

POL SCI 149
The International Political Economy of Global Finance

Dr. Timothy Turnbull

Winter 2022

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Office Hours: Wed 3:00-5:00pm
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Class Hours: M/W/F 2:00-2:50
Class Room: SE2 - 1304

Course Description

Global finance plays an incredibly important, yet often underappreciated, role in global politics. The global flow of money – influenced by individuals, institutional investors, regulatory agencies, central banks, politicians, and political parties – directly impacts both the relations between states and the domestic politics of states the world over. However, given its rather complex and technical nature, the influence of global finance on world politics is not always clear to the casual observer.

Therefore, to borrow a phrase from one of the luminaries of the field, in this class, we will “open the black box of global finance.” We will begin by covering the basics of money and markets, as well as the historical development of finance. We will then examine the role of domestic currencies in international politics, with a particular emphasis on the power of the US dollar. We will then cover the role of debt, both as an engine of growth and a source of conflict and crisis. Following this, we will examine the effects that financial actors have on domestic politics and economics. Next, we will cover the main financial stories of the 21st century – the 2008 financial crisis and the European debt crisis – as well as the policy responses to those crises. Finally, we will cover “new” areas of interest in the political economy of finance, with a particular focus on the financialization of everyday life; that is, how global finance affects *you*.

Learning Objectives

By participating in this course, you will:

- Be able to explain advanced financial concepts and theories.
- Gain a deeper understanding of how finance is organized on a global basis.
- Develop a nuanced understanding of current global financial issues, and the relationship between global finance and world politics.

Assignments and Grade Breakdown

The final course grade will be determined by weighting your performance in the following areas:

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| 1. Participation (Attendance and Discussion Questions) | 15% |
| 2. Midterm I (Friday, January 28th) | 25% |
| 3. Midterm II (Friday, February 25th) | 25% |
| 4. Final Exam (Friday, March 18th, 1:30 - 3:30pm) | 35% |

Numerical grades will be converted to letter grades at the following values:

A+	=	97% and above	C+	=	77%-80%
A	=	93%-97%	C	=	73%-77%
A-	=	90%-93%	C-	=	70%-73%
B+	=	87%-90%	D+	=	67%-70%
B	=	83%-87%	D	=	60%-67%
B-	=	80%-83%	F	=	Below 60%

Absence Policy

Attendance is mandatory. If you must be absent from a class meeting, you must contact me beforehand with your reasoning and/or a relevant doctor's note. Failure to do so will result in a reduction of your participation score.

Participation

Your participation grade will reflect not only your attendance, but your submission of weekly discussion questions on Canvas. Each week, you must submit **two** questions related to any of the readings from that week.

Accommodations

The UCI Disability Services Center provides equal opportunities to students with documented temporary and permanent orthopedic, visual, hearing, learning, chronic health, and psychological disabilities. If you qualify for services, please be sure to work with the Center to ensure I am notified of testing and other accommodations. If you are comfortable doing so, please feel free to come talk with me during office hours about ensuring this class is accessible to you. If you are not sure whether you qualify for services, please contact the office at 949-824-7497.

Other Resources

- **Center for Excellence in Writing & Communication:** This center provides consultations designed to improve your writing via revising and editing and identifying

what parts of your writing need work. You can book appointments up to two weeks in advance at <http://www.writingcenter.uci.edu/appointments/>; appointment slots fill up fast, so be sure to sign up well in advance of deadlines. They also offer walk-in and email consultations. For more information, visit www.writingcenter.uci.edu.

- **UCI Counseling Center:** The UCI Counseling Center provides access to counseling and clinical services, and it also offers support groups and workshops, peer programs, and wellness resources for managing stress. Phone: 949-824-6457.
- **UCI Dreamers' Resource Office:** This office serves AB540 and undocumented students through advocacy, guidance, and support. Some of their services are also available to students with undocumented family members. Contact their office for more information at: 949-824-6390.

Academic Honesty

Learning, research, and scholarship depend upon an environment of academic integrity and honesty. This environment can be maintained only when all participants recognize the importance of upholding the highest ethical standards. All student work, including quizzes, exams, reports, and papers must be the work of the individual receiving credit. Academic dishonesty includes, for example, cheating on examinations or any assignment, plagiarism of any kind (including improper citation of sources), having someone else take an examination or complete an assignment for you (or doing this for someone else), or any activity in which you represent someone else's work as your own. Violations of academic integrity will be referred to the Office of Academic Integrity and Student Conduct and will affect your grade in this course. Please familiarize yourself with UCI's Academic Integrity Policy (<https://aisc.uci.edu/policies/academic-integrity/index.php>) and speak to me if you have any questions about what is and is not allowed in this course.

Course Materials:

All readings will be available on Canvas. You will not need to purchase any books for this class.

Course Schedule:

Week 1: Why a Political Economy of Finance?

- **1/3 - Introduction**

- Lonergan, Eric, *Money* (Durham, UK: Acumen, 2009): Introduction, Chs. 1, 3
- Kirshner, Jonathan, “The Study of Money,” *World Politics* 52:3 (2000)

- **1/5 - What is Global Finance?**

- Klein, Matthew C., and Michael Pettis, *Trade Wars Are Class Wars: How Rising Inequality Distorts the Global Economy and Threatens International Peace* (New Haven: Yale University Press, 2020): ch. 2

- **1/7 - Financial Markets and Regulation**

- Llewellyn, David, “The Economic Rationale for Financial Regulation,” Occasional Paper Series 1, Financial Services Authority (1999)

Week 2: The History of Finance and Financial Regimes

- **1/10 - From Ancient Greece to the Depression**

- Graeber, David, *Debt: The First 5,000* (New York: Melville House, 2011): ch. 9

- **1/12 - The Bretton Woods System**

- Helleiner, Eric, *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Ithaca: Cornell University Press, 1994): chs. 1-2

- **1/14 - The Neoliberal Era**

- Graeber, David, *Debt: The First 5,000* (New York: Melville House, 2011): ch. 12
- Williamson, John, “The Strange History of the Washington Consensus,” *Journal of Post Keynesian Economics* 27:2 (2004)

Week 3: Currencies and the Flow of Money

- **1/17 - No Class: Martin Luther King Jr. Day**

- **1/19 - Exchange Rates and the Unholy Trinity**

- Broz, J. Lawrence, and Jeffrey A. Frieden, “The Political Economy of International Monetary Relations,” *Annual Review of Political Science* 4 (2001)
- Abdelal, Rawi *Capital Rules: The Construction of Global Finance* (Cambridge: Harvard University Press, 2007): ch. 1-2

- **1/21 - Currency Crises**

- Freiden, Jeffrey, *Currency Politics: The Political Economy of Exchange Rate Policy* (Princeton: Princeton University Press, 2014): ch. 1

Week 4: Money and Power

- **1/24 - The US Dollar**
 - Kirshner, Jonathan, “Dollar Primacy and American Power: What’s at Stake?” *Review of International Political Economy* 15:3 (2008)
- **1/26 - Challengers to the Dollar**
 - De Grauwe, Paul, “The Political Economy of the Euro,” *Annual Review of Political Science* 16 (2013)
 - Cohen, Benjamin J., “The Yuan Tomorrow? Evaluating China’s Currency Internationalisation Strategy,” *New Political Economy* 17:3 (2012)
- **1/28 - Midterm I**

Week 5: Debt, Development, and Crises

- **1/31 - Sovereign Debt**
 - Roos, Jerome, *Why Not Default? The Political Economy of Sovereign Debt* (Princeton: Princeton University Press, 2019): introduction and ch. 1
- **2/2 - Debt Crises**
 - Roos, Jerome, *Why Not Default? The Political Economy of Sovereign Debt* (Princeton: Princeton University Press, 2019): ch. 8
- **2/4 - Case Study: The Politics of the US Debt Limit**
 - Levit, Mandy R., Clinton T. Brass, Timothy J. Nicola, and Dawn Nuschler, “Reaching the Debt Limit: Background and Potential Effects on Government Operations,” *Congressional Research Service Report 7-5700* (2015)

Week 6: The Domestic Politics of Finance: Markets, Banks, and Credit

- **2/7 - Who Elected the Bankers?**
 - Fernández-Albertos, José, “The Politics of Central Bank Independence,” *Annual Review of Political Science* 18 (2015)
 - Berman, Sheri, and Kathleen R. MacNamara, “Bank on Democracy: Why Central Banks Need Public Oversight,” *Foreign Affairs* 78:2 (1999)
- **2/9 - What do Bankers Want?**
 - Mosley, Layna, “Globalisation and the State: Still Room to Move?” *New Political Economy* 10:3 (2005)
 - Kirshner, Jonathan, *Appeasing Bankers: Financial Caution on the Road to War* (Princeton: Princeton University Press, 2007): ch. 1

- **2/11 - Financialization**

- Mader, Philip, Daniel Mertens and Natascha van der Zwan, “Financialization: An Introduction,” in *The Routledge International Handbook of Financialization*, Philip Mader, Daniel Mertens, Natascha van der Zwan, eds., (London: Routledge, 2020)
- Krippner, Greta R. ”The Financialization of the American Economy” *Socio-Economic Review* 3:2 (2005)

Week 7: Financial Crises

- **2/14 - Easy Money, Financial Innovation, and the American Dream**

- White, Lawrence H., “Federal Reserve Policy and the Housing Bubble,” in *Lessons from the Financial Crisis: Causes, Consequences, and Our Economic Future*, Robert W. Kolb, ed., (Hoboken: John Wiley & Sons, Inc, 2010)
- Bardhan, Ashok, “Of Subprimes and Sundry Symptoms: The Political Economy of the Financial Crisis,” in *Lessons from the Financial Crisis: Causes, Consequences, and Our Economic Future*, Robert W. Kolb, ed., (Hoboken: John Wiley & Sons, Inc, 2010)
- Jacobs, Bruce I., “Tumbling Tower of Babel: Subprime Securitization and the Credit Crisis,” in *Lessons from the Financial Crisis: Causes, Consequences, and Our Economic Future*, Robert W. Kolb, ed., (Hoboken: John Wiley & Sons, Inc, 2010)

- **2/16 - The Crash, the Bailout, and the Great Recession**

- Helleiner, Eric, “Understanding the 2007-08 Global Financial Crisis: Lessons for Scholars of International Political Economy,” *Annual Review of Political Science* 14 (2011)

- **2/18 - The Crisis Spreads: The European Debt Crisis**

- Frieden, Jeffrey, and Stefanie Walter, “Understanding the Political Economy of the Eurozone Crisis,” *Annual Review of Political Science* 20 (2017)

Week 8: Austerity

- **2/21 - No Class: President’s Day**

- **2/23 - The Politics of “Growth-Friendly Fiscal Consolidation”**

- Blyth, Mark, *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press, 2013): chs. 1, 5
- Herndon, Thomas, Michael Ash, and Robert Pollin, “Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff,” *Political Economy Research Institute Working Paper 332* (2013)
- Cassidy, John, “The Crumbling Case for Austerity Economics,” *The New Yorker*, April 17, 2013

- **2/25 - Midterm II**

Week 9: The Ukraine Crisis I

- **2/28 - The Prelude: NATO Expansion, Russian Revanchism, The Annexation of Crimea, and the War in the Donbas**
 - Waltz, Kenneth, “NATO Expansion: A Realist’s View,” *Contemporary Security Policy* 21:2 (2000)
 - Kotkin, Stephen, “Russia’s Perpetual Geopolitics: Putin Returns to the Historical Pattern,” *Foreign Affairs* 95:3 (May/June 2016)
 - Treisman, Daniel, “Why Putin Took Crimea: The Gambler in the Kremlin,” *Foreign Affairs* 95:3 (May/June 2016)
- **3/2 - The West’s Response and its Initial Results: Sanctions and Currency Politics**
 - Pepinsky, Thomas, “Russia is About to Plunge Into Financial Crisis. How Will Citizens React?” *The Washington Post (Monkey Cage)* 27 February 2022
 - Treeck, Johanna and Douglas Busvine, “West Targets Russia’s Defenses Against Ruble Crash, Bank Run” *Politico.eu* 27 February 2022
- **3/4 - SWIFT Sanctions and the Office of Foreign Assets Control (OFAC)**
 - Drezner, Daniel W., “Targeted Sanctions in a World of Global Finance,” *International Interactions* 41:4 (2015)
 - Kindy, Kimberly, Rick Noack and Tory Newmyer, “What is SWIFT and Why Does it Matter in the Russia-Ukraine War?” *The Washington Post* 26 February 2022

Week 10: The Ukraine Crisis II and Course Review

- **3/7 - Money Laundering, Tax Havens, and the Oligarchs’ Money**
 - Sharman, Jason, “Offshore and the New International Political Economy,” *Review of International Political Economy* 17:1 (2010)
 - Cooley, Alexander, John Heathershaw, and J.C. Sharman, “The Rise of Kleptocracy: Laundering Cash, Whitewashing Reputations,” *Journal of Democracy* 29:1 (2018)
- **3/9 - What the Future Holds - A (Re)United West? An End to Russia’s Pipeline Politics? A Russian “Lost Decade?” A Bright Future for Financial Sanctions?**
 - Abdelal, Rawi, “The Profits of Power: Commerce and *Realpolitik* in Eurasia,” *Review of International Political Economy* 20:3 (2013)
- **3/11 - Course Review**

Final Exam

- **Final Exam - Friday, March 18th, 1:30 - 3:30pm**