

Proseminar 15162 – International Political Economy

Money, Markets, States and the Global Financial Crisis of 2007-09

(updated 27.05.2015)

Summer term 2015
Monday 14.00-16.00 c.t.
Garystr. 55/B Seminarraum

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Course description:

The seminar will be structured in three parts. In the first part we will begin with talking about money: what are its origins, what are its functions in the economy, what are its functions in broader society? We then analyze and discuss money and its creation, the role of commercial and central banks, the development of financial markets and their increasing internationalization. The discussion will take place against the background of the interdependence of market and state institutions in capitalist economies. The second part will introduce the field of International Political Economy (IPE) with its intent to bridge the gap between political science and economics. We will discuss the prevalent IPE theories and their contribution to studying financial markets. In the third part we will use these concepts and theoretical perspectives for an in-depth analysis of the Global Financial Crisis of 2007-09: understanding the developments leading up to the crisis, tracing the domino effects around the world during September 2008 as well as looking at policy responses in the aftermath of the crisis. A session will also be dedicated to the far from resolved Euro-crisis. The goal of the seminar is to provide a basic understanding of the aspects of money and financial markets in modern capitalist economies. It will rely on accessible literature of political science, economics and sociology and is open to anyone willing to engage with these issues.

Course requirements:

Certificate of attendance (“Teilnahmeschein”):

- Regular and active participation
- Presentation or essay

Full certificate (“Leistungsschein”):

- Regular and active participation
- Presentation or essay
- ‘Referatsausarbeitung’ (3000-4000 words) or term paper (4000-5000 words)

Guidelines for presentation, essay and term paper:

Please refer to the “Introduction and Guidelines to Academic Research and Writing” by the Institute of Political Science at the University of Bremen for an excellent overview (5-31, www.politik.uni-bremen.de/downloads/StudyGuide-1.pdf, also on blackboard). The course work requirements of our class follow closely the descriptions of the “Introduction and Guidelines”. Further advice can be found here (in German though): www.polsoz.fu-berlin.de/polwiss/forschung/international/europa/studium_lehre/hinweise_downloads/index.html and www.polsoz.fu-berlin.de/polwiss/forschung/international/frieden/publikationen1/Leitfaden_Expose_8_2006.pdf

The following points are of particular importance:

Presentation

- Give a brief introduction to the author’s background and field of study.
- Make sure that your presentation stays within the limits of 10-15 minutes.
- Identify one or two of the text’s dominant themes, discuss it with reference to other literature or the real world – so far as it helps you in making your argument.
- The assigned text is only the basis of your contribution, feel free to leave out what you want.
- Find a specific question or puzzle guiding your presentation.
- Develop and defend your argument or answer with regard to that question.
- The goal is to provoke discussion – don’t shy away of bold claims.
- If you are a group, how about staging a debate?

Essay

- It is a well-referenced opinion piece. Make sure the opinion-part does not fall short.
- Feel free to engage with any topic in the realm of politics, economics, finance, international relations – or beyond, if you can prove a link to the seminar’s topic.
- Deadline is the 30.09.2015 (I would recommend to write it during the semester).
- Word limit is ca. 1000 (meaning 800-1200 words), including footnotes, excluding bibliography.

‘Referatsausarbeitung’ or term paper (same rules apply)

- Inform me by 01.06.2015 whether you want to write one.
- Send me by 30.06.2015 a one- to two-page outline of your topic or idea: what question or puzzle you want to address, why it is interesting, and how you want to answer it (or how you could imagine answering it). If you have any questions before that, feel free to get in touch.
- Then we can meet to discuss your project (or come to the add-session). It is enormously helpful to already know the structure and approach of your term paper when entering the semester break – all what’s left then is writing it up (more or less).
- Deadline is the 30.09.2015.
- Word count for ‘Referatsausarbeitung’ is 3000-4000 and word count for term paper is 4000-5000, including footnotes, excluding bibliography.

Grading

- Certificate of attendance: your contributions (presentation or essay) are not graded. However, the entire course will benefit of a well-researched and -prepared presentation. Furthermore, I am looking forward to reading your essays. Also, we might consider sharing the essays (and handouts and presentation slides for that matter) on blackboard.

- Full certificate: your term paper will be graded according to an evaluation scale (available on blackboard soon). The accompanying presentation or essay will not be graded on a stand-alone basis. A successful completion can, however, push your final grade up a notch.

Course schedule:

All required and optional readings can be found on blackboard. Optional readings are marked with *. Some of the later sessions feature so-called *Crash courses*. During these I will give short presentations of design and logic of several financial instruments.

1. Introduction (13.04.2015)

PART I - Fundamentals

2. Why do we care? (20.04.2015)

Radford, R. A. (1945): The Economic Organization of a P.O.W. Camp

Strange, Susan (1988): States and Markets (1-6)

3. The Origins of Money (27.04.2015)

Simmel, Georg (1900): Philosophy of Money (59-64, 75-76, 79-80, 117-120 [document prepared])

Graeber, David (2011): Debt. The First 5000 Years (21-72)

* Baker, Wayne/Jimerson, James (1992): The Sociology of Money

* Schumpeter, Joseph A. (2014 [1929]): Treatise on Money (14-40)

4. Capitalism (04.05.2015)

Mankiw, Gregory (2009): Macroeconomics (7-14)

Scott, Bruce R. (2011): Capitalism. Its Origins and Evolution as a System of Governance (27-44)

Stanford, Jim (2008): Economics for Everyone (33-39, 40-51)

* Reisman, George (1998): Capitalism. A Treatise on Economics (in particular p19-26)

* Stanford, Jim (2008): Economics for Everyone (52-61)

5. Money in Modern Capitalism (11.05.2015)

Mankiw, Gregory (2009): Macroeconomics (79-86, 100-113, 547-550, 552-556)

Stanford, Jim (2008): Economics for Everyone (189-199, 200-213)

* Bank Of England (2014): Money Creation in the Modern Economy

* The Federal Reserve Bank of Chicago (1992): Modern Money Mechanics

* Mayers Weltwirtschaft (2015): Der Untergang der klassischen Banken (german)

* Mishkin, Frederic S. (2007): The Economics of Money, Banking, and Financial Markets (49-66)

* Muenchau, Wolfgang (2015): SPON Blog: Die Spur des Geldes. Dreiteilige Kolumne zu Zentralbanken und Quantitative Easing (german)

6. What Role for Financial Markets? (18.05.2015)

Mishkin, Frederic S. (2007): The Economics of Money, Banking, and Financial Markets (23-48)

Stanford, Jim (2008): Economics for Everyone (214-225)

>> *Crash course I: Derivatives*

7. The Evolution of Finance and its Internationalization (01.06.2015)

Helleiner, Eric (2007): The Evolution of the International Monetary and Financial System

Strange, Susan (1986): Casino Capitalism (vi-3)

*Frieden, Jeffry (2012): The Modern Capitalist World Economy: A Historical Overview

>> *Crash course II: Futures & Options*

PART II – International Political Economy

8. The Origins of IPE (08.06.2015)

Cox, Robert (1981): Social Forces, States and World Orders (126-130)

Frieden et al. (2010): World Politics (xix-xxix)

Strange, Susan (1988): States and Markets (9-22)

* Strange, Susan (1970): A Case of Mutual Neglect

9. Postcrisis Research (15.06.2015)

Helleiner, Eric/Pagliari, Stefano (2011): The End of an Era in International Financial Regulation? A Postcrisis Research Agenda

* Drezner, Daniel (2014): *The System Worked: Global Economic Governance During the Recession*

* Johnson et al. (2013): *The Future of International Political Economy: Introduction to the 20th Anniversary Issue of RIPE*

PART III – The Global (transatlantic) Financial Crisis

10. The Crisis - Outside In (22.06.2015)

Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States, ten Commissioners (January 2011):

- Preface (xi-xiii)

- Conclusion, six Commissioners (xv-xxviii)

- Dissenting View I, three Commissioners (411-418)

- Dissenting View II, one Commissioner (441-449)

* Helleiner, Eric (2011): *Understanding the 2007–2008 Global Financial Crisis: Lessons for Scholars of International Political Economy*

>> *Crash course III: Asset-Backed Securities (ABS) & Collateralized Debt Obligations (CDO)*

11. The Crisis - Inside Out (29.06.2015)

Blinder, Alan S. (2014): *After the Music stopped* (87-99, 343-364, 447-469)

Lowenstein, Roger (2010): *The End of Wall Street* (1-6, 48-64, 285-299)

* Spiegel Online International (2009): *The Man Noone Wanted to Hear*

* Golub et al. (2014): *What were they thinking? The Federal Reserve in the run-up to the 2008 financial crisis*

>> *Crash course IV: Swaps & Credit Default Swaps (CDS)*

12. And Europe? (06.07.2015)

Blinder, Alan S. (2014): *After the Music Stopped* (409-428)

De Grauwe, Paul (2013): *Design Failures in the Eurozone: can they be fixed?*

* DIE ZEIT (14/2013): *Die Spieler und die Dealer* (german)

13. Summary (13.07.2015)

Bibliography:

Baker, Wayne/Jimerson, James (1992): The Sociology of Money. In: *The American Behavioral*, 35 (6), 678-692.

Bank Of England (2014): Money Creation in the Modern Economy. Source: www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q1prereleasemoneycreation.pdf (last access on 10.04.2015).

Blinder, Alan S. (2014): After the Music stopped. The Financial Crisis, the Response, and the Work ahead. New York: Penguin Books.

Cox, Robert (1981): Social Forces, States and World Orders. In: *Millennium - Journal of International Studies*, 10 (2), 126-155.

De Grauwe, Paul (2013): Design Failures in the Eurozone: can they be fixed? Source: www.lse.ac.uk/europeanInstitute/LEQS/LEQSPaper57.pdf (last access on 10.04.2015).

DIE ZEIT (2013): Die Spieler und die Dealer. Deutschland zahlt für ganz Europa? Stimmt nicht, sagen die Iren: Wir zahlen für eure Spekulanten und eure Banken. Eine Abrechnung. In: DIE ZEIT, 14/2013, 5-6.

Drezner, Daniel (2014): The System Worked: Global Economic Governance During the Recession. In: *World Politics*, 66 (1), 123-164.

Frieden, Jeffry (2012): The Modern Capitalist World Economy: A Historical Overview. In: Mueller, Dennis (ed.), *Oxford Handbook Of Capitalism*, New York: Oxford University Press, 17-37.

Frieden, Jeffry/Lake, David/Schultz, Kenneth (2010): *World Politics. Interests, Interactions, Institutions*. New York: W. W. Norton & Company.

Golub, Stephen/Kaya, Ayse/Reay, Michael (2014): What were they thinking? The Federal Reserve in the run-up to the 2008 financial crisis. Source: <http://www.tandfonline.com/doi/abs/10.1080/09692290.2014.932829> (last access on 10.04.2015).

Graeber, David (2011): *Debt. The First 5000 Years*. New York: Melville House Publishing.

Helleiner, Eric (2007): The Evolution of the International Monetary and Financial System. In: Ravenhill, John (ed.), *Global Political Economy*, 4th edition. Oxford: Oxford University Press, 213-240.

Helleiner, Eric (2011): Understanding the 2007–2008 Global Financial Crisis: Lessons for Scholars of International Political Economy. In: *Annual Review of Political Science*, 14, 67-87.

Helleiner, Eric/Pagliari, Stefano (2011): The End of an Era in International Financial Regulation? A Postcrisis Research Agenda. In: *International Organization*, 65 (1), 169-200.

Johnson, Juliet/Mügge, Daniel/Seabrooke, Leonard/Woll, Corneila/ Grabel, Irene/Gallagher, Kevin P. (2013): The Future of International Political Economy: Introduction to the 20th Anniversary Issue of RIPE. In: *Review of International Political Economy*, 20 (5), 1009-1023.

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- Mankiw, Gregory (2009): *Macroeconomics, Seventh Edition*. New York: Worth Publishers.
- Mayers Weltwirtschaft (2015): *Der Untergang der klassischen Banken* (german). Source: <http://www.faz.net/aktuell/wirtschaft/mayers-weltwirtschaft/der-untergang-der-klassischen-banken-13521993.html> (last access on 10.04.2015).
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- Strange, Susan (1970): *International Economics and International Relations. A Case of Mutual Neglect*. In: *International Affairs*, 46 (2), 304-315.
- Strange, Susan (1986): *Casino Capitalism*. Manchester: Manchester University Press.
- Strange, Susan (1988): *States and Markets. An Introduction to International Political Economy*. London: Pinter Publishers Limited.
- The Federal Reserve Bank of Chicago (1992): *Modern Money Mechanics*. Chicago: Federal Reserve.
- The Financial Crisis Inquiry Commission (2011): *The Financial Crisis Inquiry Report. Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States*. Source: www.gpo.gov/fdsys/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf (last access on 10.04.2015).