

ITRN 602: Global Financial Crises and Institutions

Fall 2020 – Syllabus



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Office hours: By appointment via Zoom (to set up please email)

Lectures: Tue 7:20–10 pm, online synchronous Zoom mode to maximize real-time interaction

Course Description

This course covers the principal frameworks and concepts underpinning international macroeconomics and financial markets, focusing on their relevance to understand policy issues related to global financial crises and international finance institutions (IFIs). Our analysis will include topics such as the stability of market integration and globalization; international business cycles; monetary and fiscal policy coordination; global value chains and contagion; international currencies and financial linkages; cryptocurrencies; global public goods and policy coordination; balance of payments and exchange rates.

There will be two guest lectures by top caliber macroeconomist policymakers. We will hold weekly lectures and there will be a group project presentation, an individual short written assignment, and two exams (a midterm and a final). The grading details are below.¹

Learning Outcomes

- Students will know the major ideas from the main theories about the origin and propagation of global financial crises, and their foundational approaches.
- Students will understand the design, functions and history of international finance institutions (IFIs).
- Students will gain knowledge of the analytical building blocks of international macro and finance.
- Students will be able to analyze stock market data, exchange rate trends, and balance of payments statistics, to understand how to evaluate their validity.
- Students will be able to critically assess the quality of global and regional macroeconomic analytical reports to check the plausibility of emanating forecasts and policy implications.
- Students will be able to apply the skills developed in the course to analyze the formulation of prudential and macroeconomic policies to prevent and mitigate global financial crises.

¹ N.B.: *Per ICP advising notes*, take ITRN503 (Macroeconomic Policy in the Global Economy) before ITRN602.

Required and Recommended Reading

The main texts will be:

- ***Globalizing Capital: A History of the International Monetary System*** by Barry Eichengreen, Princeton University Press, 2008 – referred to as BE henceforth.
- ***The Globalization Paradox: Democracy and the Future of the World Economy*** by Dani Rodrik, Norton Publishing, 2012 – referred to as DR henceforth.

The first book provides a sweeping overview of the international financial system and its evolution from a historical perspective on the future prospects of global capital markets. The second book enhances our understanding of the causes and consequences of globalization, including for international market integration and backlash, due not so much to macroeconomic underperformance but inequality impacts.

For conceptual aspects of international finance useful to inform our analysis of global financial crises, we will also be using ***An Introduction to International Economics: New Perspectives on the World Economy***, Cambridge University Press, by Kenneth Reinert (when covering open economy topics) – referred to as KR henceforth. Another reference, for those interested on more technical economic aspects, is ***International Economics: Theory and Policy*** (11th edition) by Paul Krugman, Marc Melitz and Maurice Obstfeld (Pearson, 2018) – referred to as KMO henceforth.

In addition, it is highly recommended that you keep abreast of current global economic affairs by reading the specialized media analyses. Particularly, read regularly the news related to the international monetary system and supporting institutions. A useful source is the weekly:

[The Economist](#) (This link routes you through the Libraries' proxy server)

Other sources of interest include two dailies: *The Financial Times* and *The Wall Street Journal*.

The textbook reading assignments specified in the course outline below will be complemented with articles dealing with current, recent and historical macroeconomic issues and policy examples in order to apply the analytical tools to the COVID-19 crisis and ongoing trends like global warming.

There will also be scholarly articles covered on topical contemporary policy issues such as digital assets, cryptocurrencies, and global value chains among others. These working papers will be posted in advance as we go along since they are being released with increasing frequency as new technologies gain further influence on the international macroeconomic policy landscape.

Finally, over the course of the semester, we will have a couple of practitioner guest lecturers from the upper echelons of international macroeconomic institutions at the trenches of policymaking to illustrate in action the use of the analytical tools learned in class. They might also recommend complementary readings.

Course Requirements and Grading

The final grade will be determined by scores in class participation (10 percent); the midterm exam (25 percent); a class project consisting of an oral group presentation (10 percent) as well as a short essay (20 percent); and a cumulative final exam (35 percent).

Course Outline²

Synchronous weekly meetings via Zoom will include lectures, class discussions, guest talks, student presentations, and office hour meetings – as well as online asynchronous resources.

August 25th: Introduction to Class: International Monetary System and Institutions

Chapter 1 in BE
Chapters 17 and 23 in KR

September 1st: Exchange Rate Determination and Purchasing Power Parity

Chapters 13 and 14 in KR

September 8th: Globalization History and International Financial Markets

Chapters 1 and 2 in DR
Chapters 17 in KR & 19 in KMO

September 15th: Origins of Global Financial Crises

Chapters 2 and 3 in BE
Chapters 18 in KR & 20 in KMO

September 22nd: International Financial Turbulence Contagion (& Guest Lecturer)

Chapters 4 and 5 in BE & 5 and 6 in DR
Chapters 18 in KR & 20 in KMO

September 29th: The Impossible Trinity (aka Financial Trilemma)

Chapters 16 and 19 in KR
Chapter 22 in KMO

Midterm Exam: October 3rd-4th, open books and notes, via Blackboard

² N.B. * denotes days in which student presentations will take place.

October 6th: New Technologies, Monetary Policy and Global Financial Regulation

- Wei, S. and Y. Xie, "[Monetary Policy in an Era of Global Supply Chains](#)," NBER Paper No. 26602, 2020.
- Abadi, J. and M. Brunnermeier, "[Blockchain Economics](#)," Princeton University, 2019.
- Brunnermeier, M., H. James, and J. Landau, "[The Digitalization of Money](#)," Princeton University, 2019.

October 13th: Fixed Exchange Rates, International Currency Crises and Monetary Unions

Chapters 6 and 9 in BE & Chapters 19 in KR and 22 in KMO

October 20th: The Great Depression & Intl' Monetary Policy Interdependence (& Guest Lecturer)

Chapter 3 in BE and *Golden Fetters: The Gold Standard and the Great Depression*, NBER.

* *October 27th: Globalization and the Policy Trilemma*

Chapters 9 and 10 in DR

* *November 3rd: Links among Globalization Dimensions: Migration and Capital Flows*

"Migration and Cross-Border Financial Flows," *The World Bank Economic Review* 32(1): 148–162, May 2018; Maurice Kugler, Oren Levintal and Hillel Rapoport

"International Labor and Capital Flows: Complements or Substitutes?" *Economics Letters*, 94(2): 155-162, February 2007; Maurice Kugler and Hillel Rapoport

* *November 10th: Global Public Goods and Economic Growth*

* Kugler, M. (Head of Research), United Nations Development Programme, "Deepening Progress: Global Goods and Collective Action," Chapter 5, *Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience*, Human Development Report, 2014.

* Nordhaus, W., "[Climate Change: The Ultimate Challenge in Economics](#)," *American Economic Review*, 2019

November 17th: Discussion of Study Guide Materials to Prepare and Review for Final Exam

Final Exam: November 23th– 24th, via Blackboard

Academic Integrity

The GMU honor code will be fully enforced and plagiarism of any kind will not be tolerated in any coursework in order to ensure fairness and transparency. The full Mason honor code may be accessed at: <https://oai.gmu.edu/mason-honor-code/full-honor-codedocument>.

Academic Accommodation for a Disability

If you are a student with a disability and you need academic accommodations, please let me know as soon as possible and contact the Disability Resource Center (DRC) at ods@gmu.edu or 703-993-2474. All academic accommodations must be arranged through the DRC.