

International Political Economy: Monetary Relations

POLI 445

McGill University

Winter 2024

[Preliminary and subject to change]

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- Priority given to students signed up via <https://calendly.com/colinchia>

Description

This course examines the politics of international monetary relations, including how monetary policies are selected, the impact of international monetary problems, and the rules governing monetary flows. It examines subjects such as the gold standard, international monetary institutions, sovereign debt, currency crises, and currency rivalries.

Assessment

- Participation – 10%
- In-class midterm exam – 15% (Feb 26)
- Paper outline – 5% (due Mar 1)
- Research paper – 40% (due Apr 4)
- Final exam – 30% (take-home)

Grading rubric

The key criteria for assessment of written work are how well the submission:

- addresses the question set and/or requirements of the assignment
- shows a strong understanding and knowledge of the subject matter
- develops a logical and effective pattern of argument
- supports arguments with relevant examples or empirical research
- uses substantial and appropriate references
- is clear and well-written

Late penalty

Assignments are due via myCourses at 11:59pm on the due date. A penalty of 10% may be imposed for any work submitted late, followed by an additional 5% per 24 hours.

McGill University is on land which has long served as a site of meeting and exchange amongst Indigenous peoples, including the Haudenosaunee and Anishinabeg nations. We acknowledge and thank the diverse Indigenous people whose footsteps have marked this territory on which peoples of the world now gather.

Last updated November 22, 2023

COURSE POLICIES

Communications

Please note that any class-wide announcements will be made through myCourses or to student McGill email accounts. Furthermore, to ensure protection of student privacy, only mcgill.ca email address should be used.

Language of submission

In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded. This does not apply to courses in which acquiring proficiency in a language is one of the objectives.

Conformément à la Charte des droits de l'étudiant de l'Université McGill, chaque étudiant a le droit de soumettre en français ou en anglais tout travail écrit devant être noté (sauf dans le cas des cours dont l'un des objets est la maîtrise d'une langue).

Academic integrity

McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures" (see McGill's guide to academic honesty for more information). Text-matching software may be used to ensure academic integrity by checking submitted assignments for plagiarism or the unauthorized use of text-generating software (such as ChatGPT and similar tools).

Students found to have represented another person's work as their own, or to have contributed or aided another student in doing so, may be subject to disciplinary measures according to university policy. See <https://www.mcgill.ca/students/srr/academicrights/integrity/cheating>

Content generation tools (also known as "generative AI") are very new and the full implications for educators are yet to be fully understood. The key concern is that the mental and cognitive exercise of producing written work is a key part of learning and cognitive training that students will not fully benefit from if they resort to such tools as replacements for their own efforts. Consistent with university policy, text generated by tools like ChatGPT may not be submitted in any assignment in this course.

Extraordinary circumstances

In the event of extraordinary circumstances beyond the University's control, the content and/or evaluation scheme in this course is subject to change.

Copyright of course content

All slides, video recordings, lecture notes, class handouts, etc. are and remain the instructor's intellectual property. You may use these only for your own learning and research (with proper citation/referencing). You may not disseminate or share these materials. Doing so may violate copyright and could be cause for disciplinary action.

Inclusive learning environment

As the instructor of this course I endeavor to provide an inclusive learning environment. However, if you experience barriers to learning in this course, do not hesitate to discuss them with me and the Office for Students with Disabilities, 514-398-6009.

Students who are unable to meet academic obligations because of a religious commitment are responsible for informing the instructor with two weeks' notice of any conflicts. See the university policy for the accommodation of religious holy days:

https://www.mcgill.ca/secretariat/files/secretariat/religious_holy_days_policy_on_accomodation_of.pdf

COURSE SCHEDULE

Some weeks have optional supplementary readings. Students are not required to have read these before class but are welcome to refer to them in memos, response papers, or discussion. They can also provide further starting points for research on particular topics.

Journal articles are accessible through the university library. You will usually need to be connected to the university network or use the library's proxy/VPN. Please inform the instructor if you cannot access a reading so I can try to find it or assign an alternative.

Textbooks

Purchasing the following online-only textbook is recommended. However, it can be substituted with other readings.

- Mark Brawley. 2019. *International Monetary Relations*. Top Hat. (online only)

Available in the library:

- Jeffrey Frieden. 2016. *Currency Politics: The Political Economy of Exchange Rate Policy*. Princeton University Press.

Also available from Paragraphe bookstore:

- Daniel McDowell. 2023. *Bucking the Buck: US Financial Sanctions and the International Backlash Against the Dollar*. Oxford University Press.

Jan 8: Introduction and overview

- Brawley, chp. 1 / Frieden, introduction
- Richard N. Cooper. 1975. "Prolegomena to the Choice of an International Monetary System", *International Organization*, 29(1): 63-97.

Jan 10: Balance of payments

- Brawley, chp. 2 / Frieden chp. 1
- Matthew C. Klien & Michael Pettis. 2020. *Trade Wars are Class Wars*. Yale University Press (chp. 3).
- [Optional further reading] Yanis Varoufakis. 2011. *The Global Minotaur: America, Europe, and the Future of the Global Economy*. Zed Books.

Jan 15: Currency hierarchy and the monetary trilemma

- Susan Strange. 1971. "The Politics of International Currencies", *World Politics*, 23(2): 215-231.
- Benjamin J. Cohen. 2017. *Currency Statecraft*. Cornell University Press (pp. 1-64)

Jan 17: Rise of the gold standard

- Brawley, chp. 3 / Frieden chp. 2
- J.C. Shambaugh & Alan M. Taylor. 2004. "Monetary Sovereignty, Exchange Rates, and Capital Controls: The Trilemma in the Interwar Period", *IMF Staff Papers*, 51.

Jan 22: Interwar crisis

- Frieden, chp. 3 / Brawley, chp. 4
- Barry Eichengreen & Marc Flandreau. 2009. "Rise and fall of the dollar", *European Review of Economic History*, 13: 377-411.
- [Optional] Barry Eichengreen. 1996. *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939*. Oxford University Press.

Jan 24: Bretton Woods

- Brawley, chp. 5
- Stanley Fischer. 1999. "On the need for an international lender of last resort", *Journal of Economic Perspectives*, 13(4): 85-104.

Jan 29: The breakdown of Bretton Woods

- Brawley, chp. 6
- Barry Eichengreen. 1999. "From Benign Neglect to Malignant Preoccupation: US Balance of Payments Policy in the 1960s". NBER Working Paper 7630.
- Joanne Gowa. 1984. "State Power, State Policy: Explaining the Decision to Close the Gold Window", *Politics & Society*, 13(1): 91-117.

Jan 31: Exchange rate choices

- Richard N. Cooper. 2014. "Exchange rate choices". <http://nrs.harvard.edu/urn-3:HUL.InstRepos:34307223>
- Felipe Larrain B. & Andrés Velasco. 2001. "Exchange rate policy in emerging market economies: the case for floating" *Princeton Essays in International Economics*, 224. <https://ies.princeton.edu/pdf/E224.pdf>

Feb 5: Sovereign debt

- Jerome E. Roos. 2019. *Why Not Default? The Political Economy of Sovereign Debt*. Princeton University Press (chp. 1-2).
- Kris James Mitchener & Christoph Trebesch. 2023. "Sovereign debt in the twenty-first century", *Journal of Economic Literature*, 61(2): 565-623.

Feb 7: The 1980s debt crises

- Brawley, chp. 7
- Charles Lipson. 1985. "Bankers' Dilemmas: Private Cooperation in Rescheduling Sovereign Debts", *World Politics*, 38(1): 200-225.

Feb 12: The IMF and structural adjustment

- Jacques J. Polak. 1991. "The Changing Nature of IMF Conditionality", OECD Technical Paper no. 41 (on myCourses)
- Stephen C. Nelson. *The Currency of Confidence*. Cornell University Press (chp. 2).

Feb 14: East Asian currency crisis

- Frieden, chp. 5-6 / Brawley, chp. 8
- Ethan Kaplan & Dani Rodrik. 2002. "Did the Malaysian Capital Controls Work?" in *Preventing Currency Crises in Emerging Markets*, edited by Sebastian Edwards & Jeffrey A. Frankel, 393-431. University of Chicago Press. <https://doi.org/10.7208/chicago/9780226185057.003.0009>
- [Further reading] Anita Doraisami. 2005. "The political economy of capital flows and capital controls in Malaysia", *Journal of Contemporary Asia*, 35(2): 249-263.

Feb 19: European Monetary Union

- Frieden, chp. 4
- Barry Eichengreen & Jeffrey Frieden. 2000. "The Political Economy of EMU"
- [Further reading] Stanley Fischer. 2008. "Exchange Rate Systems, Surveillance, and Advice", *IMF Staff Papers* 55(3): 367-383.

Feb 21: Eurozone crisis

- Adam Tooze. 2018. *Crashed: How a Decade of Financial Crises Changed the World*. Penguin (pp. 321-371).
- Barry Eichengreen. 2018. "Optimum currency areas past and future", in *Oxford Research Encyclopedia of Economics and Finance*. Oxford University Press. <https://doi-org/10.1093/acrefore/9780190625979.013.242>
- [Optional] Paul Blustein. 2015. "Over their heads: The IMF and the prelude to the euro-zone crisis". CIGI Paper 60. <https://www.cigionline.org/publications/over-their-heads-imf-and-prelude-euro-zone-crisis/>

Feb 26: Midterm exam (in class)

Feb 28: Dollar hegemony

- McDowell 2023, chp. 1-2
- Barry Eichengreen. 2011. *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*. (pp. 1-19, chp. 3)

[Optional]

- Carla Norloff. 2010. *America's Global Advantage: US Hegemony and International Cooperation*. Cambridge University Press (chp. 4).
- Brawley, chp. 10

Mar 11: Central banks and the 2008 crisis

- Daniel McDowell. 2017. *Brother, Can You Spare a Billion?* Oxford University Press (chp. 7).
- Eric Helleiner. 2014. *The Status Quo Crisis*. Oxford University Press (chp. 3).

Mar 13: Global banking regulation

- Ranjit Lall. 2011. "From failure to failure: The politics of international banking regulation", *Review of International Political Economy*, 19(4): 609-638.
- Barry Eichengreen. 2009. "The Global Credit Crisis as History"

Mar 18: Monetary power

- McDowell 2023, chp. 3-4

Mar 20: Currency internationalization and rivalry

- McDowell 2023, chp. 6
- Barry Eichengreen. 1997. "The Euro as a Reserve Currency".

Mar 25: China's rise?

- McDowell 2023, chp. 8
- Hongyin Wang. "Global Imbalances and the Limits of the Exchange Rate Weapon", in *The Great Wall of Money*, eds. Jonathan Kirshner & Eric Helleiner, 99-126. Cornell University Press.
- [Further reading] Steven Liao & Dan McDowell. 2015. "Redback rising: China's bilateral swap agreements and Renminbi internationalization", *International Studies Quarterly*, 59(3): 401-422.

Mar 27: Making money

- Jonathan Kirshner. 2001. "The Political Economy of Low Inflation", *Journal of Economic Surveys*, 15(1): 41-70.

- Benjamin Braun. 2016. "Speaking to the people? Money, trust, and central bank legitimacy in the age of quantitative easing", *Review of International Political Economy*, 23(6): 1064-1092.
- [Optional] Antti Ronkainen & Ville-Pekka Sorsa. 2018. "Quantitative easing forever? Financialisation and the institutional legitimacy of the Federal Reserve's unconventional monetary policy", *New Political Economy*, 23(6): 711-727.
<https://doi.org/10.1080/13563467.2018.1384455>

Apr 3: Shadow money and shadow banking

- Cornel Ban & Daniela Gabor. 2016. "The political economy of shadow banking", *Review of International Political Economy*, 23(6): 901-914.
- Steffen Murau. 2017. "Shadow money and the public money supply: the impact of the 2007-2009 financial crisis on the monetary system", *Review of International Political Economy*, 24(5): 802-838.

Apr 8: Digital currencies

- Nigel Dodd. 2017. "The Social Life of Bitcoin", *Theory, Culture & Society*, 35(3): 35-56.
<https://doi.org/10.1177/0263276417746464>
- Colin Chia & Eric Helleiner. 2023. "Central bank digital currencies and the future of monetary sovereignty", *Finance & Space*, forthcoming (on myCourses).

Apr 10: The Covid-19 crash/Conclusion

- Adam Tooze. "How coronavirus almost brought down the global financial system", *The Guardian*, 14 April.