ITRN 602: Global Financial Crises and Institutions

Draft

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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; balance of payments and exchange rates.

There will be two guest lectures by IMF Deputy Directors: Dr. Tamin Bayoumi and Dr. Malhar Nabar. 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.

N.B.: This is a challenging course. In accordance with the ICP advising notes, take ITRN 503 (Macroeconomic Policy in the Global Economy) before you take ITRN 602.

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, intended functions and underlying history of key contemporary international finance institutions (IFIs).
• Students will demonstrate knowledge of the analytical building blocks of international macroeconomics 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.
Required and Recommended Reading

The main texts will be:


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 trends for international market integration as well as backlash – due not so much to aggregate economic performance effects but mainly distributional impacts.


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 links 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.

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

(N.B. * denotes days in which student and external presentations will take place)

Week 1 (January 22): Introduction to Class: International Monetary System and Institutions

- Chapter 1 in BE
- Chapters 17 and 23 in KR

Week 2 (January 29): Exchange Rate Determination & Purchasing Power Parity

- Chapters 13 and 14 in KR

Week 3 (February 5): Globalization History and International Financial Markets

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

Week 4 (February 12): Origins of Global Financial Crises

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

* Week 5 (February 19): International Financial Turbulence Contagion

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

Guest Lecturer (TBC): Dr. Tamin Bayoumi, Deputy Director, IMF
Week 6 (March 3): The Impossible Trinity

Chapters 16 and 19 in KR
Chapter 22 in KMO

Week 7 (March 10): Spring Recess

Week 8 (March 17): Fixed Exchange Rates, International Currency Crises and Monetary Unions

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

Week 9 (March 26): Midterm Exam

* Week 10 (April 1st): The Great Depression & International Monetary Policy Interdependence

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

Guest Lecturer: Dr. Malhar Nabar, Deputy Director, IMF

* Week 11 (April 8): Globalization and the Policy Trilemma

Chapters 9 and 10 in DR


* Week 13 (April 22): International Macroeconomic Instability & the Role of National Policy

Chapter 7 in BE
Chapters 11 and 12 in DR

Week 14 (April 29): Discussion of Study Guide Materials to Prepare and Review for Final Exam (scheduled for May 6, 2020, at 7:30-10 pm per the Registrar’s Calendar)
Some Ground Rules

• The use of phones, tablets or laptops in class is very disruptive to your classmates and to the flow of the learning process. Therefore, I strongly discouraged use of electronics for the consideration and benefit of all, except in extenuating circumstances when a momentary absence is understandable. The scientific evidence shows that the use of electronics in the classroom impedes not only your own learning experience but that of your peers as well (see for example https://www.chronicle.com/article/The-Distracted-Classroom/239446). Non-essential use of electronic is not admissible and warnings will be issued as needed to stop texting, navigating or other device uses not connected to the learning process or an emergency (in which is its best if you step outside as long as it is necessary).

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

Academic Accommodation for a Disability

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through the DRC.