

UCSD Department of Political Science
PS144D – Politics of International Finance
Spring 2008

Center 119
MWF: 9:00-9:50

Instructor: Kelly Wurtz
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Office Hours: SSB, 446, Monday, 10:30 am -12:30 pm and by appointment

Objectives:

The course explores several central political dimensions of international monetary and financial relations:

- (a) effects of cross-border financial transactions--public and private--on policy choices of governments and their policy autonomy
- (b) government efforts, individually and collectively, to regulate internationalized financial sectors
- (c) causes of international financial crises and the politics of managing those crises
- (d) collaboration among governments to establish regional and global monetary orders

After a brief review of the politics of monetary and financial systems before 1973, the course will concentrate on explaining developments in recent decades. During that period, international monetary collaboration has been informal and sporadic; international regulatory cooperation and competition have increased in an era of financial integration; and capital flows to developing countries have been interrupted by periodic crises. Debates over a new international financial architecture continue.

Assignments:

- take-home midterm (due May 9th, in class) – 40%
- final exam (Wednesday, June 11th, **8:00-11:00 AM**, location TBA) – 60%

Additional information:

There is one book required for the class, Thomas Oatley's *International Political Economy*, 2nd Edition. The remaining readings are available on-line and eReserves (<http://reserves.ucsd.edu>). I will place lecture slides and any handouts on the class web page (<http://kwurtz.wordpress.com/teaching/ps144d/>). Late midterms will be penalized ½ letter grade per day and must be submitted in paper, not email. Academic dishonesty will not be tolerated and will result in failure of the class.

This class does not have any formal prerequisites, although a background in economics will not hurt. The Concise Encyclopedia of Economics (<http://www.econlib.org/library/CEECategory.html>) is a useful on-line resource that has clear explanations of many basic and not-so-basic economic concepts and terms.

Required Readings

In addition to the readings listed below, I ask that you scan the front page and business section of a major paper (NY Times, Washington Post, Wall Street Journal, or LA Times) for articles related to the class, especially the current status of the U.S. economy and financial system. You will be expected to discuss this material on the final exam.

Week 1 (March 31st, April 2nd, April 4th): Financial integration and monetary cooperation before 1973

Thomas Oatley, *International Political Economy*, 2nd. Edition, New York : Pearson/Longman, c2006
Ch. 1 and 10

Maurice Obstfeld and Alan M. Taylor, "Globalization and Capital Markets," NBER Working Paper 8846, read pp 1-16 (Section 1), skim the rest. <http://www.nber.org/papers/w8846>

Week 2 (April 7th, April 9th, April 11th): The industrialized countries: national policies and international financial integration

Oatley, Ch. 12 and 13

J. Lawrence Broz and Jeffrey Frieden, "The Political Economy of Exchange Regimes," *The Oxford Handbook of Political Economy*. Edited by Barry R. Weingast and Donald Wittman. Oxford University Press, 2006. <http://weber.ucsd.edu/~7Ejlbroz/weingast-chap32.pdf>

Layna Mosley, 'Room to Move: Financial Markets and National Welfare States,' *International Organization*, 54 (4) Autumn 2000, pp. 737-73

Week 3(April 14th, April 16th, April 18th): Ensuring system stability: international collaboration and financial regulation

Oatley, Ch. 11, first half

Barry Eichengreen, "Governing Global Financial Markets: International Responses to the Hedge-Fund Problem," in *Governance in a Global Economy*, Lake and Kahler Eds., 2003: 168-198.

Beth A. Simmons, 'The International Politics of Harmonization: The Case of Capital Market Regulation,' *International Organization*, 55,3 (Summer 2000), 589-620

Kenneth Rogoff, "International Institutions for Reducing Global Financial Instability," *NBER Working Paper* 7265.

Week 4(April 21st, April 23rd, April 25th): Regional monetary options: Europe, Asia and Latin America

Oatley, Ch. 11, second half

Jeffrey A. Frieden, 2002. "Real Sources of European Currency Policy: Sectoral Interests and European Monetary Integration," *International Organization*, Vol. 56 No. 4 (Autumn): 831-860.

Charles Wyplosz "A Monetary Union in Asia? Some European Lessons," in David Gruen & John Simon (ed.) *Future Directions for Monetary Policies in East Asia*, Reserve Bank of Australia, 2001
<http://www.rba.gov.au/PublicationsAndResearch/Conferences/2001/wyplosz.pdf>

Ernesto Hausmann, "Currencies: Should there be Five or One Hundred and Five?"
<http://www.iadb.org/res/publications/pubfiles/pubS-121.pdf>

Week 5 (April 28th, April 30th, May 2nd): The developing countries: national policy choices and international financial integration

Oatley, Ch. 6, 8, 14

Michael Mussa, "Exchange Rate Arrangements of Developing and Transition Countries" in *Exchange Rate Regimes in an Increasingly Integrated World Economy*, pp. 13-35.
<http://www.imf.org/external/pubs/ft/op/193/chap3.pdf>

Augusto de la Torre, et al, 2002. "Financial Globalization: Unequal Blessings," *International Finance*, Vol. 5 No. 3: 335-357.

(Midterm handed out, Friday, May 2nd)

Week 6 (May 5th, May 7th, May 9th): The developing countries: capital flows and financial crises

video: *Commanding Heights*, Ch. 3

Oatley, Ch. 15

Roberto Chang. 1999. "Understanding Recent Crises in Emerging Markets," *Federal Reserve Bank of Atlanta Economic Review*, Second Quarter, pp.6-16.
<http://www.frbatlanta.org/frbatlanta/filelegacydocs/ACF91.pdf>

Nouriel Roubini and Brad Setser, *Bailouts or Bail-ins?: Responding to Financial Crises in Emerging Economies*, Washington, DC : Institute for International Economics, 2004, pp. 25-72
http://www.petersoninstitute.org/publications/chapters_preview/378/2iie3713.pdf

(Midterm due, Friday, May 9th)

Week 7 (May 12th, May 14th, May 16th): The Developing countries: financial flows and development

Oatley, Ch. 6 and 9

World Bank, 2005. *World Development Report 2005: A Better Investment Climate For Everyone*, overview

http://siteresources.worldbank.org/INTWDR2005/Resources/02_WDR_Overview.pdf

Theodore H. Moran , Edward M. Graham and Magnus Blomström, 2005. “Conclusions and Implications for FDI policy in developing countries, new methods of research, and a future research agenda,” in *Does Foreign Direct Investment Promote Development?* eds. Theodore H. Moran , Edward M. Graham and Magnus Blomström, (Washington, D.C.: Institute for International Economics)

http://www.iie.com/publications/chapters_preview/3810/14iie3810.pdf

William Easterly, “The Cartel of Good Intentions,” *Foreign Policy*, No. 131. (Jul. - Aug., 2002), pp. 40-49.

supplemental reading:

Greg Linden et. al., “Who Captures Value in a Global Innovation System: The Case of Apple's iPod,” pp. 1-10. <http://pcic.merage.uci.edu/papers/2007/AppleiPod.pdf>

Week 8 (May 19th, May 21st, May 23rd): China, the U.S., and global imbalances

Morris Goldstein, “Currency Manipulation and Enforcing the Rules of the International Monetary System,” pp. 141-155 <http://www.petersoninstitute.org/publications/papers/goldstein0905imf.pdf>

Doug Palmer, “Senators Unveil Bill Pressuring China on Currency,” Reuters, June 12, 2007 <http://www.reuters.com/article/politicsNews/idUSN1230637520070612?sp=true>

Mark Sobel, “Testimony of Treasury Deputy Assistant Secretary Mark Sobel on Currency Manipulation and its Affect on U.S. Businesses and Workers,” <http://www.treas.gov/press/releases/hp394.htm>

Week 9 (May 26th, May 28th, May 30th): The International Monetary Fund, the World Bank and conditionality

Miles Kahler, “Bargaining with the IMF: Two-Level Strategies and Developing Countries,” in Peter B. Evans, Harold K. Jacobson, and Robert D. Putnam, eds., *Double-Edged Diplomacy: International Bargaining and Domestic Politics*, pp. 363-394

Kenneth Rogoff, “The IMF strikes back,” *Foreign Policy*, January-February 2003. http://post.economics.harvard.edu/faculty/rogoff/papers/IMF_Strikes_Back.pdf

Joseph E. Stiglitz, 2001. “Failure of the Fund: Rethinking the IMF Response” *Harvard International Review*, Summer 2001, p. 14-18.

http://www2.gsb.columbia.edu/faculty/jstiglitz/download/2001_Failure_of_the_Fund.pdf

Week 10 (June 2nd, June 4th, June 6th): A new international financial architecture?

Timothy Adams, “The IMF: Back to Basics,” in *Reforming the IMF for the 21st Century*, ed. Edwin M. Truman, pp. 133-138, http://www.iie.com/publications/chapters_preview/3870/04iie3870.pdf

Edwin Truman, “An IMF Reform Package,” in *Reforming the IMF for the 21st Century*, ed. Edwin M. Truman, pp. 527-540 http://www.iie.com/publications/chapters_preview/3870/29iie3870.pdf

FINAL EXAM: Wednesday, June 11th, 8-11 am