

The International Political Economy of Finance

Political Science 334

Mondays & Wednesdays, 1:00 p.m. – 2:30 p.m.

Seigle Hall 104

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Course Description

This course introduces students to the politics of the international monetary system. The first phase of the course will cover the basic tenets of finance and the institutions that govern financial markets. The second phase of the course will review the major theoretical approaches to international monetary relations. The final phase will look at how international governance arrangements have evolved since the early 20th century.

Following the course, students will be able to:

- Understand some of the basic tenets of finance;
- Understand the major theoretical approaches that govern global financial markets;
- Critically assess the merits and pitfalls of these approaches.

Text

Required: None. Readings marked with a **(R)** will be made available on 3 hour reserve at the Olin library, unless otherwise stated. Readings marked with an **(E)** are available electronically through the library.

Optional:

Charles Calomiris and Stephen Haber. *Fragile by design: the political origins of banking crises and scarce credit*, Princeton University Press, 2014.(R)

John Kay (2015). *Other people's money: the real business of finance*, PublicAffairs.(R. Kopolow Business Library)

Robert Gilpin. *Global political economy: understanding the international economic order*, Princeton University Press, 2001.(R)

Evaluation

Item	Due Date	Weight
Assignment 1	February 13	10%
Assignment 2	March 4	10%
Midterm	March 6	25%
Assignment 3	April 24	10%
Class presentation		
Final exam		45%

Assignments will be posted on BLACKBOARD two weeks prior to the due date. Each will consist of three or four short-answer questions. Assignments are due on-line, through BLACKBOARD ONLY, unless alternative arrangements have been made in advance. Late submission of assignments will be penalized, to a maximum of 5 days. Late penalties will be assessed on a daily basis, including weekends, at a rate of 3% per day late (i.e., 7.5/10 to 7.2/10). Assignments submitted more than 5 days late will be given a grade of 0. Extensions will not be granted except on medical grounds, with appropriate documentation.

You may substitute a class presentation for one assignment. The final exam will be held during the exam period. The exam will be cumulative and include a combination of multiple choice, short answer, and essay questions.

Schedule

Lecture 1 – Introduction (Jan 14)

- *No readings*

Lecture 2 – What is finance? (Jan 16)

Required:

- Coggan, Philip. *Paper promises: money, debt, and the new world order*. Penguin UK, 2012. Introduction.(E)

Optional:

- John Kay (2015). *Other people's money: the real business of finance*, PublicAffairs.(R. Kopolow Business Library)

Lecture 3 – Banking (Jan 23)

Required:

- Richard S. Grossman *Unsettled account: the evolution of banking in the industrialized world*, Princeton University Press, 2010. Chapters 1 & 2.(E)
- Charles Goodhart (2010). “The changing role of central banks,” *Financial History Review*, Vol. 18, No. 2, pp. 135-154.

Optional:

- Charles Calomiris and Stephen Haber (2014). *Fragile by design: the political origins of banking crises and scarce credit*, Princeton University Press, Chapters 2 & 3.(R)
- Christopher Adolph (2013). *Bankers, bureaucrats, and central bank politics: the myth of neutrality*. Cambridge University Press, Chapters 1 & 2.(E)

Lecture 4 – The Unholy/Impossible Trinity (Jan 28)

Required:

- Benjamin J. Cohen (1999). “The triad and the unholy trinity: problems of international monetary cooperation,” ed. Jeffrey Frieden and David Lake *International political economy: perspectives on global power and wealth*, 4th edition, Routledge, Chapter 15, pp. 245–256.(E)

Lecture 5 – Exchange rate politics (Jan 30)

Required:

- Jeffrey Frieden (1999). “Exchange rate politics,” in Jeffrey Frieden and David Lake (ed.) *International political economy: perspectives on global power and wealth*, 4th edition, Routledge, Chapter 16, pp. 257–269.(E)

Optional:

- David Leblang (2003). “To devalue or to defend? The political economy of exchange rate policy,” *International Studies Quarterly*, Vol. 47, No. 4, pp. 533–560.
- Michael Dooley, David Folkerts-Landau, and Peter Garber (2004). “The revived Bretton Woods system: the effects of periphery intervention and reserve management on interest rates and exchange rates in center countries,” National Bureau of Economic Research Working Paper 10332.

Lecture 6 – Politics of financial stability (I): Regulation (Feb 4)

Required:

- Kapstein, Ethan (1994). *Governing the global economy: international finance and the state*, Harvard University Press, Chapter 1.(R)

Optional:

- Singer, David Andrew (2007). *Regulating capital: setting standards for the international financial system*, Cornell University Press.(E)

Lecture 7 – Politics of financial stability (II): Financial safety nets (Feb 6)

Required:

- International Monetary Fund (2016). “Adequacy of the global financial safety net,” IMF Policy Papers, March 2016.
- The Economist: “The slumps that shaped modern finance.” Available here: <https://www.economist.com/news/essays/21600451-finance-not-merely-prone-crises-it-shaped-them-five-historical-crises-show-how-aspects-today-s-fina>

Optional:

- Piergiorgio Alessandri and Andrew Haldane (2009). “Banking on the state,” Paper from Material Presented at the Federal Reserve Bank of Chicago/World Bank Event - International Financial Crisis: Have the Rules of Finance Changed?

Lecture 8 & 9 – Realism (Feb 11 & 13)

Required:

- Jonathan Kirshner (2009). “Realist political economy: traditional themes and contemporary challenges. In Mark Blyth (ed.) *Routledge Handbook of International Political Economy*, Routledge, pp. 3647.(E)
- Daniel Drezner (2010). “Mercantilist and realist perspectives on the global political economy,” *Oxford Research Encyclopedia, International Studies*.(E)

Lectures 10 & 11 – Liberalism (Feb 18 & 20)

Required:

- Darel E. Paul (2010). “Liberal perspectives on the global political economy,” *Oxford Research Encyclopedia, International Studies*.(E)
- Robert Keohane, (1984). *After hegemony: cooperation and discord in the world political economy*, Princeton University Press, Chapter 4.(R)

Optional:

- Andrew Moravcsik (2008). “The new liberalism,” ed. Robert Goodin *The Oxford Handbook of Political Science*, Oxford University Press.(R)

Lecture 12 – Constructivism (Feb 25)

Required:

- Rawi Abdelal “Constructivism as an approach to international political economy,” *Routledge Handbook of International Political Economy*, ed Mark Blyth, 2009.(E)

Lecture 13 – Critical Theory (Feb 27)

Required:

- Leo Panitch and Sam Gindin (2012). *The making of global capitalism*, Verso, Introduction.(R)

Lecture 14 – Midterm Review (Mar 4)

Lecture 15 – Midterm (Mar 6)

Lectures 16 & 17 – The Great Depression (Mar 18 & 20)

Required:

- Charles Kindleberger (1986). *The world in depression: 1929-1939*, University of California Press, Chapter 14.(R)
- Barry Eichengreen (1992) *Golden fetters: the gold standard and the Great Depression*, Oxford University Press, Introduction.(R)

Optional:

- Beth Simmons, (1997). *Who adjusts? Domestic sources of foreign economic policy during the interwar years*, Princeton University Press.(R)

Lectures 18 & 19 – Bretton Woods (Mar 25 & 27)

Required:

- Eric Helleiner (1996). *States and the reemergence of global finance: from Bretton Woods to the 1990s*, Cornell University Press, 1996, Chapters 2 & 3.(E)
- Barry Eichengreen (1998). *Globalizing capital: a history of the international monetary system*, Princeton University Press, Chapter 1 & 4.(R)

Optional:

- Benjamin Cohen (1982). “Balance-of-payments financing: evolution of a regime,” *International Organization*, Vol. 36, No. 2, pp. 457–478.

Lectures 20 & 21 – The Liberal Era (Apr 1 & 3)

Required:

- Eric Helleiner (1996). *States and the reemergence of global finance: from Bretton Woods to the 1990s*, Cornell University Press, 1996, Chapters 7.(E)
- Jeffrey Chwieroth (2010). *Capital ideas: the IMF and the rise of financial liberalization*, Princeton University Press, Chapter 1.(E)

Optional:

- Leonardo Martinez-Diaz (2009). *Globalizing in hard times: the politics of banking sector opening in the emerging world*, Cornell University Press, Chapters 1, 2, & 7.(R)
- Goodman, John and Louis Pauly (1993). “The obsolescence of capital controls? Economic management in an age of global markets,” *World Politics*, Vol. 46, No. 1, pp. 50–82.

Lectures 22 & 23 – Crises in the 1980s and 1990s (Apr 8 & 10)

Required:

- Thomas Oatley (2016). *International political economy*, Routledge, Chapters 14 & 15.(R)

Optional:

- Stephen Haggard (2000). *The political economy of the Asian financial crisis*, Peterson Institute for International Economics.(E)
- Jeffrey Frieden (1991). *Debt, development, and democracy: modern political economy and Latin America, 1965-1985*, Princeton University Press.(R)

Lecture 24 & 25 – Adapting to Financial Globalization (Apr 15 & 17)

Required:

- Martin Feldstein (1999). “Self-protection for emerging market economies,” National Bureau of Economic Research, Working Paper 6907.
- Sylvia Maxfield (1994). *Gatekeepers of growth: the international political economy of central banking in developing countries*, Princeton University Press, Chapter 3.(R)
- *Third paper to be determined at a later date.*

Optional:

- Kathleen McNamara (2002). “Rational fictions: central bank independence and the social logic of delegation,” *West European Politics*, Vol 25, No. 1, pp. 47-76.
- David Bearce (2007). *Monetary divergence: domestic policy autonomy in the post-Bretton Woods era*, The University of Michigan Press.(E)

Lecture 26 – Global Financial Crisis (Apr 22)

Required:

- Gary Gorton (2012). *Misunderstanding financial crises: why we don't see them coming*, Oxford University Press, Chapters 1, 2, & 3.(R. Kopolow Business Library)
- Adam Tooze (2018). *Crashed: how a decade of financial crises changed the world*, Viking, Introduction.(R)

Lecture 27 – Final Exam Review (Apr 24)