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University of Denver
Josef Korbel School of Int'l Studies
Fall 2020

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INTS 4320
INTERNATIONAL MONETARY RELATIONS

Course meets via Zoom, Mondays, 2-450pm
Zoom course meeting code 951 6383 4189

Course Description and Learning Objectives:

The subject of this course is the theory, policy, political economy, and history of the international organization of money and finance. International financial theory or "open economy macroeconomics" is based mainly on macroeconomic tools of analysis. For this reason, a familiarity with Macroeconomic Theory is a prerequisite for this course. **At the least, all students must have successfully completed at the undergraduate level a course in Introductory Macroeconomics, International Economics, or Principles of Economics.** Open economy macroeconomics deals with balance of payment and exchange rate dynamics in an open world economy, as well as with the effectiveness of (and constraints on) macroeconomic policy under conditions of globalization and floating exchange rates. In addition to studying the formal theory of open economy macroeconomics, we will examine the history and political economy of international financial regimes. Here we will focus on the effects of international financial arrangements on investment, unemployment, inflation, income distribution, and class conflict in advanced capitalist economies and, through international financial arrangements, on developing economies as well.

We will also place the theoretical issues raised in the course in the context of three contemporary debates in international monetary relations. The class will have the option of selecting to focus the final three weeks of the course on any three of the following eight issues. (Readings for all eight issues are provided below in section III. of the course outline in order to aid in your decision, and to serve as a reference for those topics that we will not cover this term.) The eight issues are as follows: the debate over the causes and consequences of the global financial crisis and lessons for a possible Covid-era crisis; the global crisis and the rise of 'financial pluripolarity' and new (developmental) financial architectures; US monetary power, the dollar, currency wars, and currency manipulation; the rise of capital controls and currency interventionism during and since the global crisis; the IMF (and the World Bank): governance, power, policy practice, and the possible futures of these institutions; the Eurozone crisis; the internationalization and role of the RMB and China's role in the global financial architecture; and the implications of cryptocurrencies for monetary policy, financial stability, and financial regulation.[2]

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[1] To set an appointment to see me during office hours please click on this link: https://calendly.com/appt-with-ilene-grabel/office-hours-ilene-grabel . Once you make an appointment the Calendly app will generate a Zoom code for the meeting. Be in touch with me via email if you would like to meet with me at a time other than my office hours.
[2] Please check from time to time the "Emerging Issues Parking Lot" folder in Canvas. I will use that folder to store materials that you may wish to discuss in an optional (extra) meeting of the course.

Students who apply themselves to the materials in this course should acquire a capacity to understand the historical evolution, workings, and problems associated with today's US dollar-denominated international monetary system. Students should attain an understanding of the following areas: the workings of fixed, pegged, and dirty float exchange rate regimes; the debate over the determinants of exchange rates; the effects of monetary and fiscal policies on exchange rates; the effects of exchange rates on trade performance, economic growth, debt-service costs, and international relations; and the distributional implications of exchange rates. Students should understand the key institutions of the international monetary system, particularly the roles played by and the relationships among central banks, governments (especially Treasury Departments/Finance Ministries), multilateral financial institutions (especially the IMF), multilateral organizations, networks, and arrangements (such as the European Union, the Chiang Mai Initiative Multileralisation, the G20, etc.), sovereign wealth funds, and institutional investors. Students should understand the origin and significance of critical international monetary problems (such as financial, banking and exchange rate fragility, capital flight, coordination failures, liquidity crises, currency misalignments, global imbalances, currency wars, and conflicting views on the meaning and significance of currency manipulation). Students should also be able to understand the economic and political logic of diverse positions taken in contemporary debates concerning international monetary problems and policy dilemmas (e.g., what are the implications for the US and the global economy of the move toward more expansionary monetary policy in many economies). My hope is that upon completing the course students will be able to participate intelligently in discussions of current and future policy challenges in the area of international monetary affairs.

Course Material: The following three books will be used extensively in the course and should be purchased by all students (or borrowed from the library):

Paul Krugman and Maurice Obstfeld, International Economics, Addison Wesley, 6th edition, 2003, 7th edition, 2005, 8th edition, 2009, 9th edition 2011, 10th edition 2014, or 11th edition 2015/2018 (the latter three editions with co-author Marc Melitz). (Note: you may also use older editions of the text. We will not be using the 'access kit" that is sold with newer editions of the text.)

Barry Eichengreen, Globalizing Capital: A History of the International Monetary System, Princeton: Princeton University Press, 1998, 2008, or 2019 edition.

Eric Helleiner, States and the Reemergence of Global Finance, Ithaca: Cornell University Press, 1996.

Some of you may benefit from a basic reference volume on the global financial system. Note that there will be no assigned readings from these reference volumes (and hence, purchase is optional). The Lanchester book is discursive in nature, while the Valdez and the Oxford Dictionary are traditional encyclopedia/dictionary formats.

John Lanchester, How to Speak Money, New York: WW Norton & Co., 2014.

Stephen Valdez, An Introduction to Global Financial Markets, Palgrave Macmillan, 2007 or 2013 edition.

A Dictionary of Finance and Banking, 6th edition, Oxford: Oxford University Press, 2018.

How to obtain other readings for the course:

Aside from the material in the books that you will be purchasing, you can obtain the required readings from a few different locations: some readings are available in Canvas (these are in the "Files" tab in

Canvas—these items are marked with C on the course outline), and some can be accessed by clicking on the "Persistent Link" that appears on the course outline (these items are marked with PL). Please note that you can also find many of the readings on your own by using Jstor, Goldrush or Article Finder (on the Anderson website), Google, or Google Scholar. Please plan for problems with Canvas and Persistent Links—this means that you should obtain course materials well in advance of the time that a particular reading has been assigned. *If a persistent link/Canvas is not functioning or if you have trouble downloading an item from Canvas, please first try to obtain the reading on your own using Google/Google Scholar/ Goldrush/Jstor/Article Finder or other resources available through the Anderson Academic Commons website.*

Note that with only a few exceptions optional readings are not available through Canvas (but of course you may find many of them on your own).

Data and News Sources on International Finance:

1. The IMF's publication, IMF Survey, is an invaluable resource. Data on aggregate, regional and countrywide financial sector and macroeconomic performance are presented in International Financial Statistics (IMF/World Bank). This volume is published annually. The IMF's quarterly publication, World Economic Outlook, provides a survey and analysis of key trends in the global financial system. The World Bank's Global Economic Prospects is also useful publications. IMF and World Bank publications are available on the institutions' websites. The IMF's magazine, Finance and Development, is a useful resource on financial policy issues in the developing country context.

2. The IMF's Balance of Payments Statistics Yearbook presents detailed data on the balance of payments.

3. The World Bank's Global Financial Development Database is dataset on financial system characteristics for a large number of countries.

4. Cross-national macroeconomic data can be found in Main Economic Indicators, published by the Organization for Economic Cooperation and Development.

5. The May issue of the US Commerce Department's Survey of Current Business summarizes US international transactions for the preceding year.

6. The United Nations publishes the annual World Economic and Social Survey, which covers major issues facing the world economy. The United Nations Conference on Trade and Development (UNCTAD) also publishes a number of useful reports.

7. The websites of Center for Economic and Policy Research, UMASS Political Economy Research Institute, Economic Policy Institute , Peterson Institute for International Economics reprints many useful studies of international financial policy issues and debates.

8. Many blogs present useful discussions of international financial issues. The blogs I read regularly include http://www.project-syndicate.org/, http://rodrik.typepad.com/, http://www.voxeu.org, http://www.economist.com/blogs/freeexchange/, http://blog-imfdirect.imf.org, http://economix.blogs.nytimes.com, http://blogs.ft.com/beyond-brics/, http://www.piie.com/blogs/realtime, http://www.cepr.net/index.php/blogs, http://www.brettonwoodsproject.org.[3] The New York Times business

[3] Other interesting blogs include the following: http://www.newyorker.com/contributors/john-cassidy, http://www.bankinformationcenter.org, http://www.economist.com/blogs/economist-explains, http://www.economist.com/blogs/buttonwood, http://bruegel.org, https://theconversation.com/us/business,

section and the Financial Times[4] provide the best newspaper coverage and opinion analysis of international monetary issues. You have free access to the NYT and [WSJ] as a DU student (see the Announcements section of Canvas for information on how to access the newspaper). The Economist magazine is also an excellent news source, and you should consider reading it regularly.

Grading:

Course grades will be determined by three factors: **two exams (together they account for 60% of your grade, each exam accounts for 30% of your grade); three brief discussion question response memos (together they account for 30% of your grade, each one accounts for 10% of your grade); and class participation (10% of grade).** See the documents "Guidance on writing and grading" and "Discussion of some commonly used terms in graded papers" in Canvas ("Syllabus" section) for discussion of writing and grading.

The exams will be in the "Assignments" section of Canvas and should be submitted there as well. See the course outline below for exam distribution and due dates/times. *Absolutely no extensions will be given on the two exams. You may use your own notes in preparing this exam, but you may not talk with any of your colleagues about the exam once it has been distributed.* Please note that numerical (rather than letter) grades are assigned to all exams, and grades on exams can range from zero to one hundred.

Discussion question response memos will be due by the start of each class meeting (that is, by 2pm) in Part III of the course (Monday, Nov. 2; Monday, Nov. 9; and Monday, Nov. 16). Each discussion question response memo will provide responses (based on the required readings) to the discussion questions for that day's class meeting. Instructions and prompts for the discussion question response memos will be in Canvas in the "Quizzes" section, and should be submitted to me there as well.

The remaining 10% of the grade will come from your participation in class discussions, particularly those held during the final third of the course. Please note that this component of your grade is a function of the quality (and *not* the quantity) of your contributions to discussion.

Preparation for class each week:

All readings not marked as optional are required for the course. You should read them in the order that they appear on the course outline. All reading should be completed prior to the class meeting. Note that some readings are more difficult than others; you may need to read some works several times in order to gain a good understanding of them.

You will notice that there are a lot of readings marked as "optional" under the heading for each topic covered in the course. These readings are intended for those students (a.) interested in learning more about a particular topic, (b.) researching an MA thesis, special research paper, or Ph.D. dissertation and (c.) for Ph.D. students preparing for the comprehensive exams.

COURSE OUTLINE

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http://www.nakedcapitalism.com, http://nakedkeynesianism.blogspot.com, http://economistsview.typepad.com, http://yanisvaroufakis.eu, http://helicoptermoney.blogspot.co.uk, http://www.washingtonpost.com/blogs/monkey-cage/.

[4] If you cannot access an *FT* article, then googling the article title directly and accessing it via google results might help. If that does not work, then you can access a few articles via the incognito version.

Introduction to the course and overview of the global financial system: A survey of key issues, debates, and problems (1 session) {Course meeting on: Monday, Sept. 14}

There are no required readings for the first meeting of the course. However, attendance at this meeting is critical. I will be delivering a lecture during our first meeting that provides an overview of the key issues, debates, and policy challenges confronting international monetary policymakers. This material will provide the context for the subject matter to be discussed for the rest of the term. We will also, of course, discuss the specifics of the course, e.g., requirements, the syllabus, etc.

Please start getting into the habit of following global financial news. I am a financial news addict, as you will quickly learn. We will *always* connect the financial news to what we are studying. I encourage you to raise issues that come up in the financial news—we can always discuss them in class or privately, and I can clarify any issues or terminology that you find unclear. The best sources of financial news are as follows: the International Monetary Fund's (IMF) IMF Survey, the IMF's magazine Finance and Development, the business section of the *New York Times*, the *Financial Times* (newspaper), and *The Economist* (magazine). Note that you have free access to the *New York Times* as a DU student. See the information on how to access the *NYT* (and also the *Wall Street Journal*) in the "Announcements" section of Canvas. Reading the *New York Times* and the latest IMF news updates are musts.

Please also take a look at the folders in the "News Stories and Opinion Essays" in Canvas (which is in the "Modules" section). I will update the material in the News Stories folder throughout the term. Skim as many of the articles here that you can. They will give you a feel for what is going on in the world of international finance.

I. The evolution of the international monetary system: The political economy of international financial regimes (2 sessions; 1 session on A. and one session on B.)

How did the international monetary system come to be organized around the US dollar? Why are currencies no longer convertible to gold? Why are currency values in most countries largely determined by market forces instead of having values that are fixed or pegged by governments? What can we learn about debates and challenges in today's international monetary system by considering a period of relative international monetary stability (i.e., the classical gold standard era) and a period of chaos and inter-country conflict (i.e., the interwar era)? Why does there seem to be a perennial preoccupation with gold-based monetary systems?

IA. The classical gold standard (1870-1914) and the interwar period (1918-1939) {Course meeting on: Monday, Sept. 21}

Classical gold standard:

Why do we see a global convergence around gold-based currencies and fixed exchange rates in the later half of the 19th century? Why was the British pound sterling the world's key currency at this time? What set of (domestic and international) economic and political conditions facilitated the operation of the classical gold standard? To what extent did the particular nature of political enfranchisement (i.e., only men who owned property held the right to vote) play a role in the operation of the international monetary system? To what extent did colonialism play a role in the operation of the international monetary system? How well did the classical gold standard operate across a number of dimensions? Why did this system eventually collapse? What lessons can we take from the operation of the classical gold standard for contemporary calls to link currencies to gold and/or to stabilize exchange rates through some type of pegged system?

Barry Eichengreen, chapters 1-2, Globalizing Capital: A History of the International Monetary System, Princeton: Princeton University Press, 1998, 2008, or 2019. [Purchase this book]

Marcello de Cecco, preface and Chs. 2, 4 & 6, "The World Economy after 1870," "Indian Monetary Vicissitudes, and" The International Financial System, 1890-1914," preface, pp. 22-38, pp. 62-75 and pp. 103-126 in Marcello de Cecco, Money and Empire (Basil Blackwell, 1974). [C]

Marcello de Cecco, "Short-Term Capital Movements Under the Gold Standard," pp. 102-112, in Jorge Braga de Macedo, Barry Eichengreen, and Jaime Reis, editors, Currency Convertibility: The Gold Standard and Beyond (London: Routledge, 1996). [C]

Note: if you are asking yourself, "why am I reading about gold-based monetary systems in 2020," then you may want to have a look now at the folders in Canvas that contain several short articles written in the last several years concerning a return to some type of gold standard.[5]

Robert J. Shiller, Narrative Economics, Princeton: Princeton University Press, 2019, pp. 166-72. (OPTIONAL-in Canvas)

Marcello de Cecco, "The Gold Standard," pp. 539-545, in The New Palgrave Dictionary of Economics (London: MacMillan, 1987). (OPTIONAL)

Hugh Rockoff, "The 'Wizard of Oz' as a Monetary Allegory," Journal of Political Economy, 1990, vol. 98, no. 4, pp. 739-60. (OPTIONAL)

<u>Interwar period</u>:

Why was the gold-exchange standard so short-lived, and why was the interwar monetary system characterized by such high levels of instability? Why were competitive currency devaluations so problematic? What is the relevance of the interwar experience for contemporary debates over "multipolarity" in the global financial system? Is the "currency war"[6] that we are witnessing today an analogue of the competitive currency devaluations of the interwar period?

Barry Eichengreen, chapter 3, Globalizing Capital: A History of the International Monetary System, Princeton: Princeton University Press, 1998, 2008, or 2019. [Purchase this book]

Karl Polanyi, chapters 17-19, The Great Transformation, Boston: Beacon Press, 1944. (OPTIONAL)

Fred Block, Chapter 2, "The Decline of the Nineteenth- Century Gold Standard," pp. 14-31, in F. Block, The Origins of International Economic Disorder (University of California Press, 1977). (OPTIONAL)

Andrew Walter, Ch. 5, "International Monetary Disorder in the Interwar Period," pp. 116-49, in A. Walter, World Power and World Money (NY: St. Martin's Press, 1991). (OPTIONAL)

Charles Kindleberger, Chapters 16-21, in C. Kindleberger, A Financial History of Western Europe (London: Allen & Unwin, 1984). (OPTIONAL)

The two readings below provide an overview and critical assessment of hegemonic stability theory:

Andrew Walter, Introduction, Ch. 1 and Conclusion, "Hegemony and International Monetary Disorder," "Hegemony and International Monetary Order," pp. 1-27 & 240-46, in A. Walter, World Power and World Money (NY: St. Martin's Press, 1991). (OPTIONAL)

Barry Eichengreen, "Hegemonic Stability Theories of the International Monetary System," National Bureau of Economic Research, Wkg., Paper No. 2193, March 1987. (OPTIONAL)

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[5] You might find this interview and podcast of interest in connection with contemporary discussion of a return to some type of gold standard (http://www.npr.org/2017/06/26/534406765/one-nation-under-gold-explores-americas-obsession-with-one-precious-metal
http://www.npr.org/sections/money/2011/04/27/135604828/why-we-left-the-gold-standard)

[6] Here I am borrowing a phrase from Brazil's former Finance Minister, Guido Mantega.

<u>IB. Bretton Woods (1944-1971) and the dirty float (1971/3-Present)</u> {Course meeting on: Monday, Sept. 28}

<u>Bretton Woods</u>:

To what extent does the Bretton Woods international monetary system reflect an effort to build on the positive and negative experiences of the classical gold standard and the interwar eras? What economic and political conditions facilitated the operation of the post-war global monetary system? In what ways do we see "embedded liberalism" and Keynesianism reflected in the operating principles of domestic and international financial markets during this era? Why were capital controls such a central feature of the post-war global monetary system? What role did the US, the US dollar, and the newly-founded International Monetary Fund (IMF) play in the success and ultimate collapse of the Bretton Woods system? What policy lessons can we draw from the post-war monetary system? Why did many policymakers call for a "New Bretton Woods" during the global financial crisis of 2008-? *What features of the Bretton Woods system remain in place today?*

Barry Eichengreen, chapter 4, Globalizing Capital: A History of the International Monetary System, Princeton: Princeton University Press, 1998, 2008, or 2019. [Purchase this book]

Eric Helleiner, chapters 1-5, States and the Reemergence of Global Finance, Ithaca: Cornell University Press, 1996. [Purchase this book]

Eric Helleiner, A Bretton Woods Moment? The 2007-2008 Crisis and the Future of Global Finance. International Affairs, 2010, 86(3), 619-36. (Note: this article is germane to our discussions of Bretton Woods, contemporary financial reform, and calls for a "New Bretton Woods.") [C]

Eric Helleiner, Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order, Ithaca: Cornell University Press, 2014. The entire book is well worth reading, particularly for students interested in the role of developing economies in global financial governance. But if you only have time to read part of the book, read the introduction, chs. 1, 6, 7, 9 and the conclusion. (OPTIONAL)

Eric Helleiner and Bessma Momani, "The Hidden History of China and the IMF," pp. 45-70, in Eric Helleiner and Jonathan Kirshner (eds.), The Great Wall of Money, Ithaca: Cornell University Press, 2014.

Fred Block, Chapter 3, "Bretton Woods and the British Loan," pp. 32-69, in F. Block, The Origins of International Economic Disorder (University of California Press, 1977). (OPTIONAL)

<u>The dirty float (1971/3-present):</u>

How did the collapse of the Bretton Woods system usher in the era of the dirty float and the liberalization of international capital flows? In what ways did changes in ideas (by economists and policymakers) facilitate the rise of the dirty float and capital flow liberalization? What has kept the dirty float system operating over the last several decades? Should we take seriously contemporary calls to recast the global monetary system around gold or some other anchor? What does international monetary history suggest about the longevity of the dollar as the world's key international reserve currency? Should we be concerned about the current backlash against multilateralism, the decline of cooperation, and the emerging currency war(s)?

Barry Eichengreen, chapter 5 (read pages 136-middle of page 152 in the 1998 edition, pages 134-149 in the 2008 edition, or chapter 5 in the 2019 edition), Globalizing Capital: A History of the International Monetary System, Princeton: Princeton University Press, 1998, 2008, or 2019. [Purchase this book]

Eric Helleiner, chapters 6-8, States and the Reemergence of Global Finance, Ithaca: Cornell University

Press, 1996. [Purchase this book]

Rawi Abdelal, "Writing the Rules of Global Finance: France, Europe and Capital Liberalization," Review of International Political Economy, February 2006, 13:1, pp. 1-27. http://0-www.informaworld.com.bianca.penlib.du.edu:80/openurl?genre=article&issn=0969-2290&issue=1&spage=1&volume=13 [PL] [C]

If you haven't done so already, please read the collection of short articles (in Canvas) concerning a return to a gold standard (see also fn3).

Paul Volcker and Toyoo Gyohten, Chapters 4, 5, 8, 9, Changing Fortunes: The World's Money and the Threat to American Leadership (NY: Times Books, 1992) (OPTIONAL)

C. Randall Henning, Chs. 2-3, Currencies and Politics in the United States, Germany and Japan (Institute for International Economics,1994). (OPTIONAL)

Kunz, Diane, "The Fall of the Dollar Order," Foreign Affairs, July 1995, Vol. 74, No. 4, pp. 22-26. (OPTIONAL)

Susan Strange, "Still and Extraordinary Power: America's Role in a Global Monetary System," pp. 73-106, in R. Lombra and W. Witte, eds., The Political Economy of International and Domestic Monetary Relations (Ames, Iowa University Press, 1982). (OPTIONAL)

Raymond Frost, "Losing Economic Hegemony: UK 1850-91 and US 1950-90," Challenge, July-August 1992, vol. 35, no. 4, pp. 30-34. (OPTIONAL)

EXAM 1[7]: DISTRIBUTED ON MONDAY, SEPTEMBER 28 AT NOON. THE EXAM CAN BE FOUND IN THE "ASSIGNMENTS" SECTION OF CANVAS AND SHOULD BE SUBMITED THERE AS WELL. THE EXAM IS DUE ON SATURDAY, OCTOBER 3 AT 11:59PM.

II. International Financial Theory/Open-economy Macroeconomics (4 sessions; 1 session on each of the topics listed below as A.-D.)

Note: Omit the appendices in Krugman, Obstfeld, and Melitz.

A. The rules and political economy of balance of payments accounting {Course meeting on: Monday, Oct. 5}

What are the key types of transactions recorded in the current and the capital and financial accounts of the balance of payments? What can we learn about a nation's economy by examining various components of and historical trends in its balance of payments position? Are deficits in a country's current account always bad? How credible are balance of payments data?

Krugman, Obstfeld, and Melitz, Chapter 12, middle of page 307-320 in 2003 edition (note: review pages 294-middle of page 307 if you need a refresher in macroeconomics), or Chapter 12, middle of p. 291-302 in 2005 edition (note: review page 278-middle of page 291 if you need a refresher in macroeconomics), or chapter 12, pp. 301-312 in 2009 edition (note: review page p. 290-top of p. 301 if you need a refresher in macroeconomics), or Chapter 13, pp. 306-17 in 2011 edition (note: review pp. 293-306 if you need a refresher in macroeconomics), Chapter 13, pp. 326-338 in 2014 edition (note: review pages pp. 315-326 if you need a refresher in macroeconomics), Ch. 13, pp. 334-45 in 2015/2018 edition (note: review pages 323-32 if you need a refresher) [Purchase this book] **Alternatively**, you can read, "The ABCs of Balance of Payments Accounts," Capital Flows

[7] The exam is a "take home" essay. Students will be required to write an essay of up to 2100 words in response to one question that I pose on the material covered in section I of the course.

Monitor, December 9, 1999, p. 6 at http://www.kintera.org/atf/cf/%7BDFC2772-F5C5-4DFE-B310-D82A61944339%7D/capitalflow.pdf [C]

Cheryl Payer, "How to Read a Balance of Payments Table," page 4-middle of page 12, in C. Payer, The Debt Trap: The IMF and the Third World (Monthly Review, 1974). (Note: Compare the way in which Payer and the text explain the position of the "investment income" item on balance of payments tables. Attention should also be paid to the way in which Payer discusses "reading" a balance of payments table.) [C]

David Calleo and Susan Strange, "Money and World Politics," pp. 94 - middle of p. 107, in S. Strange, editor, Paths to International Political Economy (London: George Allen, 1984). [C]

William Poole, "Does the United States Have a Current Account Deficit Disorder? In: P. King and S. King, eds., International Economics and International Economic Policy, NY: McGraw Hill, 2005, pp. 234-239. [C]

John Motala, "Statistical Discrepancies in the World Current Account," Finance and Development, March 1997, pp. 24-25. **(SKIM ONLY)** [C]

*Note: you can find the US' BOP data at https://www.bea.gov/data/intl-trade-investment/international-transactions and BOP data for all IMF member countries at https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1390030341854

B. Exchange rate determination and dynamics: The neoclassical view {class meeting on: Monday, Oct. 12}

From a neo-classical perspective, what determines the value of a country's currency (i.e., its exchange rate)? (Note that the neo-classical perspective on exchange rates is also known as the orthodox view, the monetary theory of exchange rate determination, and the economic factors view.) From a neo-classical perspective, what causes the exchange rate to change? What is overshooting in currency markets, what causes it, and is it a serious problem for policymakers (or is it merely an "intra-day phenomenon," per John Rutledge)? Are currency markets "efficient" (in the sense that the values of currencies reflect accurate information about the true state of a country's economy)? You may also wish to reflect on the following question this week (or certainly by next week): does the neo-classical view of exchange rate dynamics provide a good explanation of what you observe when you look at trends in some particular country's exchange rate? E.g., China's currency has experienced a great deal of volatility during 2019. What explains this volatility (fundamental factors, market psychology, market sociology, news, rumors, etc..)? The US dollar appreciated against many currencies since the US Presidential election and especially during 2019. Did this reflect a change in fundamental economic factors? The dollar has depreciated in recent months. Does this reflect worries about the pandemic, politics, or something else?

Krugman & Obstfeld, Chapters 13-14 (2003, 2005, 2009), Chapters 14-15 in the 2011, 2014, 2015/2018 editions.

John Rutledge, "An Economists' View of the Foreign Exchange Market: Report on Interviews with West Coast Foreign Exchange Dealers," page 351 - middle of page 357, in Robert Baldwin and J. David Richardson (eds.), International Trade and Finance (Little, Brown, & Co.,1981). (This article is an example of what Hopper terms the "fundamental economic factors" theory of exchange rate determination, or what is more precisely termed the "efficient markets" or "neoclassical" view of exchange rate determination.) [C]

Gregory Hopper, "What Determines the Exchange Rate: Economic Factors or Market Sentiment," Business Review: Federal Reserve Bank of Philadelphia, September-October 1997, pp. 17-29. [C] http://www.philadelphiafed.org/files/br/brso97gh.pdf **[PL]**

Christopher Neely, "Foreign Exchange Intervention in an Era of Restraint," Federal Reserve Bank of St.

Louis Review, September/October 2011, 93(5), pp. 303-24. Please **SKIM** this article and focus on the concrete examples of currency market intervention that are discussed. [C]

Bank for International Settlements, Triennial Central Bank Survey, Monetary and Economic Department, September 2019, see pp. 3-7 for summary data on foreign exchange market activity. [C]

If you need a review of the mechanics of monetary policy, please consult the following (optional) source: Anthony Santomero, Federal Reserve Bank of Philadelphia Business Review Q1, 2002, pp. 1-4; website is http://www.phil.frb.org/files/br/brq102as.pdf). OR, review any basic (undergraduate) macroeconomics textbook.

Neil Wallace, "Why Markets in Foreign Exchange are Different from Other Markets," Federal Reserve Bank of Minneapolis Quarterly Review, Fall 1979, 3(4), pp. 1-6. (Note: this article exemplifies the arguments made against floating exchange rates during the 1970s.) (OPTIONAL)

Gregory Hopper, "Is the Foreign Exchange Market Efficient"?, Business Review, Federal Reserve Bank of Philadelphia, 1994, p. 17-25. (OPTIONAL)

C. Exchange rate determination and dynamics: Non-neoclassical views {class meeting on: Monday, Oct. 19}

Here we look at insights into currency market dynamics that derive from non-neoclassical approaches. In chapter 12 of the General Theory, Keynes does not discuss exchange rates per se. (Rather, his examples concern stock prices.) But his landmark insights on the endogeneity of expectations, fundamental uncertainty, market psychology and market sociology, the inherent instability of financial markets and asset prices, and the macroeconomic problems that stem from financial volatility can be used to understand currency market dynamics. Skidelsky extends Keynes' work and argues for its contemporary relevance. Adam Harmes focuses on the role of institutional investors (such as pension funds, mutual funds) in driving currency market instability. Pay particular attention to his discussion of institutional investors and overshooting. Oberlechner and Hocking is an interesting example of work in the behavioral economics tradition, a school of thought that often marries studies of markets with psychology, especially cognitive psychology (and sometimes neuroscience). Finally, the papers by Nelson and Sent & van Staveren are in the feminist economics tradition. Taken together, these authors respond critically (though differently) to a common assumption in behavorial approaches to finance. The assumption is that men and women have different proclivities when it comes to risk taking, which influences the degree to which financial markets (including currency markets) are volatile. (See also additional feminist treatments of the behavioral approach by Nelson and van Staveren in the optional readings. If you get really interested in the behavioral approach, you may want to track down at Anderson the optional readings by Coates, Herbert, and Oberlechner et al.—see below.)

After you read these various perspectives, compare them to the neo-classical view of exchange rate determination and dynamics. See if you can answer the following questions from the perspective of each approach: Which perspective sheds more light on what you observe when you look at currency markets today (e.g., as concerns the value of the dollar or the RMB)? Are currency markets efficient? Are overshooting and volatility significant public policy problems? To what extent are currency markets driven by the rational decisions of wealth-maximizing investors, information about an economy's fundamental conditions, rumor, news, market sentiment, expectations, group dynamics, and institutional power? Would you expect currency markets dominated by female traders to be as volatile as markets are presently?

Keynes, John Maynard, The General Theory of Employment, Interest, and Money. New York: Harcourt Brace and Company, 1936, chapter 12. [C]

Skidelsky, Robert, "The Relevance of Keynes," Cambridge Journal of Economics, 2011, 35, pp. 1-13.

(Note: pay particular attention to sections 1, 2, 5-6.) [C]
Oberlechner, Thomas and Sam Hocking, "Information Sources, News, and Rumors in Financial Markets: Insights into the Foreign Exchange Market," Journal of Economic Psychology, 25 (2004), pp. 407–424. [C]
Shiller, Robert, "Why Our Beliefs Don't Predict Much About the Economy," New York Times, October 12, 2018, p. B4. [C]
Harmes, Adam, "Institutional Investors and Polanyi's Double Movement: A Model of Contemporary Currency Crises," Review of International Political Economy, Autumn 2001, 8(3), pp. 389-437. [C] (Please focus only on the arguments that relate to the role of institutional investors in causing 'overshooting' in currency markets. You may wish to read the case studies that he presents later in the course.)
Esther-Mirjam Sent & Irene van Staveren, "A Feminist Review of Behavioral Economic Research on Gender Differences,"Feminist Economics, 2019, 25:2, 1-35 [C]
Nelson, Julie, "Not-So-Strong Evidence for Gender Differences in Risk Taking," *Feminist Economics*, 2015. [C]

Additional research by feminist economists on the underlying assumptions and research methods used by many behavioral economists. See, e.g., the following papers:
Irene van Staveren, "The Lehman Sisters hypothesis." *Cambridge Journal of Economics* (2014), 38, pp. 995-1014. [OPTIONAL-in Canvas]
Julie A. Nelson, "The Power of Stereotyping and Confirmation Bias to Overwhelm Accurate Assessment: The Case of Economics, Gender, and Risk Aversion, Journal of Economic Methodology, 21(3), pp. 211-231. [OPTIONAL-in Canvas]
Additional examples of work in the Keynesian/post-Keynesian tradition (what Hopper terms the "market sentiment" approach):
Harvey, John, "Currency Markets Participants' Mental Model and the Collapse of the US dollar: 2001-2008," Journal of Economic Issues, December 2009, XLIII(4), pp. 931-949. Harvey, John, "Psychological and Institutional Forces in the Determination of the Exchange Rate," Journal of Economic Issues, 2006, XL(1), pp. 153-170. (OPTIONAL)
Additional examples of the work in the behavioral tradition:
John Coates, The Hour Between Dog and Wolf: Risk Taking, Gut Feelings and the Biology of Boom and Bust, new York, Penguin Press, 2014. See especially p. 30, chs. 3-4, 6-7. [OPTIONAL]
Oberlechner, Thomas and Carol Osler, "Overconfidence in Currency Markets," August 2007, mimeo. [OPTIONAL]
Oberlechner, Thomas, Thomas Slunecko and Nicole Kronberger, "Surfing the Money Tides: Understanding the Foreign Exchange Market through Metaphors," British Journal of Social Psychology (2004), 43, pp. 133–156. (OPTIONAL-in Canvas)
Coates, J. M. and J. Herbert, "Endogenous Steroids and Financial Risk Taking on a London Trading Floor," PNAS, April 22, 2008, vol. 105, no. 16 , pp. 6167– 6172 . [OPTIONAL-in Canvas]
Other interesting papers:
Lo, Andrew, Adaptive Markets: Financial Evolution at the Speed of Light, Princeton: NJ, Princeton University Press, 2017. Read chapters 1 & 4. (OPTIONAL-in Canvas)
James Crotty, "The Realism of Assumptions Does Matter: Why Keynes-Minsky Theory Must Replace Efficient Market Theory as the Guide to Financial Regulation Policy," PERI Working Paper No. 255, March 2011. (OPTIONAL)

D. The relationship between exchange rates and trade performance {Course meeting on: Monday, Oct. 26}

From the perspective of neo-classical theory, how does a country's exchange rate influence its trade performance? In what ways is this view reflected in decisions made by national policymakers and advice offered by institutions like the IMF? Is there evidence that you can draw upon to support the commonly-held understanding of the link between exchange rates and trade performance? What are the implications of the J curve effect for policy? Will the US experience a J curve effect if the dollar strengthens—and, if so, is this cause for concern?, Is a fire sale effect something to be concerned about, say, in the case of the Brazilian real, or any of the other currencies that have been weakening of late? Could neo-classical economists have it wrong? What if (per Hossein-Zadeh) currency values do not drive trade performance, but rather trade and real sector performance influence currency values? What kind of guidance might policymakers derive from Hossein-Zadeh? If Hossein-Zadeh is correct, then why do policymakers continue to be so preoccupied with the value of their country's currency? During the global crisis there was a great deal of conflict among policymakers about the spillover effects of the expansionary monetary policies implemented in advanced economies. Was this concern warranted? Central bankers around the world are reintroducing expansionary monetary policy in the Covid-19 context. Is this helping countries to recover from the economic fallout of the Covid-19 crisis through an increase in exports? Are emerging market and developing country exports benefiting from the currency deprecations induced by the economic crisis?

Krugman & Obstfeld, chapter 16 (2003, 2005, 2009), chapter 17 in 2011, 2014, 2015/2018 edition.

Paul Krugman, "Exchange Rate Policy: The J-Curve, the Fire Sale, and the Hard Landing," pp. 382-387 in Philip King, editor, International Economics and International Economic Policy (McGraw-Hill, 1990). [C] (Note: this article, now a classic, was written during a period when the US' macroeconomic conditions resembled those of the present time. When you read the article, please consider whether its predictions are relevant to today's circumstances. Is the US likely to experience a J curve effect? Does any country's currency seem to be heading for a fire sale or a hard landing?)

IMF, Exchange Rates and Trade Flows, *IMF World Economic Outlook*, October 2015, chapter 3, pp. 105-42. [C]

Esmail Hossein-Zadeh, "Rethinking the Trade-Currency Relationship," Challenge, July-August 1995, pp. 55-6. [C] (Note: consider whether the arguments advanced in the article explain the currency-trade *or* the trade-currency relationship in any particular country today.) [C]

Raghuram Rajan, "Currencies Aren't the Problem," Foreign Affairs, March/April 2011, 90(2), pp. 104-16. [C]

IMF Webinar on "Dominant Currency Financing and the Great Lockdown, 7/20/2020. Speakers: IMF Chief Economist Gita Gopinath, Philip Lane from European Central Bank, Ana Fernanda Maiguashca from Colombia's Banco de la República, and Hyun Shin from the Bank for International Settlements—moderated by Soumaya Keynes of The Economist. Note: scroll to the bottom of this IMF blog post to be taken to the webinar, https://blogs.imf.org/2020/07/20/currencies-and-crisis-how-dominant-currencies-limit-the-impact-of-exchange-rate-flexibility/ [C]

* Note: the issues discussed this week will also be taken up in Int'l Trade (INTS 4310).

The following three papers are classic examinations of the "J-curve" (and other negative) effects of currency depreciation on developing countries.

Krugman, Paul and Lance Taylor, "Contractionary effects of devaluation," Journal of International Economics, 1978, 8, pp. 445-56; Richard Cooper, "Currency devaluation in developing countries," Princeton Essays in International Finance, June 1971, No. 86, pp. 3-38; Diaz-Alejandro, Carlos, "A note on the impact of devaluation and the redistributive effect," Journal of Political Economy, Dec. 1963, vol. 71, pp. 577-80. (OPTIONAL)

EXAM 2[8] DISTRIBUTED ON MONDAY, OCTOBER 26 AT NOON. THE EXAM CAN BE FOUND IN THE "ASSIGNMENTS" SECTION OF CANVAS AND SHOULD BE SUBMITED THERE AS WELL. THE EXAM IS DUE ON SATURDAY, OCTOBER 31 AT 11:59PM.

III. Contemporary Debates in International Monetary Relations

The class will have the option of selecting to focus the final three weeks of the course on any three of the seven issues listed below. We will discuss one issue from among topics A.-G. during each of the final three weeks (Mon., Nov. 2; Mon., Nov. 9; Mon., Nov. 16). I will distribute discussion questions on each topic prior to the class meeting; all members of the class are expected to come to each session ready to discuss these questions.

A required discussion question response memo will be due by the start of each class meeting (that is, by 2pm) in Part III of the course (Monday, Nov. 2; Monday, Nov. 9; and Mon., Nov. 16). Each discussion question response memo will provide brief responses (based on the required readings) to the discussion questions for that day's class meeting. Instructions and prompts for the discussion question response memos will be in Canvas in the "Quizzes" section, and should be submitted there as well.

A. The debate over the causes and consequences of the global financial crisis and lessons for a possible Covid-19 era crisis

What were the chief causes of the global crisis? How do differing perspectives on the root causes of the crisis influence positions taken in debates as to what might be done to prevent another global crisis? What were the chief consequences of the global crisis for financial regulation, income and wealth distribution, public health, the role of the US financial and regulatory system as a global role model, emerging market and developing countries, the power of the financial community, and the operation of financial firms? What can we learn by examining the knock on effects of the global crisis for women and people of color? What is your assessment of the arguments around discriminatory and predatory lending? Is there anything in the economic, financial, and public health environment of 2020 that suggests that another global or regional crisis is possible or likely? And what indications do we have that the burdens of a Covid-19 era crisis will be borne most heavily by emerging market and developing countries, women, and people of color?

Crotty, James, "Structural Causes of the Global Financial Crisis: A Critical Assessment of the 'New Financial Architecture," Cambridge Journal of Economics, 2009, 33, pp. 563-580. [C]

Gabor, Daniela, "Why Shadow Banking is Bigger Than Ever," Jacobin Magazine, Nov. 27, 2018. [C]

Taleb, Nassim Nicholas and Mark Blyth, "The Black Swan of Cairo: How Suppressing Volatility Makes the World Less Predictable and More Dangerous," Foreign Affairs, May/June 2011, pp. 33-39. [C]

van Staveren, Irene, "The Lehman Sisters hypothesis." Cambridge Journal of Economics (2014), 38, pp. 995-1014. **OR**, Prugl, Elisabeth, "Lehman Brothers and Sisters" Revisiting Gender and Myth After the Financial Crisis, pp. 21-40, in *Scandalous Economics*, Aida Hozic and Jacqui True, Oxford: Oxford University Press, 2016 [C].

Epstein, Gerald and Juan Montecino, Overcharged: The High Cost of Finance, Roosevelt Institute, July

[8] The exam is a "take home" essay. Students will be required to write an essay of up to 2100 words (plus diagrams, as appropriate) in response to one question that I pose on the material covered in section II of the course.

2016. [C]
Massey, Douglas, and Jacob Rugh. 2018. "The Great Recession and the Destruction of Minority Wealth." *Current History* 117 (802):298-303. [C]
Masterson, Thomas, Ajit Zacharias, Fernando Rios-Avila & Edward N. Wolff (2019) The Great Recession and Racial Inequality: Evidence from Measures of Economic Well- Being, *Journal of Economic Issues*, 53:4, 1048-1069. [C]
Coates, Ta-Nehisi, We Were Eight Years in Power, New York: One World, 2017, pp. 207-08. [C]
Reeves, Aaron. 2018. "The Cost of Austerity Policies for Public Health." *Current History* 117 (802):310-14. [C]
Grabel, Ilene, When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence, Cambridge: The MIT Press, 2017. Read chapters 1&6. [C]
Tooze, Adam, "The Forgotten History of the Financial Crisis: What the World Should Have Learned in 2008," Foreign Affairs, Sept.-Oct. 2018. [C]
Reinhart, Carmen, and Vincent Reinhart. 2018. "What We Should Have Learned From 2018." *Foreign Affairs*. [C]

Grabel, Ilene. 2018. "The Upside of a Messier Global Financial Architecture." *Current History* 117 (802):321-4. (OPTIONAL-in Canvas)
Jean-Louis Arcand, Enrico Berkes and Ugo Panizza, "Too Much Finance, IMF Working Paper No. 161, Research Department, 2012 (OPTIONAL-in Canvas)
Stephen G Cecchetti and Enisse Kharroubi, Reassessing the impact of finance on growth, BIS Working Paper No. 381, 2012 (OPTIONAL-in Canvas).
Johnson, Simon, "The Quiet Coup," Atlantic Monthly, May 2009. (OPTIONAL-in Canvas)
Daniela Gabor, "The (impossible) repo trinity: the political economy of repo markets, Review of International Political Economy,2016, 23:6, 967-1000 (OPTIONAL-in Canvas)
Ratna Sahay, Martin Čihák, and other IMF Staff, Women in Finance: A Case for Closing Gaps, 2018, IMF Discussion Note 5, see pp. 14-5, 19-21, and 25-6. (OPTIONAL-in canvas)
Hozic, Aida and Jacqui True, Making Feminist Sense of the Global Financial Crisis, pp. 3-21 (read only until page 13, especially pp. 8-9 on the gendered effects of the financial crisis), in *Scandalous Economics*, Aida Hozic and Jacqui True, Oxford: Oxford University Press, 2016. (OPTIONAL-in Canvas)
Antonopoulous, Rania, "The Current Economic and Financial Crisis: A Gender Perspective," Levy Economics Institute, May 2009. (OPTIONAL)
Floro, Maria et al. "The Impact of the Economic Crisis on Women's Empowerment," Swedish International Development Agency, Dec. 2009. (OPTIONAL)
Lo, Andrew, Adaptive Markets: Financial Evolution at the Speed of Light, Princeton: NJ, Princeton University Press, 2017, chaps. 1 & 4 (OPTIONAL)
Reinhart, Carmen and Kenneth Rogoff, This Time is Different: Eight Centuries of Financial Folly, Princeton: Princeton University Press, 2009, read Preamble and Chs. 13-14. (OPTIONAL)
Financial Crisis Inquiry Commission, "Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the US, January 2011, Washington DC. (OPTIONAL)
Wolf, Martin, The Shifts and the Shocks-What We've Learned-and have Still To Learn-From the Financial Crisis, New York: Penguin Press, 2014, chs. 1-5. (OPTIONAL)
Mirowski, Philip, "Inherent Vice: Minsky, Markomata, and the Tendency of Markets to Undermine Themselves, Journal of Institutional Economics, 2010, 6(4), pp. 415-43. (OPTIONAL)
Schwartz, Herman, Subprime Nation: American Power, Global Capital, and the Housing Bubble, Ithaca and London: Cornell University Press, 2009. (OPTIONAL)
Wade, Robert and Silla Sigurgeir, "Iceland's Meltdown: The Rise and Fall of International Banking in the North Atlantic," Real-world Economics Review, 2011, Issue No. 56, pp. 58-71. (OPTIONAL)
José Gabriel Palma, "The Revenge of the Market on the Rentiers," Cambridge Journal of Economics, 2009, 33, pp. 829-869. (OPTIONAL)

Ghosh, Jayati and C. P. Chandrasekhar, "The Costs of 'Coupling': The Global Crisis and the Indian Economy, Cambridge Journal of Economics, 2009, 33, pp. 725-739. (OPTIONAL)

B. The global crisis, the emergence of "financial pluripolarity," and new (developmental) financial architectures

Are we observing the emergence of pluripolarity in the global financial system? If so, in what ways is pluripolarity manifesting? What are the implications of these changes for the US, the IMF, the World Bank? Do these changes really matter in terms of power and governance in the global financial system? Are we moving toward a "post-American" global financial order? To what extent are new financial architectures in the Global South and Global East emerging? Why might these new architectures matter from the perspective of global financial governance, financial stability and resilience, and the prospects of emerging and developing economies to achieve the sustainable development goals? What are the advantages and disadvantages of a global financial architecture in which the Bretton Woods institutions operate alongside emerging and developing economy institutions? Does the US' apparent withdrawal from multilateralism render emergent financial pluripolarity more or less important? Are Chinese-led institutions the principal drivers of changes in the global financial architecture? Is emergent financial pluripolarity beneficial for countries on the African continent?

Grabel, Ilene, When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence, Cambridge: The MIT Press, 2017. Read chapter 6. [C]
Grabel, Ilene, "Post-American Moments in Global Financial Governance in the New Millennium," Political Economy Research Institute Working Paper No. 511, University of Massachusetts-Amherst, August 2020. [C]
Armijo, Leslie and Saori Katada, "Theorizing the Financial Statecraft of Emerging Powers," New Political Economy, 2015, 20 (1):42-62. [C]
Ocampo, José Antonio, Resetting the International Monetary (Non)System, Oxford: Oxford University Press, 2017. Read chapter 6. [C]
Chin, Gregory, "The Asian Infrastructure Investment Bank – New Multilateralism: Early Development, Innovation, and Future Agendas," Global Policy, Nov. 2019, 10(4), pp. 569-81. [C]
Chin, Gregory and Kevin Gallagher, Coordinated Credit Spaces: The Globalization of Chinese Development Finance, 2019, *Development and Change*, 50(1), pp. 245-74. [C]
Helleiner, Eric, "Multilateral Development Finance in Non-Western Thought: From Before Bretton Woods to Beyond," *Development and Change*, 2018, 50(1), pp. 144-63. [C]
Prinsloo, Cyril, AIIB Membership for African Countries: Drawcards and Drawbacks, Global Policy, Nov. 2019, 10(4),pp. 625-630. [C]
Humphrey, Chris, "'Minilateral' Development Banks: What the Rise of Africa's Trade and Development Bank Says About Multilateral Governance," *Development and Change*, 2018, 50(1), pp. 164-90. [C]

Antoniades, Andreas, "The New Resilience of Emerging and Developing Countries: Systemic Interlocking, Currency Swaps and Geoeconomics," Global Policy, 8 (2): pp. 170-180, May 2017 (OPTIONAL).
Chin, Gregory. 2016. "Asian Infrastructure Investment Bank: Governance, Innovation and Prospects." *Global Governance* 22 (1):11-25. (OPTIONAL)
Grabel, Ilene, "The Upside of a Messier Global Financial Architecture," *Current History*, November 2018, 117(802), pp. 321-24. (OPTIONAL-in Canvas)
Huotari, Mikko and Thilo Hanemann, "Emerging Powers and Change in the Global Financial Order," Global Policy, September 2014, 5(3), pp. 298-310. [Optional-in Canvas]
Helleiner, Eric. 2016. "Legacies of the 2008 Crisis for Global Financial Governance." *Global Summitry* 2 (1):1-12. [Optional]

Payne, Anthony, "How Many Gs are There in 'Global Governance 'After the Crisis: The Perspective of the 'Marginal Majority' of the World's States," International Affairs, 2010, 86(3), pp. 729-740. (OPTIONAL)

Grabel, Ilene, "Global Financial Governance and Development Finance in the Wake of the 2008 Financial Crisis," special issue on "Critical and Feminist Perspectives on Financial and Economic Crises, Feminist Economics, 19(3), 2013, pp. 32-54. (OPTIONAL)

C. US monetary power, the dollar, currency wars, and currency manipulation

Did the global crisis undermine or strengthen the US' monetary power (i.e., the global power of the US Federal Reserve, the role of the US dollar as an international reserve asset, and the ability of US policymakers to promote financial liberalization as a global norm)? What was involved in the "currency war" that garnered so much attention during and after the global financial crisis? In what ways did the Trump administration (including the US Department of the Treasury) influence the standing and value of the US dollar? What is meant by the practice (or allegation) of "currency manipulation," and why was there so much conflict around this matter in the last few years? What happened to the idea of organizing the international currency system around a new international reserve asset (modeled on the SDR)? Why has the dollar depreciated during the Covid-19 crisis? Does this imply that we are witnessing the end of a dollar-led global financial order? Would a stronger US dollar benefit the US economy, other advanced economies, developing and emerging economies?

Jonathan Kirshner, American Power After the Financial Crisis, Ithaca: Cornell University Press, 2014. Read chs. 1, 6-8. [C]

Norrlof, Carla et al. Global Monetary Order and the Liberal Order Debate. International Studies Perspectives, (2020) 21, 109–153. [C]

Eric Helleiner, "Downsizing the Dollar in the Age of Trump," Brown Journal of International Affairs, Spring/Summer 2017, XXIII, Issue 11, pp. 9-27. [C]

Subacchi, Paola, "Locking China Out of the Dollar System," Project Syndicate, October 21, 2019. [C]

Frankel, Jeffrey, "How a Weaponized Dollar Could Backfire," Project Syndicate, October 23, 2019. [C]

Paulson Jr., Henry, "U.S. Financial Power Depends on Washington, Not Beijing," Foreign Affairs,. May 19, 2020. [C]

El-Erian, Mohamed A., "Reading the Dollar Doldrums, Project Syndicate, August 11, 2020. [C]

Eichengreen, Barry, "Dollar Sensationalism," Project Syndicate, August 12, 2020. [C

Norloff, Carla, "Dollar Hegemony: A Power Analysis," Review of International Political Economy, 2014, 21(5), pp. 1042-1070. (in Canvas)

Eric Helleiner, The Status Quo Crisis: Global Financial Governance After the 2008 Meltdown. Oxford and New York, Oxford University Press, 2014. Read chapter 3. (in Canvas)

Helleiner, E., "The New Politics of Global Reserve Reform," Journal of Globalization and Development, 2010, pp. 1-12. http://www.bepress.com/jgd,MS1113 [OPTIONAL-in Canvas]

Prasad, Eswar S. The Dollar Trap, Princeton and Oxford: Princeton University Press, 2014. (OPTIONAL)

D. The rise of capital controls and currency interventionism during and since the global crisis

Why did controls over international capital movements emerge as a legitimate policy tool during the global crisis? What factors explain the rise of capital controls, and what are the economic and political costs and benefits of this tool? To what extent did currency market interventions become normalized during the crisis, and with what effects on domestic economies and international relations? To what extent are we likely to see new capital controls in response to the flight of capital to US markets and increases in global financial volatility as a consequence of the Covid-19 crisis?

Keynes, John Maynard, "National Self Sufficiency," Yale Review, 1933, 22(4), pp. 755-69. [C]
Grabel, Ilene, When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence, Cambridge: The MIT Press, 2017. Read chapter 7. [C]
Chwieroth, Jeffrey, "Managing and Transforming Policy Stigmas in International Finance: Emerging Markets and Controlling Capital Inflows After the Crisis," Review of International Political Economy, 2015, 22(1), 44-76. [C]
Silla Sigurgeirsdóttir and Robert H. Wade, "From Control by Capital to Control of Capital: Iceland's Boom and Bust, and the IMF's Unorthodox Rescue Package," Review of International Political Economy, 2015, 22(1), 103-33. [C]
Moschella, Manuela, "Currency Wars in the Advanced World: Resisting Appreciation At a Time of Change in Central Banking Monetary Consensus," Review of International Political Economy," 2015, 22(1), 134-61. [C]

Skidelsky, Robert, "The Relevance of Keynes," Cambridge Journal of Economics, 2011, 35, pp. 1-13. (OPTIONAL)
Ostry, Jonathan, Atish Ghosh, Karl Habermeier, L. Laeven, M. Chamon, M. Qureshi, and A. Kokenyne, "Managing Capital Inflows: What Tools to Use?" IMF Staff Discussion Note, No. 6, April 5, 2011. (OPTIONAL)
For more on the debate over capital controls and other measures to reduce financial volatility:
Grabel, Ilene, "Trip Wires and Speed Bumps: Managing Financial Risks and Reducing the Potential for Financial Crises in Developing Economies," prepared for the XVIIIth Technical Group Meeting of the G-24 in Geneva, Switzerland, March 8-9, 2004. Published as G-24 Discussion Paper No. 33, November 2004, United Nations and Geneva. (OPTIONAL) http://www.unctad.org/en/docs/gdsmdpbg2420049_en.pdf [PL]
Epstein, Gerald, Ilene Grabel, Jomo KS, Capital Management Techniques In Developing Countries: An Assessment of Experiences from the 1990's and Lessons For the Future, paper prepared for the XVIth Technical Group Meeting (TGM) of the UN Group of Twenty-four, Port of Spain, Trinidad and Tobago, February 13-14, 2003. (OPTIONAL) http://www.g24.org/un-egj04.pdf [PL]
Crotty, James and Gerald Epstein, "In Defence of Capital Controls," In Leo Panitch (ed.), Are There Alternatives? Socialist Register 1996, London: Merlin Press, 1996, 118-49. (OPTIONAL)
Kirsten Forbes, "One Cost of the Chilean Capital Controls: Increased Financial Constraints for Smaller Traded Firms," Journal of International Economics," 2007, 71, pp. 294-323. (OPTIONAL)
Kristin Forbes, "Capital controls: Mud in the Wheels of Market Efficiency," National Bureau of Economic Research, Working Paper No. 10284, January 2004. (OPTIONAL)
Edwards, Sebastian, "How Effective are Capital Controls," Journal of Economic Perspectives, 1999, 13(4), pp. 65-84. (OPTIONAL)

E. The International Monetary Fund (and the World Bank): Governance, power, policy practice, and the possible futures of these institutions

How well did the IMF perform in the years leading up to the global crisis? How well did the IMF perform during the global crisis? How does the IMF's own Independent Evaluation Office assess the Fund's performance during the crisis? Have the ideas of IMF staff and leadership changed during the crisis? Has the power, governance, and content of the IMF's policy advice changed in important ways during the crisis? If so, how do we know if the changes are real or simply rhetorical? To what extent are the IMF and World Bank likely to be left behind in a world in which new multilateral financial institutions (such as the Asian Infrastructure Investment Bank) come to play a more important role at the same time as the US may be retreating from its traditional role in the global financial architecture? Will the Bretton Woods institutions respond effectively to the next financial crisis (triggered, e.g., by financial volatility in

Argentina, Ecuador, Bolivia, Lebanon; instability triggered by Brexit; policy changes inaugurated by a variety of neonationalist leaders; overlending by China; the Covid-19 crisis)? What role might the Bretton Woods institutions play in a more multilayered, complex global financial system? Are there any signs of a change in direction at the World Bank or the IMF stemming from the appointments of David Malpass and Kristalina Georgieva? In what ways is the IMF responding to the challenges of climate change? To what extent are the World Bank and IMF responding effectively to the challenges associated with the Covid-19 crisis? What deficiencies in the global financial architecture and safety net are revealed by the Covid-19 crisis?

Grabel, Ilene, When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence, Cambridge: The MIT Press, 2017. Read chapter 5. [C]

Kentikelenis, Alexander, Thomas Stubbs, and Lawrence King. 2016. "IMF Conditionality and Development Policy Space, 1985–2014." *Review of International Political Economy* 23 (4):543-82.

Gender and Development Network and The African Women's Development and Communications Network, African Feminist Macroeconomic Academy, "The Audacity to Disrupt: An Introduction to Feminist Macro-Level Economics," 2020, pp. 12-21. [C].

Ocampo, José Antonio, Resetting the International Monetary (Non)System, Oxford: Oxford University Press, 2017. Read chapter 6. [C]

McDowell, Daniel, How Debt Traps from China's Belt and Road Initiative Could Upend the IMF, World Politics Review, August 2018. [C]

IMF, Fiscal Policy Monitor: How to Mitigate Climate Change, ch. 1, October 2019. [C]

Aronoff, Kate, "The IMF Thinks Carbon Taxes Will Stop the Climate Crisis. That's a Terrible Idea." The Guardian, October 12, 2019. [C]

Boughton, James, "It Is Finally Time for a New Bretton Woods," Center for International Governance Innovation," June 22, 2020. [C]

Georgieva, Kristalina Stefania Fabrizio, Cheng Hoon Lim, and Marina M. Tavares, The Covid-19 Gender Gap, IMF Blog, July 21, 2020. [C]

Kentikelenis, Alexander, "Against the Gentleman's Agreement," Progressive International, June 22, 2020. [C]

Herman, Barry, "What You Really Need to Know About the SDR and How to Make it Work for Multilateral Financing of Developing Countries," June 27, 2020, unupublished paper. [C]

Bretton Woods Project, "IMF Surveillance," Inside the Institutions, December 16. 2018. (OPTIONAL-in Canvas)

Nelson, Stephen, "The IMF's Evolving Role in Global Economic Governance," in Handbook of Global Economic Governance, Catherine Weaver and Manuela Moschella (eds), Abingdon: Routledge, 2014, pp. 155-170. (OPTIONAL-in Canvas)

Eichengreen, Barry and Ngaire Woods, The IMF's Unmet Challenges, Journal of Economic Perspectives, 2015, 30(1), pp. 29-52. [OPTIONAL-in Canvas]

Wade, Robert, 2013, "The Art of Power Maintenance, Challenge, 39(3), January/February 2013, 56(1), pp. 5-39. [OPTIONAL-in Canvas]

IMF Independent Evaluation Office (IEO); see the reports on the IMF's performance during the crisis.

Ban, Cornel, "Austerity versus Stimulus? Understanding Fiscal Policy Change at the International Monetary Fund Since the Great Recession," Governance 28 (2):167-83. (OPTIONAL)

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Martin Feldstein, "Refocusing the IMF," Foreign Affairs, March-April 1998, pp. 20-33. (OPTIONAL)

Response to Feldstein by Stanley Fischer, "In Defense of the IMF," Foreign Affairs, July-Aug. 1998, 77(4), pp. 103-06. (OPTIONAL)

Robin Broad, "Research, Knowledge, and the Art of 'Paradigm Maintenance': The World Bank's Development Economics Vice-Presidency (DEC), Review of International Political Economy, August 2006, 13:3, pp. 387-419. (OPTIONAL)

Robert Wade, "Capital and Revenge: The IMF and Ethiopia," Challenge, Sept.-Oct. 2001, 44(5), pp.67-75. (OPTIONAL)

Susan Strange, ch. 12 "International Organizations: The Econocrats," pp. 161-82, in The Retreat of the State: The Diffusion of Power in the World Economy, Cambridge: Cambridge University Press, 1998. (OPTIONAL)

Robert Wade, US Hegemony and the World Bank: Stiglitz's Firing and Kanbur's Resignation," New Left Review, 2001. (OPTIONAL)

Susan Strange, "Our international guardians," ch. 9 in Mad Money: When Markets Outgrow Governments, Ann Arbor: University of Michigan, 1998. (OPTIONAL)

Sidney Dell, "On being grandmotherly: The evolution of IMF conditionality," Princeton Essays in International Finance, October 1981, No. 144. (OPTIONAL)

F. The Eurozone crisis

What happened in the Eurozone? And exactly happened in Greece? Was the Troika (i.e., the partnership among the European Commission, the European Central Bank, and the IMF) a useful partnership? Is the Troika a good model for coordinated responses to other financial crisis in other regions? Did the end of Greece's assistance package in August 2018 mean that Greece and Europe are 'out of the woods'? What are the prospects that the euro will become an international currency? Should we expect that struggling economies will remain in the Eurozone? What challenges face ECB President Lagarde, particularly in connection with responding to the economic challenges of the Covid-19 crisis? What might a better European financial system look like?

Henning, C. Randall, Tangled Governance: International Regime Complexity, the Troika, and the Euro Crisis, Oxford: Oxford University Press, 2017. Read pp. 32-36 (begin at the subheading "Main arguments") and chapter 4. [C]

Blustein, Paul, "Laid Low: The IMF, the Eurozone, and the First Rescue of Greece," CIGI Papers, No. 61, April 2015. [C]

Jones, Erik, "The Forgotten Financial Union: How You Can Have a Euro Crisis Without a Euro, in *The Future of the Euro,* Matthias Matthijs and Mark Blyth (eds), Oxford: Oxford University Press, 2015, pp. 44-69 [C]

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Stiglitz, Joseph, "Toward a Financial System That Serves Society" (ch. 5, pp. 1-19) of *Rewriting the Rules of Europe: An Agenda for Growth and Shared Prosperity*, W.W. Norton & Co., 2020. [C]

Optional readings on the theory of currency unions:

Krugman and Obstfeld (textbook); ch. 20 in 2003, 2005, 2009, 2011 editions, chapter 21 in 2014 edition. (

Cohen, B., "Beyond EMU: The Problem of Sustainability," in The Political Economy of European Monetary Integration, Barry Eichengreen and Jeffry Frieden, eds., Boulder, CO: Westview Press, 1994, pp. 149-66. (OPTIONAL)

Mundell, R., "A Theory of Optimum Currency Areas," American Economic Review, Sept. 1961, 51, pp. 717-25. (The "classic" article on the theory of currency unions.) (OPTIONAL)

Ronald McKinnon, "Optimum Currency Areas," American Economic Review, September 1963, 53, pp. 717-25. (OPTIONAL)

E. Tower and T. D. Willet, The Theory of Optimum Currency Areas and Exchange-Rate Flexibility, Special

Studies in Int'l Economics #11, May 1976, Princeton Int'l Finance Section. (OPTIONAL)

Snaith, Holly, "Narratives of Optimum Currency Area Theory," New Political Economy, 19(2), 2014, pp. 183-200. (OPTIONAL)

Optional readings on European monetary integration:

Eichengreen, Barry, Globalizing Capital: A History of the International Monetary System, Princeton: Princeton University Press, read pp. 136-181 in the 1998 edition or pp. 149-184 and pp 219-227 in the 2008 edition.

Kathleen McNamara, The Currency of Ideas, Ithaca: Cornell University Press, 1998. (OPTIONAL)

G. The internationalization and role of the (Chinese) RMB and China's role in the global financial architecture

Is the RMB becoming an international currency, and why does this matter (in terms of financial stability, monetary policy, international and intra-regional relations, and the role of the US dollar)? What factors make further internationalization of the RMB more likely? What factors inhibit further internationalization? What is the significance of the inclusion of the RMB in the IMF's SDR (as of September 2016)? What is the geopolitical significance of China's monetary diplomacy (including its bilateral currency swaps), its emergence as a major player in the provision of development finance, and its role in supporting or creating new financial institutions? What are the implications of China's role in the global financial architecture for global financial stability and development? Is China filling a void in the global financial architecture left by the US?

Papers by Jiang, Yang, "The Limits of China's Monetary Diplomacy"; "Gregory Chin, "China's Rising Monetary Power," and Jonathan Kirshner, "Regional Hegemony and an Emerging RMB Zone," in Eric Helleiner and Jonathan Kirshner (eds.), The Great Wall of Money, Ithaca and London: 2014. [C].

Subacchi, Paola, *The People's Money*, New York: Columbia University Press, 2016, chapters 7-8. [C]

Gregory Chin and Kevin Gallagher, "Coordinated Credit Spaces: The Globalization of Chinese Development Finance," 2019, *Development and Change*, 50(1), pp. 245-74.

Chin, Gregory, "The Asian Infrastructure Investment Bank – New Multilateralism: Early Development, Innovation, and Future Agendas," Global Policy, Nov. 2019, 10(4), pp. 569-81. [C]

Girón, Alicia, "Is China Living a Minsky Moment? Between the "Lender of Last Resort" and the Chinese Shadow Financial System," Journal of Economic Issues, 52:2, 445-454. [C]

Gabor, Daniela, "Goodbye Chinese Shadow Banking and Hello Market-Based Finance," Development and Change, 2018, 49(2), pp. 394-419. [C]

Hurley, John, "Examining the Debt Implications of China's Belt and Road Initiative From a Policy Perspective," Center for Global Development Working Paper No. 121, March 2018. [C]

Zhou, Lihuan, et al. "Moving the Green Belt and Road Initiative: From Words to Actions," World Resources Institute and Global Development Policy Center, Working Paper, October 2018. [C]

McDowell, Daniel, How Debt Traps from China's Belt and Road Initiative Could Upend the IMF, World Politics Review, Aug. 2018. (OPTIONAL)

Hongying Wang, "Global Imbalances and the Limits of the Exchange Rate Weapon, " and Andrew Walter, "China's Engagment with International Monetary Surveillance," in Eric Helleiner and Jonathan Kirshner (eds.), The Great Wall of Money, Ithaca and London: 2014. (OPTIONAL)

Katada, Saori, From a Supporter to a Challenger: Japan's Currency Leadership in a Dollar-Denominated East Asia, Review of International Political Economy, 2008, 15(3), pp. 399-417. (OPTIONAL)

H. Cryptocurrencies: Implications for monetary policy, financial stability, and financial regulation

What are the chief challenges and opportunities associated with cryptocurrencies? What are the implications of cryptocurrencies for the conduct of monetary policy and the role of central banks; financial regulation and financial stability; national security/foreign policy; security of transactions and privacy; environmental integrity; and cost savings to the private sector? Do cryptocurrencies herald a future without what we traditionally think of as "money? Why are some governments cracking down on cryptocurrencies? Why are some governments creating their own cryptocurrencies? What do Libra (or Libra like currencies) mean for the global monetary system? The use of cash has declined during the Covid-19 crisis, Does this development herald the end of money as we (traditionally) know it?

Bank for International Settlements, Annual Report 2018, Section V-Cryptocurrencies, Basel: BIS. [C]
Adrian, Tobias and Tommaso Mancini-Griffoli, Digital Currencies: The Rise of Stablecoins, IMFBlog, September 19, 2019. [C]
Ng, Dennis and Paul Griffin, The Wider Impact of a National Cryptocurrency, *Global Policy*, June 2018. [C]
Council on Foreign Relations (prepared by Panda, Ankit), Cryptocurrencies and National Security, Jan. 2018. [C]
Whalen, Charles, *Naked Money*, NY: W. W. Norton & Company, 2016. Read chapter 13. [C]
Intelligence Squared podcast: Bitcoin is More Than a Bubble and Is Here to Stay, Aired April 21, 2018. https://www.intelligencesquaredus.org/debates/bitcoin-more-bubble-and-here-stay [C]
Roubini, Nouriel, The Big Blockchain Lie, *Project Syndicate*, October 15, 2018. [C]
Paumgarten, Nick, The Prophets of Cryptocurrency Survey the Boom and Bust," *New Yorker*, Oct. 10, 2018. [C]
Skidelsky, Robert, Why Reinvent the Monetary Wheel, *Project Syndicate*, May 23, 2018. [C]
Roubini, Nouriel, Why Central Bank Digital Currencies will Destroy Cryptocurrencies, *Project Syndicate*, Nov. 19, 2018. [C]
Haering, Norbert, Who Is Behind the Campaign to Rid the World of Cash, *Real-World Economics Review*, Issue No. 86. [C]
Stiglitz, Joseph, "Thumbs Down to Facebook's Cryptocurrency," Project Syndicate, July 2, 2019. [C]

Adrian, Tobias and Tommaso Mancini-Griffoli, The Rise of Digital Money, IMF Fintech Notes No. 1, 2019. (OPTIONAL)
Campbell-Verduyn, Malcolm, Bitcoin and Beyond: Cryptocurrencies, Blockchains, and Global Governance, London: Routledge. (OPTIONAL)
He, Dong et al. Virtual Currencies and Beyond, IMF Working Paper No. 3, Jan. 2016. (OPTIONAL)
Rogoff, Kenneth, The Curse of Cash, Princeton: Princeton University Press, 2016. Ch. 14. (OPTIONAL)
Iansiti, Marco and Karim Lakhani, The Truth About Blockchain, Harvard Business Review, Jan.-Feb. 2017, pp. 1-18. (OPTIONAL)
Two podcasts on cryptocurrencies. (OPTIONAL)