Politics of Global Financial Relations

Political Science 601 (Fall 2015)
Wednesday 1:20-3:15 PM
Education Sciences 218

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Course overview
The purpose of this seminar is to explore the politics of international finance. We will focus, in particular, on the ways in which the globalization of finance over the last four decades has influenced – and been influenced by – both international relations and domestic politics. Topics include: the effects of international financial integration on national policymaking; international institutions and global financial governance; financial crises; exchange rates; the historical evolution of the international economy; and China’s integration into the global economy. Along the way, we will discuss a number of important theoretical issues in the study of international relations, including the role of international institutions, the interplay between politics and economics, and the role of the nation-state.

Course requirements

Written requirements
1. One short essay (~6-8 pages) on an assigned topic related to the readings. The first essay topic will be handed out in class on October 7, with papers due on October 17. Collaboration with other students is not permitted.

2. Two “news analysis” memos (2-3 pages each) in which you discuss a key article/event/policy debate in the news related to the reading materials covered in class during that week. The goal for these memos will be critically analyze the event or article in light of what we have learned about the politics of global financial relations. Examples of questions you might address include: 1) What are the merits of the author’s proposal or argument?; 2) What is at stake? Who are the winners and losers?; 3) What are the key political issues/obstacles?; 4) Does the article misstate or overlook key economic and political issues? NOTE: These are not meant to be summaries of the readings; rather, I expect you to think critically about the important questions and issues raised by the news. You may choose when to write these memos, with four qualifications: (1) you must write at least one by October 21; (2) you must have written both by November 18; (3) you may not write a memo for week 1; and (4) retroactive (backdated) memos are not permitted. Papers are due at the start of class and must address the readings for that class meeting.
3. **Final project:** On the last two days of class (December 2 & 9), we will be holding a mock Eurozone summit to debate the state of the eurozone crisis and consider possible policy initiatives to manage and resolve the crisis. At the summit, each of you will play the role of the finance minister or central bank governor of a Eurozone member-state. In preparation for this summit, you will prepare a 10-15 page research memo, in which you discuss the following: 1) your country’s current economic and financial situation and how the Eurozone crisis has affected it; and 2) your government’s policy positions on three key issues: a) policy responses to the Greek crisis; b) future European Central Bank initiatives to address the debt and banking crises in the eurozone; and c) institutional reform to ensure the long-term stability and survival of the Eurozone. The papers will be due on Monday, December 14. However each of you will choose your country by September 30 (NOTE: I will be playing the role of ECB President Mario Draghi), and you will complete a one-page summary/outline of your memo by November 4. As the semester progresses, we will discuss plans for the mock summit in greater detail.

**Participation**

This is a seminar course, with the emphasis on careful reading and intensive discussion. **I expect you to come to class having done all of the reading,** which I have kept as manageable as possible for this reason. I also **expect that you will actively participate in class discussions; this is not a lecture course.** I highly suggest, in addition, that you take notes while you read, so that we can have a focused, detailed discussion class. We will not spend class simply summarizing the arguments in the material, nor will I be doing the majority of the talking. Rather, the goal of our discussions will be to analyze, critique, and compare the readings, with an eye toward identifying and discussing the major issues/themes of the week.

Evaluation for the course will be based on the final project (30%), class participation (30%), the take-home essay (25%), and the news analysis memos (15%).

**Readings**

Nearly all of the readings are available online, either through the provided web links or on the course web site. Those available on the website are indicated by an asterisk (*) on the syllabus. Due to copyright regulations, the cost (to you) of printing these materials is vastly less than the cost of a course pack.

In addition, two book are highly suggested for purchase; they is available from the UW bookstore:


We will discuss recommended newspaper/blog/magazine readings at the first class session.
Important notes/class policies

• The best way to reach me is via email at copelovitch@wisc.edu or to speak with me before/after class.

• Attendance: If you know that you will be absent from class for religious or other reasons that can be known in advance, please let me know. If you have to miss class due to sickness or family emergencies, please keep me informed as possible. Remember that attendance/participation is fully 30% of your grade, and unexcused/unexplained absences will be noted accordingly.

• Grading
  o The grade scale is as follows: 93-100 A, 88-92 AB, 83-87 B, 77-82 BC, 70-77 C, 60-69 D, <60 F
  o Re-evaluating grades (please read very carefully!): My policy is the following:
    ▪ You have to wait for 48 hours after the assignment has been returned before issuing any complaints. You then have to draft a 1-2 page double-spaced memo outlining why you deserve a better grade. Please note that this memo has to be based entirely on the merit of your own work, i.e., it cannot be based on comparisons with the grades of other students.
    ▪ Your grade will then be fully re-evaluated. This means that I may revise the grade downward as well as upward. So please be certain that you have a very specific and justifiable reason before asking us to make any changes – this is not a risk-free process!
  o There are no extra credit opportunities. Your grade is determined by the assignments as described in the syllabus.

• Assignments: The assignment schedule is set. Clear your schedules now. There will be no make-up assignments unless you can provide proper documentation that your absence is due to a) a genuine family emergency, b) illness or injury, or c) travel away from Madison for university-related (!) obligations. If an assignment is missed for a valid reason, I will give you a substitute assignment of appropriate length/deadline.

• Late policy: All late work will be penalized at the rate of 1/2 letter grade per day, including weekends (e.g., a “B” paper one day late will earn a “BC”). If you have conflicts with deadlines for any reason (illness, scheduling, religious holidays, or otherwise) please discuss them with me as early as possible.

• Accommodations: Students needing special accommodations to ensure full participation in this course should contact me as early as possible. All information will remain confidential. You also may contact the McBurney Disability Resource Center regarding questions about campus policies/services.

• Cheating and plagiarism are very serious offenses that will not be tolerated in the course. You will receive a zero for the assignment and a failing grade for the class, and the reason for the grade will be noted in your transcript.
I. FOUNDATIONS

September 2: Overview

- Video lecture: “Globalization: Trends and Causes”


September 9: Theoretical background

- Video lectures: “Economics of International Trade” and “Economics of International Finance”


- [Optional video lectures: IR theory and domestic politics]

September 16: Historical background

• Video lectures on “The Golden Age, 1870-1914,” and “The Interwar Era, 1919-1939”

September 23: NO CLASS (YOM KIPPUR)

• Complete/review Frieden, Global Capitalism


September 30: Capital flows and financial crises

• Video lecture: “Capital Flows and Financial Crises”


• Paul Krugman, The Return of Depression Economics and the Crisis of 2008, Chs. 1-5 (pp. 3-118)

II. THE POLITICAL ECONOMY OF INTERNATIONAL MONEY AND FINANCE

October 7: Exchange rates, capital flows, and domestic politics


October 14: The International Monetary Fund

- Video lecture: IMF


October 21: Global financial governance

*Last day to submit first news analysis*


III. The Financial Crises of 2008-15

October 28: NO CLASS

- Video lectures: Great Recession and Euro Crisis

- Paul Krugman, *Return of Depression Economics*, Chs. 6-10 (pp. 119-191)

November 4: The Great Recession: Causes, consequences, and responses

  (http://www.people.fas.harvard.edu/~jfrieden/Selected%20Articles/Misc_Works/chinn_frieden_debtcrisis_2009.pdf)


  (http://www.ft.com/intl/cms/s/0/6f79a298-ca00-11e2-8f55-00144feab7de.html#axzz2YxSIG96T).
November 11: The Euro Crisis


- Wolfgang Munchau, “The Make-Believe World of Eurozone Rules,” July 26, 2015 ([http://on.ft.com/1JnwZ9g](http://on.ft.com/1JnwZ9g)).

- Kevin O’Rourke, “Moving on From the Euro”, *Project Syndicate*, July 2015 ([http://www.project-syndicate.org/commentary/eurozone-failed-experiment-by-kevin-o-rourke-2015-07#i1Lh78PL7UBOXorG.99](http://www.project-syndicate.org/commentary/eurozone-failed-experiment-by-kevin-o-rourke-2015-07#i1Lh78PL7UBOXorG.99)).


November 18: New problems in global finance (further readings TBD)

*Last day to submit second news analysis*

- The interest rates debate in advanced economies
  - [http://www.ft.com/intl/cms/s/0/11a11c9a-4a74-11e5-b558-8a9722977189.html#axzz3jhgUDEnn](http://www.ft.com/intl/cms/s/0/11a11c9a-4a74-11e5-b558-8a9722977189.html#axzz3jhgUDEnn)

- China: stock market crash, currency wars, rebalancing
November 25: NO CLASS

December 2: Euro Crisis Summit simulation, Part I: Greece

December 9: Euro Crisis Summit simulation, Part II: Reforming EMU