

**Graduate School of International Relations and Pacific Studies:  
IRGN 402/202**

**INTERNATIONAL POLITICAL ECONOMY: MONEY AND FINANCE**

Spring Quarter 2007  
Mondays and Wednesdays, 9:30 AM -10:50 AM

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**OFFICE HOURS:** Mondays, 11 AM to 1 PM and by appointment

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

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

After a brief review of the politics of monetary and financial systems before 1945, the course will concentrate on explaining developments in recent decades. During that period, international monetary collaboration has been informal and sporadic; international regulatory cooperation and competition have increased in an era of financial integration; and capital flows to developing countries have been interrupted by periodic crises. Debates over a new international financial architecture continue.

**COURSE REQUIREMENTS:**

Ph.D. students in the course may complete a research paper (thirty pages maximum) on a topic agreed with the instructor.

All other students in the course will complete

- (1) a short paper (5-7 pages), due May 7
- (2) a final policy memorandum (10-15 pages) due June 11

Papers will be based primarily on course readings. Topics for the first paper will be distributed.

Each student will open discussion in at least one class session, complete the reading for all sessions, and participate in all class discussions.

The course grade will be based on grades received for the first paper (35%), the final paper (45%), opening class discussion and class participation (20%).

**COURSE READINGS:** Readings marked with an asterisk (\*) are available for purchase in the University Bookstore. You may wish to determine the total number of pages assigned before purchasing the books. Readings are available on electronic reserves at the UCSD library. (Journal articles can be easily found in the UCSD library's electronic collection.)

"Additional reading" is recommended only; it is included for Ph.D. students who choose the research paper option.

## **April 2: Introduction: National autonomy, exchange rate regimes, and financial integration**

Maurice Obstfeld and Alan M. Taylor, *Global Capital Markets: Integration, Crisis, and Growth*, pp. 4-41.

Jeffrey A. Frieden, "Exchange Rate Politics: Contemporary Lessons from American History," *Review of International Political Economy*, 1, 1 (Spring 1994): 81-103

## **April 4: Financial integration and monetary cooperation before 1973**

\*Barry Eichengreen, *Globalizing Capital*, pp. 7-44, 93-135 [skim]

Miles Kahler, "Bretton Woods and Its Competitors: The Political Economy of Institutional Choice," in David M. Andrews, C. Randall Henning, and Louis W. Pauly, editors, *Governing the World's Money*, pp. 38-59

### *Additional reading:*

Michael Bordo. "Exchange Rate Regime Choice in Historical Perspective," NBER Paper 9654 (2003)

Kenneth A. Dam, *The Rules of the Game*, pp. 14-70

Michael P. Dooley, David Folkerts-Landau, and Peter Garber, *An Essay on the Revived Bretton Woods System*, NBER Working Paper 9971 (September 2003)

Barry Eichengreen, *Golden Fetters*

Albert Fishlow, "Lessons from the past: capital markets during the 19th century and the interwar period" in Miles Kahler, editor, *The Politics of International Debt*, pp. 37-93

Morris Goldstein and Nicholas Lardy, "China's Role in the Revived Bretton Woods System: A Case of Mistaken Identity," Institute for International Economics Working Paper 05-2 (March 2005)

Eric Heilleiner, *The Making of National Money*

Beth A. Simmons, *Who Adjusts: Domestic Sources of Foreign Economic Policy during the Interwar Years*

Beth A. Simmons, "Why Innovate? Founding the Bank for International Settlements," *World Politics*, 45, 3 (April 1993), pp. 361-405

Barbara Stallings, *Banker to the Third World*

## **RESPONSES TO INTERNATIONAL FINANCIAL INTEGRATION**

### **April 9 and 11. The industrialized countries: international financial integration. national policies, and macroeconomic coordination**

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

Laurence H. Meyer, et al., "International Coordination of Macroeconomic Policies: Still Alive in the New Millennium?" in David Vines and Christopher L. Gilbert, eds., *The IMF and Its Critics*, pp. 59-105

C. Randall Henning, "The Exchange-Rate Weapon and Macroeconomic Conflict," in David M. Andrews, editor, *International Monetary Power*, pp. 117-138

*Additional reading:*

- William Bernhard and David Leblang (1999), 'Democratic Institutions and Exchange-rate Commitments,' *International Organization*, **53** (1), Winter, pp. 71-97
- William Bernhard, J. Lawrence Broz, and William Roberts Clark, "The Political Economy of Monetary Institutions," *International Organization*, Vol. 56 No. 4 (Autumn 2002), pp. 693-723
- J. Lawrence Broz and Jeffrey A. Frieden, "The Political Economy of International Monetary Relations," *Annual Review of Political Science*, 4 (2001), pp 317-344
- William Roberts Clark, *Capitalism, Not Globalism: Capital Mobility, Central Bank Independence, and the Political Control of the Economy*.
- William Roberts Clark and Mark Hallerberg, 'Mobile Capital, Domestic Institutions, and Electorally Induced Monetary and Fiscal Policy,' *American Political Science Review*, 94, 2 (June 2000), pp. 323-46
- Yoichi Funabashi, *Managing the Dollar: From the Plaza to the Louvre*
- C. Randall Henning, *Currencies and Politics in the United States, Germany, and Japan*
- Miles Kahler and David A. Lake, *Governance in a Global Economy* (chapters by Rogowski, Simmons, and Gourevitch)
- Layna Mosley, *Global Capital and National Governments*

**April 16 and 18. Ensuring system stability: international collaboration and financial regulation**

- Garry J. Schinasi, *Safeguarding Financial Stability: Theory and Practice*, pp. 153-180
- Beth A. Simmons, '[The International Politics of Harmonization: The Case of Capital Market Regulation](#),' *International Organization*, 55,3 (Summer 2001), 589-620
- Barry Eichengreen, "Governing Global Financial Markets: International Responses to the Hedge-Fund Problem," in Miles Kahler and David A. Lake, *Governance in a Global Economy*, pp. 168-198

*Additional reading:*

- Barry Eichengreen, *Toward a New International Financial Architecture*, pp. 37-58
- Morris Goldstein, *The Case for an International Banking Standard*
- Eric Helleiner, "State Power and the Regulation of Illicit Activity in Global Finance," in H. Richard Friman and Peter Andreas, *The Illicit Global Economy and State Power*
- Ethan B. Kapstein, *Governing the Global Economy*
- Roger Lowenstein, *When Genius Failed: The Rise and Fall of Long-Term Capital Management*, pp. 123-236
- Duncan Wood, *Governing Global Banking: The Basel Committee and the Politics of Financial Globalisation*

**April 23 and 25: The developing countries: national policy choices and international financial integration**

- Stephan Haggard and Sylvia Maxfield, "The Political Economy of Financial Liberalization in the Developing World," in Robert O. Keohane and Helen V. Milner, editors, *Internationalization and Domestic Politics*, pp. 209-239
- Peter Kenen, *The New International Financial Architecture: What's New? What's Missing?*, pp. 71-86

David Stasavage, "When Do States Abandon Monetary Discretion? Lessons from the Evolution of the Franc Zone," in Jonathan Kirshner, ed., *Monetary Orders*, pp. 78-97  
OR

Andr s Velasco and Pablo Cabezas, "Alternative Responses to Capital Inflows: A Tale of Two Countries," in Kahler, ed., *Capital Flows and Financial Crises*, pp. 128-157

Javier Guzm n Calafell, "The View from Mexico" OR Andrew Walter, "Implementation in East Asia," in Benu Schneider, ed., *The Road to International Financial Stability: Are Key Financial Standards the Answer?*, pp. 98-109, pp. 110-149 [Skim for background: Andrew Cornford, "Key Financial Standards: A Guide," pp. 215-237]

*Additional reading:*

Guillermo A. Calvo and Carmen M. Reinhart, "Capital Flow Reversals, the Exchange Rate Debate, and Dollarization," *Finance and Development*, 36, 3 (September 1999), pp. 13-15

Guillermo A. Calvo and Carmen Reinhart, 2000. "Fear of Floating," NBER Working Paper 7993

Benjamin J. Cohen, *The Future of Money*, chapter 5

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

Jeffrey A. Frankel, "No Single Currency Regime is Right for All Countries or at All Times," (NBER Working Paper No. 7338, September 1999)

Morris Goldstein, *Managed Floating Plus*

Natasha Hamilton-Hart, *Asian States, Asian Bankers: Central Banking in Southeast Asia*

Ricardo Hausmann and Ugo Panizza, "The Mystery of Original Sin" (unpublished paper, July 2002).

Stephan Haggard, Chung H. Lee, and Sylvia Maxfield, editors, *The Politics of Finance in Developing Countries*

Carmen Reinhart, Kenneth Rogoff, Miguel A. Savastano. "Addicted to Dollars," NBER Working Paper 10015 (2003)

Kenneth Rogoff, et al., *Evolution and Performance of Exchange Rate Regimes*, IMF Occasional Paper 229 (2004)

Barbara Stallings, *Finance for Development: Latin America in Comparative Perspective*

## **INTERNATIONAL FINANCIAL CRISES: PREVENTION AND MANAGEMENT**

### **April 30 and May 2. The developing countries: capital flows and financial crises**

\*Nouriel Roubini and Brad Setser, *Bailouts or Bail-ins?: Responding to Financial Crises in Emerging Economies*, pp. 25-72

Jeffrey A. Frankel and Nouriel Roubini, "The Role of Industrial Country Policies in Emerging Market Crises," in Martin Feldstein, ed., *Economic and Financial Crises in Emerging Market Economies*, pp. 155-171

Saori N. Katada, "Japan's Counterweight Strategy," in Ellis S. Krauss and T.J. Pempel, *Beyond Bilateralism: U. S.-Japan Relations in the New Asia-Pacific*, pp. 176-197

Stephan Haggard, *The Political Economy of the Asian Financial Crisis*, pp. 15-46

*Additional reading:*

Paul Bluestein, *The Chastening*

Barry Eichengreen and Albert Fishlow, "Contending with Capital Flows: What is Different about the 1990s?" in Miles Kahler, editor, *Capital Flows and Financial Crises*, pp. 23-68

Barry Eichengreen and Ricardo Hausmann, "Exchange Rates and Financial Fragility," NBER Working Paper 7418, November 1999

Morris Goldstein, *The Asian Financial Crisis: Causes, Cures, and Systemic Implications*  
Graciela Kaminsky, "Varieties of Currency Crises" (NBER Working Paper 10193, December 2003).

Saori N. Katada, *Banking on Stability: Japan and the Cross-Pacific Dynamics of International Crisis Management*, pp. 172-207

Peter Kenen, *The New International Financial Architecture: What's New? What's Missing?*, pp. 13-47

Andrew MacIntyre, *The Power of Institutions*

T. J. Pempel, editor. *The Politics of the Asian Economic Crisis*

Steven Radelet and Jeffrey D. Sachs, The East Asian Financial Crisis: Diagnosis, Remedies, Prospects, *Brookings Papers on Economic Activity*, 1: 1998, pp. 1-90

Michael Tomz, "Voter Sophistication and Domestic Preferences Regarding Debt Default," unpublished paper, March 2004.

**May 7: The International Monetary Fund, the World Bank, and conditionality**

\*Nouriel Roubini and Brad Setser, *Bailouts or Bail-ins?*, pp. 119-180

Joseph E. Stiglitz, *Globalization and its Discontents*, pp. 23-52

Randall Stone, *Lending Credibility: The International Monetary Fund and the Post-Communist Transition*, pp. 59-86 AND pp. 89-115 (Poland) OR 169-208 (Ukraine)

**May 9: Case study in crisis management--Argentina**

\*Michael Mussa, *Argentina and The Fund: From Triumph to Tragedy*, pp. 23-52

OR

\*Paul Bluestein, *And the Money Kept Rolling In (And Out)*, pp. 87-187

OR

Independent Evaluation Office (IMF), *Report on the Evaluation of the Role of the IMF in Argentina, 1991-2001* (Executive Summary and Lessons from the Argentine Crisis; skim Crisis Management, 2000-2001) [available at <http://www.imf.org/External/NP/ieo/2004/arg/eng/index.htm>]

*Additional reading:*

Graham Bird and Thomas D. Willett, "IMF Conditionality, Implementation and the New Political Economy of Ownership," *Comparative Economic Studies*, 46 (2004): 423-450

Martin Feldstein, ed., *Economic and Financial Crises in Emerging Market Economies*,  
Tamar L. Gutner, *Banking on the Environment: Multilateral Development Banks and Their Environmental Performance in Central and Eastern Europe*

International Monetary Fund, *External Evaluation of IMF Surveillance: Report by a Group of Independent Experts*, Part 3, IV: Impact, pp. 62-79,

- (<http://www.imf.org/external/pubs/ft/extev/surv/part2.pdf>)  
 International Monetary Fund, Independent Evaluation Office, *IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil*  
 (<http://www.imf.org/external/np/ieo/2003/cac/index.htm>)  
 Miles Kahler, "External Influence, Conditionality, and the Politics of Adjustment," in Stephan Haggard and Robert R. Kaufman, eds., *The Politics of Economic Adjustment*, pp. 89-136  
 Sebastian Mallaby, *The World's Banker*.  
 Adam Przeworski and James Vreeland, "The Effect of IMF Programs on Economic Growth," *Journal of Development Economics* 62 (2000): 385-421  
 James Vreeland, *The IMF and Economic Development*.

## INTERNATIONAL MONETARY GOVERNANCE: GLOBAL AND REGIONAL

### May 14 and 16: The International Monetary Fund and international monetary governance

- Beth A. Simmons (2000), '[The Legalization of International Monetary Affairs](#),' *International Organization*, 54 (3), Summer, 573-602  
 Miles Kahler, "[Defining Accountability Up: The Global Economic Multilaterals](#)," *Government and Opposition*, 39:2 (Spring 2004), pp. 132-158  
 Lisa L. Martin, "Distribution, Information, and Delegation to International Organizations: the Case of IMF Conditionality," in Darren G. Hawkins et al., eds., *Delegation and Agency in International Organizations*, pp. 140-164  
 Miles Kahler, *Leadership Selection in the Major Multilaterals*, pp. 19-49

#### *Additional reading:*

- J. Lawrence Broz and Michael Brewster Hawes, "US Domestic Politics and International Monetary Fund Policy," in Darren G. Hawkins et al., eds., *Delegation and Agency in International Organizations*, pp. 77-106  
 Robert O'Brien et al., *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements*, pp. 159-205  
 Ibrahim F. I. Shihata, *The World Bank Inspection Panel: In Practice*  
 Ngaire Woods, *The Globalizers*

### May 21 and 23: Regional monetary orders: Europe

- Barry Eichengreen and Jeffrey A. Frieden, "The Political Economy of European Monetary Unification: An Analytical Introduction," in Barry Eichengreen and Jeffrey A. Frieden, editors, *The Political Economy of European Monetary Unification*, pp. 1-15.  
 Andrew Moravscik, *The Choice for Europe*, pp. 379-430  
 Simon Hix, *The Political System of the European Union*, 278-306

#### *Additional reading:*

- Barry Eichengreen, *Globalizing Capital*, pp. 136-180  
 C. Randall Henning, *Cooperating with Europe's Monetary Union*  
 C. Randall Henning, "U. S.-EU Relations after the Inception of Monetary Union: Cooperation or Rivalry?" in C. Randall Henning and Pier Carlo Padoan, *Transatlantic Perspectives on the Euro*, pp. 5-63

Peter B. Kenen, *Economic and Monetary Union in Europe: Moving Beyond Maastricht*  
 Kathleen R. McNamara, *The Currency of Ideas: Monetary Politics in the European Union*

### May 30: Regional monetary options--Asia

Benjamin J. Cohen, *The Future of Money*, pp. 153-178

C. Randall Henning, *East Asian Financial Cooperation*, pp.11-31, 75-95

Jennifer A. Amyx, "Japan and the Evolution of Regional Financial Arrangements in East Asia," in Ellis S. Krauss and T.J. Pempel, *Beyond Bilateralism: U. S.-Japan Relations in the New Asia-Pacific*, pp. 198-218

#### *Additional reading:*

Benjamin J. Cohen, "Monetary Governance in a World of Regional Currencies," in Miles Kahler and David A. Lake, *Governance in a Global Economy*, pp. 136-167

Gordon De Brouwer, "Financial Markets, Institutions, and Integration in East Asia," *Asian Economic Papers*, 2:1 (2003), pp. 53-80

Barry Eichengreen, "Financial Development in Asia: The Way Forward," unpublished paper, 2004

Barry Eichengreen and Tamim Bayoumi, "Is Asia an Optimum Currency Area? Can It Become One? Regional, Global and Historical Perspectives on Asian Monetary Relations,"

UC Berkeley CIDER Working Paper C96-081, December 1996

(<http://www.haas.berkeley.edu/groups/iber/wps/ciderwp.htm>)

C. H. Kwan, *Yen Bloc*, pp. 109-127, 151-174

Yung Chul Park and Yunjong Wang, "The Chiang Mai Initiative and Beyond," *The World Economy*, 28, 1 (January 2005), pp. 91-101

### June 4: Regional monetary options—the Americas

Eric Helleiner, *Towards North American Monetary Union?*, pp. 185-212

Andrew Berg, Eduardo Borensztein, and Paolo Mauro, "An Evaluation of Monetary Regime Options for Latin America," IMF Working Paper, WP/02/211 (December 2002)

#### *Additional reading:*

Fabio Giambiagi, "MERCOSUR: Why Does Monetary Union Make Sense in the Long Term?" and Arturo O'Connell, "Macroeconomic Coordination in MERCOSUR—A Skeptical View," in Philip Arestis and Luiz Fernando de Paula, editors, *Monetary Union in South America: Lesson from EMU*, pp. 39-84

Paul De Grauwe, *The Economics of Monetary Integration*

### June 6: The reform agenda

\*Nouriel Roubini and Brad Setser, *Bailouts or Bail-Ins?*, pp. 335-378

Edwin M. Truman, ed., *Reforming the IMF for the 21st Century*, pp. 257-270, 495-540

Ngairé Woods, *The Globalizers*, pp. 179-213

#### *Additional reading:*

- Nancy Birdsall and John Williamson, *Delivering on Debt Relief: From IMF Gold to a New Aid Architecture*.
- Morris Goldstein, *The Asian Financial Crisis*, pp. 23-64
- Morris Goldstein, *Managed Floating Plus*, pp. 43-68
- Morris Goldstein, Graciela L. Kaminsky, Carmen M. Reinhart, *Assessing Financial Vulnerability: An Early Warning System for Emerging Markets*.
- Miles Kahler, "The New International Financial Architecture and Its Limits," in Gregory Noble and John Ravenhill, eds., *The Asian Financial Crisis and the Architecture of Global Finance*, pp. 235-260
- Ann Krueger, 2003. "Sovereign Debt Restructuring: Messy or Messier?" *American Economic Review*, Vol. 93 No. 2:70-74
- Marcus Miller, "Sovereign Debt Restructuring: New Articles, New Contracts—or No Change?" (IIE International Economics Policy Brief, PB02-3, April 2002)