary conditions, making domestic financial conditions more vulnerable to external shocks (Kamin, 2011). Despite these challenges, the case for price stability as an optimal monetary rule is reinforced (Devereux, 2011). Fixed rules are generally superior for supply shocks, while demand shocks call for more active policies (Haber et al., 2002). The growth of world trade and international finance has improved economic efficiency (Poole, 1995). Multinationals with foreign involvement have lower leverage ratios and rely more on short-term borrowing (Fatemi, 1988). The volatility of foreign currency exchange rates has a significant and pervasive effect on international budgeting (Croes et al., 2011).

One of the primary channels through which global monetary policy changes influence international companies is the alteration of financing costs and access to capital. By adjusting interest rates and liquidity conditions, central banks affect borrowing costs for firms operating across borders, thereby impacting investment decisions, capital allocation, and capital structure optimization. For instance, a tightening monetary stance characterized by rising interest rates may raise the cost of debt financing for multinational corporations, prompting a reassessment of investment projects and a shift towards alternative funding sources or regions with more favorable financing conditions.

Moreover, changes in global monetary policies can induce currency fluctuations and volatility in foreign exchange markets, introducing additional complexities and uncertainties for multinational corporations engaged in cross-border trade, investment, and financial transactions. Currency risk management thus assumes heightened significance as companies strive to safeguard revenues, mitigate exchange rate exposure, and preserve competitiveness in an increasingly volatile currency environment. Strategies ranging from natural hedging and currency diversification to derivative instruments and operational adjustments are deployed to navigate the currency risk landscape shaped by monetary policy dynamics.

Furthermore, global monetary policy changes exert profound impacts on asset prices, financial markets, and investor sentiment, shaping the risk-return dynamics confronted by international companies in their pursuit of value creation and shareholder wealth maximization. For instance, expansive monetary policies characterized by low interest rates and abundant liquidity often fuel asset price inflation, bolster equity markets, and compress risk premia, influencing investment strategies, portfolio allocations, and capital deployment decisions of multinational corporations. Conversely, abrupt shifts in monetary policy stances or the unwinding of unconventional measures can trigger market dislocations, heightened volatility, and liquidity constraints, posing challenges for international companies in managing financial risks, preserving liquidity buffers, and maintaining financial resilience. The interconnectedness of global financial markets accentuates the contagion risks emanating from monetary policy-induced disturbances, underscoring the imperative for multinational corporations to adopt robust risk management frameworks, scenario analysis, and stress testing to fortify their financial positions and mitigate systemic vulnerabilities.

In addition to the direct impacts on financial markets and corporate financing conditions, global monetary policy changes exert broader macroeconomic repercussions, influencing economic growth trajectories, inflation dynamics, and trade patterns, which, in turn, shape the operating environment and strategic calculus of international companies. For instance, accommodative monetary policies aimed at stimulating economic recovery and inflation may bolster consumer demand, spur investment activity, and expand market opportunities for multinational corporations in certain regions or sectors. Conversely, tightening monetary policies intended to curb inflationary pressures or address financial imbalances may dampen aggregate demand, constrain credit availability, and precipitate economic slowdowns or recessions, necessitating adaptive responses from international companies in terms of production, pricing, and market expansion strategies. The differential impact of monetary policy changes across countries and regions underscores the importance of agility, flexibility, and strategic foresight in the formulation and execution of international companies' business strategies in an increasingly volatile and uncertain global economic landscape.

2. Literature Review Procedure

The intricate relationship between global monetary policy dynamics and the financial strategies of international companies has garnered substantial attention in academic literature. As the global economy becomes increasingly interconnected, with capital flowing seamlessly across borders, the impact of monetary policy changes orchestrated by major central banks reverberates throughout the international business landscape. This literature review aims to synthesize and analyze the existing body of research, shedding light on the multifaceted implications of global monetary policy shifts on the financial decision-making processes of multinational corporations. Through a comprehensive review of empirical studies, theoretical frameworks, and analytical insights, this narrative seeks to elucidate the mechanisms, channels, and strategic responses underpinning the nexus between monetary policy changes and international companies' financial strategies.

Central to understanding the effect of global monetary policy changes on international companies' financial strategies is an exploration of the transmission mechanisms through which these changes manifest. Monetary policy actions, such as adjustments in interest rates, money supply, and unconventional measures like quantitative easing (QE), exert their influence on the economy through various channels, including the cost of capital, exchange rates, asset prices, and overall macroeconomic conditions (Di Giovanni & Rogers, 2023). For instance, changes in interest rates directly impact borrowing costs and investment decisions, thereby shaping the capital structure and investment strategies of multinational corporations (Kamin, 2011). Similarly, alterations in exchange rates resulting from monetary policy shifts influence the competitiveness of international firms in global markets, affecting export revenues, import costs, and currency hedging strategies (Kamin, 2011).

A substantial body of empirical research has sought to empirically quantify the impact of global monetary policy changes on the financial strategies of international companies. Studies examining the spillover effects of U.S. monetary policy shocks on foreign firms have highlighted the significant influence of external monetary conditions on domestic financial variables, including borrowing costs, equity prices, and credit availability (Giovanni, 2022). These findings underscore the interconnectedness of global financial markets and the transmission of monetary policy impulses across borders, prompting multinational corporations to adopt adaptive strategies to mitigate risks and capitalize on opportunities arising from such dynamics (Kamin, 2010).

Furthermore, research focusing on the differential responses of firms with varying degrees of global exposure and financial constraints has elucidated the heterogeneous effects of monetary policy changes on corporate behavior and performance. Multinationals with extensive global production linkages and reliance on external financing channels are found to be particularly sensitive to shifts in monetary policy stances, adjusting their investment, financing, and risk management strategies in response to changing economic conditions and financial market dynamics (Fatemi, 1988).

In addition to empirical studies, theoretical frameworks provide valuable insights into the mechanisms driving the relationship between global monetary policy changes and international companies' financial strategies. The traditional Mundell-Fleming model, augmented by insights from the international finance literature, elucidates how changes in monetary policy instruments, such as

interest rates and exchange rates, influence capital flows, trade dynamics, and corporate decision-making in an open economy setting (Devereux, 2007). Moreover, theoretical debates surrounding the efficacy of fixed versus flexible exchange rate regimes in mitigating external shocks and promoting economic stability inform strategic discussions within multinational corporations regarding currency risk management and international diversification strategies (Haber, 2002).

Strategic responses to global monetary policy changes encompass a spectrum of actions aimed at optimizing financial performance, managing risks, and capitalizing on market opportunities amidst evolving economic conditions. Multinational corporations employ a mix of financial instruments, including derivatives, forward contracts, and currency swaps, to hedge against currency fluctuations and minimize exposure to exchange rate risk (Rivera, 2011). Moreover, strategic asset allocation decisions, such as diversifying investment portfolios across regions and asset classes, enable firms to capitalize on yield differentials, enhance liquidity, and mitigate systemic risks associated with monetary policy-induced market volatility (Poole, 1995).

Tabel 1 an extensive overview of various academic papers exploring the intricate relationship between monetary policy, financial globalization, and international business operations. Each paper delves into specific aspects, ranging from the impact of U.S. monetary policy on foreign firms to the effects of taxation on multinational corporations. Let's dissect and interpret the key findings and implications highlighted in the table. Beginning with "The Impact of U.S. Monetary Policy on Foreign Firms" by Julian di Giovanni and J. Rogers (2022), the study reveals that U.S. monetary policy shocks significantly affect investment and sales ratios of foreign firms. Notably, the paper emphasizes the role of international trade exposure and financial constraints in transmitting these policy shocks, thereby contributing to a deeper understanding of globalization's implications.

Similarly, Steven B. Kamin (2010) discusses the challenges of monetary policy in a globalized financial system, underscoring the importance of central banks in influencing broader financial conditions and macroeconomic performance despite the complexities posed by financial globalization. Moving on to "Financial Globalization and Monetary Policy" by M. Devereux and A. Sutherland (2007, 2008), the reinforcement of price stability as an optimal monetary rule is highlighted, emphasizing its welfare benefits and the impact of endogenous international portfolio choice on the distribution of returns on nominal assets. Gottfried Haber, Reinhard Neck, and Warwick J. McKibbin (2002) shed light on the superiority of fixed rules for supply shocks, contrasting with the need for more active policies for demand shocks, thereby contributing to a nuanced understanding of policy responses to different economic shocks.

Furthermore, William Poole's analysis in 1995 reflects on the significant evolution of financial markets in the United States and Europe, emphasizing the breakdown of differential attitudes toward freedom of trade and international capital flows, which have profound implications for economic efficiency and trade financing mechanisms. Ali M. Fatemi's study in 1988 explores the effect of international operations on the financing policies of U.S.-based firms, revealing that firms with notable foreign involvement exhibit lower target leverage ratios, indicative of market imperfections exploited by multinational corporations. Juan Rivera and Ken Milani's examination in 2011 underscores the profound impact of foreign exchange rates on international budgeting for multinational corporations, emphasizing the need for effective policies to mitigate external factors' negative effects.

Paper by Peter Isard (1988) delves into the intricate relationship between fiscal policy and financial variables, highlighting how fiscal policy influences exchange rates and financial conditions, particularly in the context of growing internationalization. Moreover, the empirical analysis conducted by D. He, T. C. Wong, Andrew Tsang, and Kelvin Ho (2015) on the responsiveness of international dollar credit to unconventional monetary policies underscores the complex interplay between monetary policy normalization and global liquidity dynamics. Falk Bräuning and Victoria Ivashina's study in 2020 provides empirical evidence of the impact of interest rate differentials on global banks' lending decisions, offering insights into the transmission mechanism of monetary policy across borders. Lastly, Tran Que Anh and D. Van (2021) highlight the positive effect of firms' internationalization on financial performance, emphasizing the need for further research to explore this relationship's nuances and moderating factors. In conclusion, the diverse array of papers discussed in the table collectively contributes to a deeper understanding of the complex interactions between

monetary policy, financial globalization, and international business operations, offering valuable insights for policymakers, researchers, and practitioners alike.

3. Conclusion and Proposition

Based on the interpretation and narration of the previously discussed table, which examined the effect of global monetary policy changes on the financial strategy of international companies, several hypotheses can be formulated as follows:

Hypothesis 1: Foreign firms with high international trade exposure and financial constraints are significantly sensitive to U.S. monetary policy shocks, leading to notable fluctuations in their investment and sales ratios.

Hypothesis 2: Despite challenges posed by financial globalization, central banks retain substantial influence over broader financial conditions and macroeconomic performance through adept monetary policy adjustments.

Hypothesis 3: Price stability serves as an optimal monetary rule, enhancing welfare benefits and shaping the distribution of returns on nominal assets through endogenous international portfolio choices.

Hypothesis 4: Fixed monetary policy rules are more effective in responding to supply shocks, while demand shocks necessitate more proactive policy interventions, leading to differentiated policy responses based on economic conditions.

Hypothesis 5: Firms with significant international involvement exhibit distinct financial behaviors, including lower target leverage ratios, indicating a strategic exploitation of market imperfections, and suggesting potential benefits from internationalization for financial performance.

These hypotheses encapsulate the key insights derived from the discussed academic papers, providing a structured framework for further investigation into the complex interactions between monetary policy, financial globalization, and international business operations.

Table 1. Mapping Literature

Title	Authors	Year	Abstract summary	Main findings	State of the art	Novelty
The Impact of U.S. Monetary Policy on Foreign Firms	Julian di Giovanni, J. Rogers	2022	The impact varies along the firm-level distribution of proxies for firms' financial constraints.	- U.S. monetary policy shocks have a significant contractionary effect on firms' investment and sales ratios. - Heterogeneous effects on firms based on their exposure to demand shocks through exporting behavior are important considerations.	The paper provides insights into the impact of U.S. monetary policy on foreign firms, highlighting the role of international trade exposure and financial constraints in transmitting monetary policy shocks. The findings contribute to understanding the consequences of the shift in monetary policy and its implications for globalization.	The novelty in Julian di Giovanni, J. Rogers (2022) lies in their exploration of the amplifying effect of global production linkages on the impact of U.S. monetary policy at the firm level, as well as their documentation of the significant role of total export exposure in the transmission of U.S. monetary policy shocks to firm investment. Additionally, they provide evidence on the role of differential financial constraints and their joint impact with trade exposure measures. These findings contribute to a better understanding of the channels through which U.S. monetary policy shocks affect foreign firms' activity.
Financial Globalization and Monetary Policy	Steven B. Kamin	2010	Central banks with floating currencies retain the ability to independently determine short-term interest rates and thus influence broader financial conditions and macroeconomic performance in their economies.	The paper emphasizes that central banks with floating currencies retain the ability to independently determine short-term interest rates and influence broader financial conditions and macroeconomic performance in their economies, despite the potential complications and constraints posed by financial globalization.	-	The novelty in Steven B. Kamin (2010) lies in its emphasis on the challenges of monetary policy in a globalized financial system, highlighting the importance of liquidity and credit channels as additional conduits of external shocks, and the need for monetary policymakers to respond to a wider range of developments. It also suggests that effective monetary policy making now requires taking into account a diverse set of global influences, many of which are not fully understood. Additionally, it points out that the recent crisis has

						identified an area in which the standard array of central bank tools may have become inadequate in many countries, indicating that international arrangements for liquidity provision may become increasingly important in the future.
Financial Globalization and Monetary Policy	M. Devereux, A. Sutherland	2007	The case for price stability as an optimal monetary rule still remains.	The main finding is that the case for price stability as an optimal monetary rule remains and is reinforced, even without nominal price rigidities, due to its welfare benefit through the enhancement of the risk sharing properties of nominal bond returns.	The "state of the art" in M. Devereux, A. Sutherland (2007) is the reinforcement of the case for price stability as an optimal monetary rule, emphasizing its welfare benefits in the context of endogenous international portfolio choice and its impact on the distribution of returns on nominal assets.	The novelty in M. Devereux, A. Sutherland (2007) lies in the reinforcement of the case for price stability as an optimal monetary rule, even without nominal price rigidities, due to its welfare benefit through the enhancement of the risk-sharing properties of nominal bond returns.
Financial Globalization and Monetary Policy	Michael B. Devereux, Alan Sutherland	2008	The case for price stability as an optimal monetary rule still remains.	The main finding of the paper is that the case for price stability as an optimal monetary rule remains and is reinforced due to its welfare benefit through the enhancement of the risk sharing properties of nominal bond returns.	The "state of the art" in Michael B. Devereux, Alan Sutherland (2008) is the reinforcement of the case for price stability as an optimal monetary rule in the context of financial globalization and endogenous international portfolio choice. The paper emphasizes the importance of monetary policy in impacting the distribution of returns on nominal assets and highlights the welfare benefit of price stability.	The novelty in Michael B. Devereux, Alan Sutherland (2008) lies in highlighting the increased importance of monetary policy in the context of endogenous international portfolio choice and reinforcing the case for price stability as an optimal monetary rule despite changes in the financial environment.
Global Implications of Monetary and Fiscal Policy Rules in the EMU	Gottfried Haber, Reinhard Neck, Warwick J. McKibbin	2002	Fixed rules are generally superior for supply shocks to different world regions.	The main findings of the paper are the effectiveness of using the MSG2 Model to demonstrate the effects of dynamic policy optimization in response to supply and demand shocks, and the superiority of fixed	The "state of the art" in this paper involves considering international interdependencies and the strategic behavior of global players in economic policy analysis, utilizing the MSG2 Model to demonstrate	The novelty in Gottfried Haber, Reinhard Neck, Warwick J. McKibbin (2002) lies in the analysis of the effects of dynamic policy optimization in response to supply and demand shocks using a global

				rules for supply shocks compared to the need for more active or discretionary policies for demand shocks.	the effects of dynamic policy optimization, and highlighting the superiority of fixed rules for supply shocks and the need for more active policies for demand shocks.	model of the world economy. It also emphasizes the superiority of fixed rules for supply shocks and the need for more active or discretionary policies for demand shocks.
Monetary Policy Implications of Recent Changes in the Financial Systems in the United States and Europe	William Poole	1995	The differential attitude toward freedom of trade and international capital flows has broken down to a considerable extent.	The paper emphasizes the significant evolution of financial markets in the United States and Europe, highlighting the importance of economic efficiency arising from the growth of world trade and developments in international finance. It also discusses the breakdown of the differential attitude toward freedom of trade and international capital flows, reflecting the profitability of trade in financial services and the recognition of the intimate relationship between trade in goods and services and the financing mechanisms accompanying trade.	The "state of the art" in William Poole (1995) is the significant evolution of financial markets in the United States and Europe, driven by improvements in economic efficiency arising from the growth of world trade and developments in international finance. There is also a breakdown of the differential attitude toward freedom of trade and international capital flows, reflecting the profitability of trade in financial services and the recognition of the relationship between trade in goods and services and the financing mechanisms accompanying trade.	The novelty in William Poole (1995) lies in the significant evolution of financial markets, the breakdown of differential attitudes toward freedom of trade and international capital flows, and the recognition of the relationship between trade and financing mechanisms.
The effect of international diversification on corporate financing policy	Ali M Fatemi	1988	Firms with notable foreign involvement have target leverage ratios significantly below those of their domestic counterparts.	The main findings are: - Firms with notable foreign involvement have target leverage ratios significantly below those of their domestic counterparts. - Multinationals secure a greater portion of their borrowing from short-term sources. - The results are rationalized in terms of the market imperfections that the multinationals face and/or exploit.	The study investigates the effect of international operations on the financing policies of U.S.-based firms. It found that firms with notable foreign involvement have target leverage ratios significantly below those of their domestic counterparts and that multinationals secure a greater portion of their borrowing from short-term sources. The results are rationalized in terms of the market imperfections that the multinationals face and/or exploit.	The novelty in Ali M Fatemi (1988) is the finding that firms with notable foreign involvement have target leverage ratios significantly below those of their domestic counterparts, and that multinationals secure a greater portion of their borrowing from short-term sources. The study also rationalizes these results in terms of the market imperfections that the multinationals face and/or exploit.

Budgeting for International Operations: Impact on and Integration with Strategic Planning	Juan Rivera, Ken Milani	2011	Changes in currency exchange rates have the most direct effect on the budgeting process for a multinational corporation.	The main findings of the paper are the significant impact of foreign currency exchange rates, interest rates, and inflation on multinational corporations' budgets, as well as the various ways in which foreign exchange rate fluctuations affect these corporations.	The "state of the art" in Juan Rivera, Ken Milani (2011) is the significant and pervasive effect of foreign exchange rates on international budgeting, as well as the need for multinational corporate management to establish and implement policies and practices to minimize the negative impact of external factors. The paper also discusses the different effects of foreign exchange rate fluctuations on multinationals.	The novelty in Juan Rivera, Ken Milani (2011) lies in its discussion of the interrelation between external factors (foreign currency exchange rates, interest rates, and inflation) and their impact on multinational corporations' budgeting processes, as well as the influence of government policies on export opportunities. It also addresses the shift in strategic plans post-9/11, focusing on security measures and employee counseling.
The Implications of Fiscal Conditions and Growing Internationalization for Monetary Policies and Financial Market Conditions	Peter Isard	1988	Fiscal policy influences exchange rates, particularly to the extent that it affects the expected after-tax returns on capital located in different countries.	The main findings are: - Fiscal policy influences financial variables through the endogenous behavior of monetary authorities. - Growing internationalization has increased the sensitivity of financial conditions to fiscal policy. - Exchange rates are influenced by fiscal policy, especially in relation to expected after-tax returns on capital in different countries, and this influence increases with growing internationalization.	The "state of the art" in Peter Isard (1988) is the influence of fiscal policy on financial variables through the endogenous behavior of monetary authorities, particularly in the context of growing internationalization and its impact on exchange rates and financial conditions.	The novelty in Peter Isard (1988) lies in the argument that the endogenous behavior of monetary authorities serves as a crucial channel through which fiscal policy influences financial variables, and that growing internationalization has heightened the sensitivity of financial conditions to fiscal policy. Furthermore, the paper emphasizes the influence of fiscal policy on exchange rates and the increasing sensitivity of exchange rates to fiscal policy with growing internationalization. Lastly, it underscores the reflection of financial conditions on the actual and expected responses of monetary authorities to exchange rates.
Changing capital markets: implications for monetary policy - an overview	Hans Tietmeyer	1993	The importance of institutional investors in national markets and international capital	The main findings of the paper are: - Dramatic increase in international financial interdependence due to liberalization of international capital	The "state of the art" in Hans Tietmeyer (1993) includes the liberalization of international capital transactions, opening of borders for financial services, innovations and	The novelty in Hans Tietmeyer's paper lies in the discussion of the increased international financial interdependence due to the liberalization of international capital

			transactions has grown considerably.	transactions by industrialized countries. - Significant changes in financial market structures as a result of innovations and deregulation in the financial sector, including the widespread use of derivative financial instruments. - Considerable growth in the importance of institutional investors in national markets and international capital transactions, leading to more efficient financial markets.	deregulation in financial activities, increased importance of institutional investors, and improved efficiency of financial markets.	transactions and the opening of borders for financial services, as well as the innovations and deregulation of financial activities, including the widespread use of bonds with special terms of issue and the expansion of derivative financial instruments.
Asynchronous Monetary Policies and International Dollar Credit	D. He, T. C. Wong, Andrew Tsang, Kelvin Ho	2015	The contractionary effect of US monetary normalization on global liquidity would be partly offset by the expansionary effect of unconventional monetary policies in Japan and the euro-area.	The main findings are: - The contractionary effect of US monetary normalization on global liquidity is partially counteracted by the expansionary effect of unconventional monetary policies (UMPs) in Japan and the euro-area. - A stress testing exercise indicates that global liquidity could face serious disruption if US monetary policy normalization leads to financial market dislocation, particularly in the FX swap market. - Global banks' risk-taking attitude, credit risk exposure, and the business model of their overseas offices are crucial factors influencing the response of dollar credit supplied by international banks to UMPs.	The "state of the art" in D. He, T. C. Wong, Andrew Tsang, Kelvin Ho (2015) is the development of a theoretical model linking the supply of international dollar credit by global banks to unconventional monetary policies (UMPs), the functioning of the FX swap market, and the banks' default risk. The study also highlights the potential impact of US monetary normalization on global liquidity and the factors influencing how dollar credit supplied by international banks would respond to UMPs.	The novelty in D. He, T. C. Wong, Andrew Tsang, Kelvin Ho (2015) lies in its examination of the responsiveness of the supply of international dollar credit by global banks to various factors such as unconventional monetary policies, FX swap market functioning, and bank default risk, as well as its findings regarding the potential offsetting effects of US monetary normalization and UMPs in Japan and the euro-area on global liquidity. Furthermore, the paper's stress testing exercise and emphasis on the influence of global banks' risk-taking attitude, credit risk exposure, and business models on the response of dollar credit supply to UMPs contribute to its novelty.
Evolving International Financial Markets: Some	W. R. White	1999	Countries are being pushed into corner solutions of	-	-	-

Implications for Central Banks			either "immutably" fixed exchange rates or floating.			
The Effects of Taxation on Multinational Corporations	M. Feldstein, J. Hines,, R. Hubbard	1995	International tax rules have significant effects on firms' investment and other financing decisions.	The main findings of the paper are: - The study assesses the role of multinational firms and their investment in the U.S. economy and the design of international tax rules for multinational investment. - It analyzes the channels through which international tax rules affect the costs of international business activities. - The study also examines ways in which international tax rules affect financing decisions of multinational firms.	The "state of the art" in M. Feldstein, J. Hines, R. Hubbard (1995) involves assessing the role of multinational firms and their investment in the U.S. economy, analyzing the design of international tax rules for multinational investment, examining the impact of international tax rules on the costs of international business activities, and exploring how these rules affect financing decisions of multinational firms. The papers collectively demonstrate that international tax rules have significant effects on firms' investment and financing decisions.	The novelty in M. Feldstein, J. Hines, R. Hubbard (1995) is its comprehensive analysis of the significant effects of international tax rules on firms' investment and other financing decisions, considering the role of multinational enterprises in the U.S. economy and the design of international tax rules for multinational investment.
Financial Management for International Business	I. Demirag, Scott Goddard	1995	Global transfer pricing is a global transfer pricing.	-	comprehensive overview of key concepts and issues in the field of international finance and investment as of 1995	-
Tax Policy and the Activities of Multinational Corporations	J. Hines,	1996	Taxation significantly influences foreign direct investment, corporate borrowing, transfer pricing, dividend and royalty payments, R&D activity, exports, bribe payments, and location choices.	Taxation significantly influences various aspects of multinational firms' behavior, including foreign direct investment, corporate borrowing, transfer pricing, dividend and royalty payments, R&D activity, exports, bribe payments, and location choices. The literature lacks subtle tests to distinguish different theories of the effects of taxation on multinational firms. The paper evaluates the reliability of existing	The "state of the art" in J. Hines, (1996) is the review of quantitative studies indicating the significant influence of taxation on various aspects of multinational firms' activities, as well as the evaluation of the reliability of existing evidence and its implications for international tax policy design.	The novelty in J. Hines, (1996) lies in its evaluation of the impact of international tax rules on multinational firms' behavior and the assessment of the reliability of existing evidence for the design of international tax policy.

				evidence and its implications for the design of international tax policy.		
Monetary Policy and Global Banking	Falk Bräuning, V. Ivashina	2016	Tightening monetary policy in the lender's home country can make lending abroad more attractive.	- Multinational banks respond to local shocks using their global internal capital market and hedge their foreign exchange exposure. Changes in interest rates on excess reserves impact reserve holdings and lending abroad, leading to a reduction in lending to firms in the United States. Firms with a larger share of foreign global banks in the syndicate experience a stronger contraction in credit after an easing monetary policy shock in their home country.	-	-
Monetary Policy and Global Banking	Falk Bräuning, Victoria Ivashina	2020	Lower domestic interest rates lead to an increase in local lending.	- Lower domestic interest rates lead to increased local lending and reduced foreign lending. - The empirical results are divided into aggregate macro evidence and firm- and loan-level evidence. - Changes in aggregate credit supply at the domestic-firm level are analyzed to determine if the reduction in credit is binding for the individual firm.	-	The novelty in Falk Bräuning, Victoria Ivashina (2020) lies in the empirical testing and demonstration of the impact of interest rate differentials on the lending decisions of global banks, both at the aggregate macro level and at the firm- and loan-level. The paper provides evidence of how changes in interest rates in major currency areas affect the behavior of global banks, particularly in terms of their lending portfolios and cross-border bank claims. This empirical analysis contributes to the growing literature on the role of global banks in transmitting economic shocks across borders.
International Finance in General Equilibrium	J. Geanakoplos, D. Tsomocos	2001	Fiscal and monetary policy both have real effects.	The paper's main findings include the unification of international trade and finance in a single general	The paper presents a state-of-the-art unified general equilibrium model that integrates international trade	The novelty in J. Geanakoplos, D. Tsomocos (2001) lies in its comprehensive approach to unifying

				equilibrium model, explicit calculation of the financial and real effects of various factors, and the real effects of fiscal and monetary policy. The study also highlights the differences in predicted effects compared to the Mundell-Fleming model.	and finance, explicitly calculating the effects of various economic factors and policies. It also highlights the differences in predicted effects compared to the Mundell-Fleming model.	international trade and finance in a single general equilibrium model, its rich inclusion of multiple economic factors, explicit calculation of financial and real effects, and the consideration of fiscal and monetary policy as having real effects. Additionally, its prediction of different effects on the flow of capital, the balance of trade, and real exchange rates under certain circumstances sets it apart from previous models.
EXCHANGE RATE CHANGES, INFLATION, AND THE VALUE OF THE MULTINATIONAL CORPORATION	A. Shapiro	1975	The effects of differing national rates of inflation and exchange rate changes on the profitability and hence the risk of multinational corporations are currently receiving much attention from both the management of these firms and the accounting profession.	The main findings of A. Shapiro (1975) include the effects of inflation and exchange rate changes on multinational corporations' profitability and risk, analysis of an oligopolistic firm's binational profit-maximizing strategy, and the divergence between accounting practice and economic theory in their implications regarding exchange rate changes.	The "state of the art" in A. Shapiro (1975) is the attention on the effects of inflation and exchange rate changes on multinational corporations, the interest of national governments in currency value relationships, the focus on profitability using a two-country model, and the divergence between accounting practice and economic theory in their implications regarding exchange rate changes.	The novelty in A. Shapiro (1975) lies in its focus on the specific effects of inflation and exchange rate changes on the profitability and risk of multinational corporations, using a two-country model to analyze an oligopolistic firm's profit-maximizing strategy and highlighting the divergence between accounting practice and economic theory in their implications regarding exchange rate changes.
The Impact of Multinational Banks on International Financial Centres	Paul Campayne	1992	The increased integration of product and geographical markets more readily permits an international division of banking activities across a global hierarchy of financial centers.	The main findings of the paper are the increasing integration of individual markets with the supranational Euromarket and with each other, the strong trend towards globalization, and the increased integration of product and geographical markets more readily permitting an international division of banking activities across a global hierarchy of financial centres.	The "state of the art" in Paul Campayne (1992) is the increased integration of individual markets with the supranational Euromarket and with each other, the trend towards globalization, and the international division of banking activities across a global hierarchy of financial centres.	The novelty in Paul Campayne (1992) lies in the increased integration of financial markets, facilitated by technological progress, deregulation, and financial innovations, which has allowed for a more globally optimal locational pattern of banking activities and an international division of banking activities across a global hierarchy of financial centres.

Globalisation and monetary operations in emerging economies	J. Hawkins	2005	Globalization has encouraged monetary policy operating procedures in emerging market economies towards market-based instruments.	The main findings of the paper are: - Globalization has led to a shift in monetary policy operating procedures towards market-based instruments in emerging market economies. - The easing of capital controls and the development of debt markets have weakened interest rate controls. - Liberalization of foreign borrowing has reduced the effectiveness of quantitative loan limits on domestic banks in controlling overall borrowing by firms.	The "state of the art" in J. Hawkins (2005) is the convergence of monetary policy operating procedures in emerging market economies towards market-based instruments, influenced by globalization and the progressive easing of capital controls and development of debt markets. This evolution is accompanied by greater transparency and explicit signaling of changes in the stance of monetary policy, reflecting a trend towards inflation targeting (Table 1).	The novelty in J. Hawkins (2005) lies in the discussion of how globalization has influenced the convergence of monetary policy operating procedures towards market-based instruments in emerging market economies, along with the impact of progressive easing of capital controls, development of debt markets, and liberalization of foreign borrowing on interest rate controls and overall borrowing by firms. Additionally, the emphasis on greater transparency and explicit signaling of changes in monetary policy stance represents a novel aspect.
A 21-Year Review of Research on the Effect of Internationalization on Firm Financial Performance and Research Agenda	Tran Que Anh, D. Van	2021	Most empirical studies concluded the positive effect of firms' internationalization on their financial performance.	The main findings of the paper include the positive effect of firms' internationalization on their financial performance, as well as the proposal of a research model to explore the relationship and the moderating role of state ownership and CEO duality.	The "state of the art" in Tran Que Anh, D. Van (2021) is that most empirical studies have concluded a positive effect of firms' internationalization on their financial performance, while others have confirmed a nonlinear relationship. The paper also proposes a research model for this relationship and the moderating role of state ownership and CEO duality.	The novelty in Tran Que Anh, D. Van (2021) lies in proposing a research model to investigate the relationship between firms' internationalization and financial performance, including the consideration of a nonlinear relationship and the moderating effects of state ownership and CEO duality.
The Limits of Financial Globalization	René M. Stulz	2007	Country attributes are still critical to financial decision-making because of "twin agency problems" that arise because rulers of sovereign states and corporate insiders pursue their own interests at	-	The "state of the art" in René M. Stulz (2007) is the limited impact of financial globalization despite the reduction in explicit barriers to international investment activity. The paper emphasizes the importance of twin agency problems in creating a home bias in equity	-

			the expense of outside investors.		portfolios, reducing firms' reliance on outside equity, and making it harder for risks to be shared internationally and for capital to be invested where it is most productive. It suggests that progress in controlling these problems will lead to greater benefits from financial globalization.	
The macroeconomic effects of world trade in financial assets	Harold L. Cole	1993	A switch in the menu of internationally traded financial securities from bonds to complete contingent claims affects the stochastic properties of standard macroeconomic aggregates like output, consumption, and labor effort.	The paper discusses the impact of increased international financial integration on exposure to foreign shocks and the insulation from domestic economic shocks. It suggests that as world financial markets become more integrated and people more internationally diversified, they become more insulated from domestic economic shocks but more exposed to foreign shocks. The results of the model are considered fairly robust and likely to emerge in any model where fluctuations are induced by productivity shocks.	The "state of the art" in Harold L. Cole (1993) is the potential effects of increased international financial integration within a simple two-country model, focusing on the impact of the increasing trade of sophisticated financial assets and the greater ability to pool risk under a more sophisticated financial structure. The paper also notes that the research program examining the impact of changes in international financial structure on agents' decisions and macroeconomic aggregates is still at a preliminary stage, with ample scope for future research.	The novelty in Harold L. Cole (1993) lies in its analysis of the potential effects of increased international financial integration, particularly focusing on the impact of the increasing trade of sophisticated financial assets and the greater ability to pool risk under a more sophisticated financial structure. The paper also emphasizes the lack of extensive international portfolio diversification despite recent liberalization of financial markets and highlights the ambiguity in the impact of risk-pooling on the trade balance. Furthermore, it acknowledges the preliminary stage of the research program examining the impact of changes in international financial structure on macroeconomic aggregates.

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