

GLOBAL FINANCIAL GOVERNANCE

Public Affairs 974 (Fall 2020)

Monday 1:20-3:15 PM

Online

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Professor

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Office hours: TBD

Course overview

This is an advanced course in the Master in International Public Affairs (MIPA) program. The purpose of this seminar is to explore the politics and institutions of governance in the area of international money and finance. Building on material covered in PA 850 (International Governance) and PA 854 (Macroeconomic Policy and International Financial Regulation), we will explore how domestic and international politics shape – and have been shaped by – monetary policy, exchange rates, capital flows, and financial crises. We will also focus on the politics, policies, and decision-making of key international financial institutions such as the International Monetary Fund (IMF) and the role of leading central banks (the Federal Reserve, ECB, etc.) in governing global finance. We will also focus on the key causes, consequences, and policy responses to the three major economic crises of the last decade: the Great Recession, the Eurozone crisis, and now the COVID-19 economic crisis. The course will conclude with a two-week simulation exercise modeling the December 2020 European Council meeting of the European Union.

Course Learning goals

Students will learn how to think critically and analytically about topics in global financial governance and how to think through the political, economic, and social factors influencing policymakers and other key actors involved in international monetary and financial governance. Students will also develop an understanding of major current and past policy debates in key topic areas, including financial crises, monetary policymaking, exchange rates, and financial crime. At the same time, this course will develop students' concrete skills in applied policy research, policy-oriented writing, and oral communications through the required assignments over the course of the semester.

Credit Hours

This is a three credit-hour course. This class meets for a total of two class period hours each week and carries the expectation that students will work on course learning activities (reading, writing, studying, etc.) for about 2 hours each week in addition to time “in class” with virtual lectures and discussions.

Course requirements

1. Critical review papers (10% each): Each student will complete two written discussions/critiques of the readings, 3-4 double-spaced pages (~750–1000 words). The first paper will review the readings from one selected week of the course during weeks 2-5 (through October 12). The second paper will review one the readings from one week during weeks 6-11 (through November 23).
2. Country case study (20%): Each student will select a case of a country that has experienced a debt, currency, and/or financial crises since 2007 (e.g., Greece, Italy, Argentina, Turkey, Ireland, Brazil, Ukraine, Russia, Iceland, etc.) and critically evaluate the international policy responses. The paper will evaluate the causes of the crisis, the domestic and international policies adopted in response, and the role of the IMF/EU/international central banks/other key actors in the crisis. It will conclude by drawing country-specific lessons and (if applicable) more general lessons about how to improve global financial governance and the management/resolution of financial crises in the future. The paper will be 8-10 double-spaced pages (~2000-2500 words) and will be due on **November**
3. Final project (40%): On the last two days of class (**November 30 and December 7**), we will be holding a **mock European Council summit** to debate the state of the European Union's economic policy response to the COVID-19 crisis and consider possible further policy initiatives to manage and resolve the crisis, as well as to address the enduring economic and political problems within the Eurozone. At the summit, each of you will play the role of the finance minister of an EU member-state. In preparation for this summit, you will prepare a 15-20 page research memo, in which you discuss the following: 1) your country's current economic and financial situation and how the COVID pandemic/economic crisis has affected it; and 2) your government's policy positions on three key issues: a) the European Recovery Plan (https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe_en) adopted in July 2020; b) future EU policies to address the debt and economic problems crises within the EU and Eurozone; and c) further institutional reform of the EU 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 European Commission President Ursula von der Leyen), and you will complete a **one-page summary/outline** of your memo by **November 1**. As the semester progresses, we will discuss plans for the mock summit in greater detail.
4. Participation (20%): 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.

Readings

Nearly all of the readings are available online, either through the provided web links, the UW library website, electronic journals, or on the course web site. Those only available on Canvas are indicated by an asterisk (*) on the syllabus.

In addition, one book is highly suggested for purchase:

- Jeffrey A. Frieden. 2020. *Global Capitalism: Its Fall and Rise in the Twentieth Century, and its Stumbles in the Twenty-First* New York: W.W. Norton.

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 20% of your grade, and unexcused/unexplained absences will be noted accordingly.
- **Grading**
 - 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
 - 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!
 - 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) (unlikely this semester) travel away from Madison for university-related (!) obligations.
- **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.
- **Quarantine/isolation due to COVID-19:** You should continually monitor yourself for COVID-19 symptoms and get tested for the virus if you have symptoms or have been in close contact with someone with COVID-19. You should reach out to instructors as soon as possible if you become ill or need to isolate or quarantine, in order to make alternate plans for how to proceed with the course. We will work with you to provide alternative ways to complete the course work.
- **Health, well-being, and basic needs:** If you are struggling, or if something happens in your life that affects what you do in this course, please let me know as soon as possible. I am here to help as much as I can.
 - As a student at this institution, you have access to free mental health counseling through University Health Services (UHS). Crisis services are available 24/7 at 608-265-5600 (option 9). All of us teaching this course are familiar with or have struggled ourselves with depression and anxiety. We are happy to discuss with you ways to succeed in this course.
 - You should know that I am a mandatory reporter under Title IX, the federal law prohibiting sex discrimination in U.S. schools. This means that if you disclose to me that you have experienced sexual harassment or assault, I am legally required to tell the Dean of Students office. UHS is a confidential reporting space should you ever need it; you can reach them at survivor.services@uhs.wisc.edu or via phone at 608-265-5600 (option 3). If you choose to disclose to me, I will be here to support you and help you come up with a plan to manage the work for this course.
 - Your safety and well-being is more important than anything going on in this class. Any student facing challenges securing food or housing or personal safety is urged to contact the Dean of Students Office (<https://doso.students.wisc.edu/contact-us/>). Furthermore, please notify me if you are comfortable doing so, so that I can provide any resources that I am able.
- **Learning during a pandemic:** Life absolutely sucks right now. None of us is really ok. I'm certainly not. **We're all just managing the best we can and taking it day by day.** You most likely know people who have lost their jobs, have tested positive for COVID-19, have been hospitalized, or perhaps have even died. Many of you likely have increased (or possibly decreased) work responsibilities and/or increased family care responsibilities. I want you to learn lots of things from this class, but I primarily want

you to stay healthy and well during this crisis. The format and circumstances of this course, and the semester as a whole, is entirely new to all of us. It is sure to be more stressful in ways expected and unexpected. I will do my best to help us all navigate that as best we can. But please don't hesitate to reach out to me and your TAs if you need help. If we can help, we will. If we can't, we usually know somebody who can. So, please, take care of yourselves and reach out at any point during the semester if you need.

I. FOUNDATIONS

September 7: Political foundations: the why, who, and how of global economic governance

- Robert Solow, “Hedging America” (review of John Cassidy’s *How Markets Fail*), *The New Republic*, January 12, 2010 (<http://www.tnr.com/article/books-and-arts/hedging-america>).
- Michael Zürn, 2012. “Globalization and Global Governance,” *Handbook of International Relations*, Oxford University Press (https://www.wzb.eu/system/files/docs/ipl/gg/globalization_and_global_governance.pdf)
- Jon CW Pevehouse and Inken von Borzyskowski, 2017. “International Organizations in World Politics,” in *Oxford Handbook of International Organizations*, 3-32 (http://www.borzyskowski.net/wp-content/uploads/2013/05/Pevehouse-Borzyskowski_2016_IOs-in-World-Politics-3.pdf)
- Manuela Moschella and Catherine Weaver. 2014. “Global Economic Governance: Players, Power and Paradigms” in *Handbook of Global Economic Governance*. Routledge: https://iris.unito.it/retrieve/handle/2318/139468/17209/Moschella_Weaver_postprint.pdf
- Jeffrey Frieden, 2016. “The Governance of International Finance.” *Annual Review of Political Science*: https://scholar.harvard.edu/files/jfrieden/files/frieden_arpsforthcoming.pdf

September 14: Economic foundations: capital flows, exchange rates, and global finance

- Video lectures: “Economics of International Trade” and “Economics of International Finance”
- (*) Martin Wolf, *Fixing Global Finance*, Chapter 2 (“Blessings and Perils of Global Finance”), pp. 10-27.
- Neely, Christopher J. 1999. [“An Introduction to Capital Controls.”](#) *Federal Reserve Bank of St. Louis Review* 81 (6): 13-30.
- Moritz Schularick & Alan M. Taylor, 2012. “Credit Booms Gone Bust: Monetary Policy, Leverage Cycles, and Financial Crises, 1870-2008,” *American Economic Review* 102(2): 1029-61.
- Jeffrey Frieden, 2015. “Introduction: The Political Economy of Currency Choice,” Ch. 1. *Of Currency Politics: The Political Economy of Exchange Rate Policy* (<http://press.princeton.edu/chapters/i10364.pdf>).

- Maurice Obstfeld and Alan Taylor. 2017. “International Monetary Relations: Taking Finance Seriously.” *Journal of Economic Perspectives* 31(3): 3-28.

September 21: Historical foundations: The world economy, 1870-1945

- Jeffrey A. Frieden. 2020. *Global Capitalism: Its Fall and Rise in the Twentieth Century*. New York: W.W. Norton, Chapters 1-10
- Video lectures on “The Golden Age, 1870-1914,” and “The Interwar Era, 1919-1939”

September 28: Historical foundations: The world economy, 1945-2000

- Complete/review Frieden, *Global Capitalism*, Chapters 11-21
- Video lectures on “Bretton Woods, 1950-1973” and “The Post-Bretton Woods Era, 1973-2000”

II. GOVERNING GLOBAL FINANCE: KEY TOPICS

October 5: Exchange rates, the international monetary system, and the future of dollar hegemony

- Committee on the Global Financial System. 2020. “US Dollar Funding: An International Perspective.” CGFS paper 65. Basel: Bank for International Settlements. June: <https://www.bis.org/publ/cgfs65.pdf>.
- Carla Norrlof et. al., 2020. “Global Monetary Order and the Liberal Order Debate.” *International Studies Perspectives*, 1-45: http://www.academia.edu/download/62290874/Global_Monetary_Order_and_the_LIO20200306-68180-7rvzcx.pdf.
- “A Crisis That Has Blunted the Euro’s Global Profile,” Reuters, May 21, 2020: <https://www.reuters.com/article/us-global-euro-dollar-analysis/a-crisis-that-has-blunted-the-euros-global-profile-idUSKBN22X1OM>.
- Brad Setser, “Weaker Dollar Means More Dollar Reserves,” CFR “Follow the Money” blog, August 20, 2020: <https://www.cfr.org/blog/weaker-dollar-means-more-dollar-reserves>

October 12: Central bank and financial regulator cooperation

- Bank for International Settlements, “About the BIS” (<https://www.bis.org/about/index.htm?m=1%7C1>) and “Promoting International Cooperation,” BIS Annual Report 2019: https://www.bis.org/about/areport/areport2019/prom_int_coop.htm.
- David Andrew Singer, 2004. “Capital Rules: the Domestic Politics of International Regulatory Harmonization,” *International Organization* 58(3): 531-565.
- Emily Jones and Peter Knaack. 2019. “Global Financial Regulation: Shortcomings and Reform Options.” *Global Policy*. <https://onlinelibrary.wiley.com/doi/full/10.1111/1758-5899.12656>
- Stefano Pagliari. 2014. “Governing Financial Stability: The Financial Stability Board as the Emerging Pillar in Global Economic Governance,” in *Handbook of Global Economic Governance: Players, Power, and Paradigms*” (https://openaccess.city.ac.uk/id/eprint/6814/6/Pagliari_-_FSB_Chapter_-_Dec_8.pdf)

October 19: the International Monetary Fund & the lender of last resort

- James Boughton. “From Suez to Tequila: The IMF as Crisis Manager.” *The Economic Journal*. 110 (2000): 273-291.
- Mark Copelovitch, *The IMF in the Global Economy: Banks, Bonds and Bailouts*, Cambridge University Press, 2010. Chapters 1 and 2 (pp. 1-67).
- Saliha Metinsoy, 2019. “Unending Reform Attempts at the IMF: Organized Hypocrisy or Bricolage?” <https://www.e-ir.info/2019/03/19/unending-reform-attempts-at-the-imf-organised-hypocrisy-or-bricolage/>
- W. Kindred Winecoff. “Systemic Politics and the Federal Reserve’s International Crisis Lending, 2007-11: https://drive.google.com/file/d/1SIH6vwh7vN_Zfv_pByyG0AWNZmPISZxp/view
- Daniel McDowell. 2012. “The US as ‘Sovereign International Last-Resort Lender’: The Fed’s Currency Swap Programme During the Great Panic of 2007-9: https://drive.google.com/file/d/1wHxn0RHkp_3axV4ZfMIs-ySKxsIi0QTU/view.

October 26: The political economy of sovereign debt

- Jerome Roos, 2019. *Why Not Default? The Political Economy of Sovereign Debt*. Princeton University Press, pp. 1-49.

- Lee Buchheit, et. al. 2019. “How to Restructure Sovereign Debt: Lessons From Four Decades.” Peterson Institute for International Economics, Working Paper 19-8: <https://www.piie.com/publications/working-papers/how-restructure-sovereign-debt-lessons-four-decades>.
- Case Study: Greek Debt Crisis: No Easy Way Out. PIIE: <https://www.piie.com/sites/default/files/documents/greek-debt-crisis.pdf>
- Brad Setser. 2020. “The State of Argentina’s Debt Restructuring.” Council on Foreign Relations, June 24: <https://www.cfr.org/blog/state-argentinas-debt-restructuring>.

November 2: Countering Illicit Financial Flows

- Eric Helleiner. 2002. “The Politics of Global Financial Regulation: Lessons from the Fight Against Money Laundering” in *International Capital Markets: Systems in Transition*. New York: Oxford University Press: <http://www.economicpolicyresearch.org/scepa/publications/workingpapers/2000/cepa0315.pdf>.
- Miles Kahler. “Countering Illicit Financial Flows: Expanding Agenda, Fragmented Governance” in *Global Governance to Combat Illicit Financial Flows*. Washington DC: Council on Foreign Relations (2018): https://cdn.cfr.org/sites/default/files/pdf/Discussion_Paper_Collection_Kahler_et_al_IFFs_OR_Kahler.pdf. Overview of project and other papers (skim): <https://www.cfr.org/report/global-governance-combat-illicit-financial-flows>.
- Julia Morse. 2019. “Blacklists, Market Enforcement, and the Global Regime to Combat Terrorist Financing.” *International Organization* 73(3): 511-545.
- Henry Farrell and Abraham Newman. 2019. “Weaponized Interdependence.” *International Security* 44(1): 42-79.

IV. GLOBAL FINANCIAL GOVERNANCE IN ACTION: FINANCIAL CRISES OF 2008-20

November 9: Financial crises and the Great Recession: causes and effects

- Menzie Chinn and Jeffrey Frieden. 2009. “Reflections on the Causes and Consequences of the Debt Crisis of 2008” (http://www.people.fas.harvard.edu/~jfrieden/Selected%20Articles/Misc_Works/chinn_frieden_debtcrisis_2009.pdf)
- Mark Copelovitch and David A Singer. 2020. *Banks on the Brink: Global Capital, Securities Markets, and the Political Roots of Financial Crises*. Cambridge University Press, Chs. 1-2 (pp. 1-42) and pp. 181-203 (Ch. 6).

- Sarah Bauerle Danzman, W. Kindred Winecoff, and Thomas Oatley. 2017. “All Crises Are Global: Capital Cycles in an Imbalanced International Political Economy.” *International Studies Quarterly* 61(4): 907-23.
- Hampton Stevens, 2019. “The Impact of the Global Financial Crisis on Economic Governance.” *World Politics Review*.
<https://www.worldpoliticsreview.com/insights/25125/the-impact-of-the-global-financial-crisis-on-economic-governance>

Week of November 16: The Eurozone crisis (alternate day/time TBD)

Guest speaker: Matthias Matthijs, SAIS/Johns Hopkins (<https://sais.jhu.edu/matthias-matthijs>)

- Frieden, Jeffrey A., and Stefanie Walter. 2017. Understanding the Political Economy of the Eurozone Crisis. *Annual Review of Political Science* 20: 371–390.
- Karl Whelan, “Greece, the Euro, and Gunboat Diplomacy,” June 20, 2015 (<https://medium.com/bull-market/greece-the-euro-and-gunboat-diplomacy-3193983d8336>).
- Matthias Matthijs and Mark Blyth. 2015. Chapter 1 and Chapter 12, in *The Future of the Euro*, Oxford University Press: <https://sais.jhu.edu/sites/default/files/Chapter%201%20-%20Introduction.pdf> & <https://sais.jhu.edu/sites/default/files/Chapter%2012%20-%20Conclusion.pdf>.
- Mark Copelovitch, “No, This Isn’t Europe’s Hamiltonian Moment,” *Washington Post/Monkey Cage*, May 27, 2020: <https://www.washingtonpost.com/politics/2020/05/28/no-this-isnt-europes-hamiltonian-moment/>

November 23: The COVID economic crisis

- Questions and Answers: The IMF’s Response to COVID-19: <https://www.imf.org/en/About/FAQ/imf-response-to-covid-19>.
- Kevin Gallagher, Jose Antonio Ocampo, and Ulrich Volz. March 26, 2020. “IMF Special Drawing Rights: A key tool for attacking a COVID-19 financial fallout in developing countries”: <https://www.brookings.edu/blog/future-development/2020/03/26/imf-special-drawing-rights-a-key-tool-for-attacking-a-covid-19-financial-fallout-in-developing-countries/>.
- Jeffrey Cheng, Dave Skidmore, and David Wessel. “What’s the Fed Doing in Response to the COVID-19 Crisis? What More Could It Do?” Brookings:

<https://www.brookings.edu/research/fed-response-to-covid19/>. And Sage Belz et. al., “What’s the ECB Doing in Response to the COVID-19 Crisis?” <https://www.brookings.edu/research/whats-the-ecb-doing-in-response-to-the-covid-19-crisis/>

- Paolo Cavallino and Fiorella del Fiore. 2020. “Central Banks’ Response to COVID-19 in Advanced Economies.” BIS Bulletin 21, June 5. Basel: Bank for International Settlements: <https://www.bis.org/publ/bisbull21.pdf>
- Aysa Kaya, Christopher Kilby, and Jonathan Kay. 2020. “The AIIB’s Risky Pandemic Response.” CSIS Critical Connections, August 20: https://reconasia.csis.org/analysis/entries/aiibs-risky-pandemic-response/?fbclid=IwAR2QId-bzI4jIc044edR5alJIS_K-geAfhKXOsMqdfZ-Z9QS3ae2kpBAQoo.

November 30: European Council simulation, Day 1

December 7: European Council simulation, Day 2