INTS 4320
INTERNATIONAL MONETARY RELATIONS

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; the global crisis and the rise of ‘financial pluriopoliya’ and new (developmental) financial architectures; US monetary power, the dollar, currency wars, and currency manipulation; the rise of capital controls and currency interventionism during 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 for monetary policy, financial stability, and financial regulation of cryptocurrencies.1

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

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1 Please check from time to time the “Emerging Issues” 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.
(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 Multilateralisation, 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 are available at the bookstore:


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). I have not ordered them at the bookstore, but you can surely find them on line. The Lanchester book is discursive in nature, while the Valdez and the Oxford Dictionary are traditional encyclopedia/dictionary formats.


**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 “Resources for class” folder within the “Modules” 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/Istör/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).

**Policy on classroom use of electronics and recording devices:**

Evidence shows that students who bring laptops, tablets or other electronic devices to class earn lower grades, learn less, and participate far less effectively than students who do not. Moreover, using a device for purposes unrelated to the course distracts other students (and me). Moreover, even when tablets or laptops are used for purposes related to the course, the constant sound of keys tapping interferes with the concentration of others in the course.

*Computers (laptops or tablets) may not be used in the course.* (Students with a physical disability that prevents them from taking notes during the seminar using a pen and paper should see me.) Students should bring pen and paper to class for the purposes of taking notes, and it is advisable to bring hard copies of the required readings to class (along with your notes/questions on the readings in hard copy form). This class may not be recorded and **cellphones must, of course, be turned off before class begins.**

**Data and News Sources on International Finance:**

1. The IMF’s publication, *IMF Survey*, is an invaluable resource. The publication is posted on the IMF’s website, www.imf.org. 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 and is kept in the Reference section of Anderson (call number is--HJ8899.W672). 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* and *Global Development Horizons* are also useful publications. IMF and World Bank publications are available on the institutions’ websites. The IMF’s quarterly publication, *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.


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

5. The May issue of the US Commerce Department’s *Survey of Current Business* summarizes US international transactions for the preceding year (see www.stat-usa.gov or www.doc.gov).


http://www.brettonwoodsproject.org. The New York Times business section and the Financial Times provide the best newspaper coverage and opinion analysis of international monetary issues. The Economist magazine is also an excellent news source, and you should consider reading it regularly.

**Grading:**

Course grades will be determined by two factors: exams (90% of grade) and participation in class discussions (10% of grade). There will be three exams: the first exam will account for 25% of the course grade, and the second and third exams will each account for 32.5% of the course grade. Note that students have the option of skipping the first exam – for students that make this choice, exams two and three will each account for 45% of the course grade (and the remaining 10% of the course grade will come from participation in class discussions). (See the documents “Guidance on writing and grading” and “Discussion of some commonly used terms in graded papers” in Canvas for the further discussion of grading.)

The exams will be distributed in class (see course outline below for distribution and due dates) and must be returned to me in class. Absolutely no extensions will be given on any of the three 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.

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**

*The global financial system: An overview of key issues, debates, and problems* (1 session) {Course meeting on: Wednesday, Jan. 8}

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Note: 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.) In order to set the context for our study this term, you may wish to begin reading regularly some of the news sources mentioned in #1 and #8 (under the heading above “Data and News Sources on International Finance”), particularly the IMF Survey, Finance and Development, The New York Times business section, the Financial Times and/or The Economist. You might also wish to take a look at the optional readings in the Introduction folder in Canvas—there you will find a collection of news stories on recent developments in the global monetary system. If you have purchased the (optional) book by John Lanchester, *How to Speak Money*, you may wish to skim it as well.

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?

A. The classical gold standard (1870-1914) and the interwar period (1918-1939) {Course meeting on: Wednesday, Jan. 15}

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? How well did this system 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?


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.3


Karl Polanyi, chapters 2, 16 & 17, The Great Transformation, Boston: Beacon Press, 1944. (OPTIONAL)


**Interwar period:**

*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” that we are witnessing today an analogue of the competitive currency devaluations of the interwar period?*


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


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


**B. Bretton Woods (1944-1971) and the dirty float (1971/3-Present)** [Course meeting on: Wednesday, Jan. 22]

Bretton Woods:

3 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)


4 Here I am borrowing a phrase from Brazil’s former Finance Minister, Guido Mantega.
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?

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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)

The dirty float (1971/3-present):

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)?

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).

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


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EXAM 1\*: DISTRIBUTED ON WEDNESDAY, JANUARY 22. HARD COPY OF THE EXAM IS DUE AT THE START OF CLASS ON WEDNESDAY, JANUARY 29.

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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: Wednesday, Jan. 29)

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?


5 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.

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]


*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 http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52

B. Exchange rate determination and dynamics: The neoclassical view [class meeting on: Wednesday, Feb. 5]

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 has appreciated against many currencies since the US Presidential election and especially during 2019. Does this reflect a change in fundamental economic factors?


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]

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]


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)


**C. Exchange rate determination and dynamics: Non-neoclassical views** [class meeting on: Wednesday, Feb. 12]

*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 paper by Nelson is in the feminist economics tradition. Nelson responds to behavioral economics in regards to its assumptions about the inherent risk taking proclivities of male versus female traders. The Nelson paper also responds critically to work by other feminist economics, e.g., van Staveren (see citation in the optional readings). (If you get really interested in the behavioral approach, you may want to read the optional readings by Coates, Herbert, and Oberlechner et al.—see below. See also the additional optional readings on the feminist treatments of the behavioral approach by Nelson and van Staveren.)*

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 strength of the dollar, the depreciation of 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?


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.)


Additional research by feminist economists on the underlying assumptions and research methods used by many behavioral economists. See, e.g., the following papers:


Additional examples of work in the Keynesian/post-Keynesian tradition (what Hopper terms the “market sentiment” approach):


Additional examples of the work in the behavioral tradition:


Other interesting papers:


D. The relationship between exchange rates and trade performance (Course meeting on: Wednesday, Feb. 19)

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 continues to strengthen—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. This is inducing conflict—why?


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]


* 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.


EXAM 26 DISTRIBUTED ON WEDNESDAY, FEBRUARY 19. HARD COPY OF THE EXAM IS DUE AT THE START OF CLASS ON WEDNESDAY, FEBRUARY 26

6 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.
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 (Wed., Feb. 26; Wed., March 4; Wed., March 11).

A. The debate over the causes and consequences of the global financial 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, the power of the financial community, and the operation of financial firms? What can we learn by taking a gendered perspective on the global crisis? Is there anything in the financial environment of 2019-20 that suggests that another global or regional crisis is possible or likely?

Epstein, Gerald and Juan Montecino, Overcharged: The High Cost of Finance, Roosevelt Institute, July 2016. [C]
Reinhart, Carmen, and Vincent Reinhart. 2018. "What We Should Have Learned From 2018." Foreign Affairs. [C]
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)
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? 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?

Huotari, Mikko and Thilo Hanemann, “Emerging Powers and Change in the Global Financial Order,”
Global Policy, September 2014, 5(3), pp. 298-310. [C]
Ocampo, José Antonio, Resetting the International Monetary (Non)System, Oxford: Oxford University Press, 2017. Read chapter 6. [C]
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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)? Is the US dollar likely to retain its place as the world’s international reserve currency? In what ways might the Trump administration (including the US Department of the Treasury) influence the standing and value of the US dollar? Why is the dollar strengthening despite an uncertain and volatile domestic policy environment? Does a stronger US dollar benefit the US economy, other advanced economies, developing and emerging economies? What are the consequences of the currency war for the standing and role of the dollar? What is meant by the practice (or allegation) of currency manipulation, and why is there so much conflict around this matter now? What happened to the idea of organizing the international currency system around a new international reserve asset (modeled on the SDR)?

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


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. 6-8, conclusion. (OPTIONAL)


For an overview of the discussion of new types of taxes on international financial transactions, see this paper: Thornton, Matheson, “Taxing Financial Transactions: Issues and Evidence,” IMF Working Paper, Fiscal Affairs Department, August 2010, No. 10. (OPTIONAL) You may also wish to examine the related discussion of the “Tobin Tax” (on currency trading) and the IMF’s proposal for a “Financial Activities Tax.”

D. The rise of capital controls and currency interventionism during 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 to (expected) increases in global financial volatility throughout 2019-20?


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),
174-61. [C]


For more on the debate over capital controls and other measures to reduce financial volatility:

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-cgi04.pdf [PL]


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 nationalism leaders; overlending by China)? 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?


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]
Akyüz, Yılmaz, Renewed Crises in Emerging Economies and the IMF: Muddling Through Again, South Centre Policy Brief, No. 47, June 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]


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


Woods, Ngaire. 2010. “Global governance after the financial crisis: A new multilateralism or the last gasp of the great powers?” Global Policy, 1(1), 51-61. [C] (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? Does 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? What might a better European financial system look like?


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


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Optional readings on the theory of currency unions:


Optional readings on European monetary integration:


Optional readings on the crisis in the Eurozone:


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, ch. 9. (OPTIONAL)


Lütz, Susanne and Matthias Kranke. The European Rescue of the Washington Consensus? EU and
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?*


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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?*
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]
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]
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He, Dong et al, Virtual Currencies and Beyond, IMF Working Paper No. 3, Jan. 2016. (OPTIONAL)
Two podcasts on cryptocurrencies. (OPTIONAL)

EXAM 3 WILL BE DISTRIBUTED ON MARCH 2 (AT NOON) VIA EMAIL. IT WILL BE DUE ON TUESDAY, MARCH 17 AT 9AM (SUBMIT VIA EMAIL).

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7 The exam is a “take home” essay. Students will be required to write one essay of up to 2800 words in response to questions that I pose on the material covered in section III of the course.