ITRN 602: Global Financial Crises and Institutions

Draft

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Office hours: Wednesday 4:30–6:30 pm and by appointment also
Lectures: Wednesday 7:20–10 pm; Founders Hall, Classroom 468

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; Bretton Woods; balance of payments and exchange rates.

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 (p. 2).

N.B.: This is a challenging course. If feasible, take ITRN 503: Macroeconomics 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.

Also, over the course of the semester, we will have a couple of policy practitioner guest lecturers to illustrate in action the use of the analytical tools learned in class.

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 a group presentation (10 percent) and a short essay (20 percent); and a cumulative final exam (35 percent).
Course Outline

Week 1 (January 23): Introduction to Class: International Monetary System and Institutions

Chapter 1 in BE
Chapters 17 and 23 in KR

Week 2 (January 30): Exchange Rate Determination & Purchasing Power Parity

Chapters 13 and 14 in KR

Week 3 (February 6): Globalization History and International Financial Markets

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

Week 4 (February 13): Origins of Global Financial Crises

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

Week 5 (February 20): International Financial Turbulence Contagion

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

Week 6 (February 27): The Impossible Trinity: Fixed Exchange Rates and Monetary Unions

Chapters 16 and 19 in KR

Week 7 (March 6): Midterm Examination

Week 8 (March 13): Spring Break

* Week 9 (March 20): International Currency Crises

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

Week 10 (March 27): The Great Depression and International Monetary Policy Interdependence

Chapter 3 in BE
Week 11 (April 3): The 2008/9 International Financial Crisis: The Great Recession

Chapter 2 in World Economic Outlook, October 2018


Week 13 (April 17): Globalization and the Policy Trilemma

Chapters 9 and 10 in DR

* Week 14 (April 24): International Macroeconomic Instability and the Role of National Policies

Chapter 7 in BE
Chapters 11 and 12 in DR

Week 15 (May 1st): Final Exam

* denotes days in which student presentations will take place.

Some Ground Rules

- The use of phones, tablets or laptops in class is very strongly discouraged for the 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).

- 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 full 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.