IBUS 4303    INTERNATIONAL MONETARY AND FINANCIAL ISSUES

Prof. D. Leipziger (Dept. of Intl Business)
Duques 450b (202-994-8202) DLEIPZIG@GWU.EDU
Classes: Tuesdays 3:30-6:00pm
Office Hours: Best by appointment set by email.
TA: Rohan Shetty (rohanshetty@gwmail.gwu.edu)

COURSE DESCRIPTION AND OBJECTIVES:

International monetary issues were never contained within border; however, globalization and financial integration of markets has made the financial world fairly flat. Shocks reverberate throughout the system and weaknesses in one currency or a loss of confidence in one part of the financial architecture will have implications. This course aims to examine the nature of financial shock, and it look in depth at how the authorities deal with financial problems. To enable students to accurately study the financial crises, it is useful to review the open macro-economic framework that underpins the financial sector. This review and a look at the role of financial oversight institutions will help us look at the crises in Mexico, Korea, Argentina and Greece. To fully see the whole picture, the role of the dollar and the role of central banks more generally should be discussed and analyzed. The course will ultimately look at the risks currently facing the international monetary and financial system and will begin to look at the emerging roles of new economic players in the global system. The objective of the course is to enable students to better understand what they read about, see and witness in the global financial arena. A solid understanding of intermediate macroeconomics is very helpful, although the first few classes will review this for those who have forgotten their macroeconomic fundamentals.
COURSE REQUIREMENTS, THE APPROACH TO LEARNING, ASSIGNMENTS AND GRADING CRITERIA:

Text: James Gerber, INTERNATIONAL ECONOMICS, Addison-Wesley (Fifth Edition is preferred)

The Financial Times: students should gain on-line access through GWSB so that at least the lead stories are perused every day and the Monday edition read for our classroom discussion. From time to tome I will highlight articles that you should read via blackboard announcement or handouts.

Readings to be assigned will made available (Gelman Reserve or on Blackboard) but cases should be procured by students.

Class attendance is not optional and excessive absences will be noted Classroom participation is strongly recommended.

Normal GWU rules apply with respect to integrity and decorum
In a lecture format it is important to take notes.

Web-surfing and emailing during class is discouraging and is punishable by death! I prefer that you take notes without a computer, and there will be times where I will ask that all computers be closed. So plan for this eventuality.

There will be a mid-term assigned paper counting for 25% and a final exam, counting for 35% of your grade. The team assignment will count 20% and your individual FT contributions, small assignments and classroom participation and overall preparedness will contribute the remaining 20%.

This will be a great course if you do the readings and are up-to-date on assignments. I will feel perfectly justified in asking you about terms and concepts that your assigned readings cover, so be prepared for this.

CLASS 1. JAN. 14, 2014

INTRODUCTION TO THE COURSE

Lecture Topic: How Has the Global Economy and Its Financial System Changed

Basic review of macroeconomics in an international setting—concepts and terms that we will be using

You should review your macro textbook as a refresher, particularly the chapters on open economy macroeconomics.
CLASS 2. JAN. 21, 2014

NO CLASS THIS WEEK, BUT ASSIGNMENT #1 TO BE WORKED ON AND HANDED IN ON JANUARY 31

Assignment #1:

Answer the following questions in one paragraph:

1. What should be the impact in the US and abroad of “tapering,” the reduction and eventual reversal of quantitative easing?

2. Do high savings rates in China inevitably mean that China will run a current account surplus?

3. Why is it unlikely that the US$-Japanese yen exchange rate won’t be too different in Tokyo than it will be in New York?

CLASS 3. JAN. 28, 2014

Reading Assignments:
Gerber’s International Economics: Chapters 11, 9 and 10

Class Assignment:
Students are to bring a relevant article from the FT to class and be ready to discuss in class—three to be chosen

Lecture Topic: Open Economy Macro, the Balance of Payments, and the Exchange Rate and a general review

CLASS 4. FEB. 4, 2014

Reading Assignments:

Gerber: Chapters 2, 12
Capital Controls in Chile in the 1990s, HBS Case # 9-075-031
Leipziger: Oxford Handbook on Development, Chap.49
Lecture Topic: A Review of What Central Banks Do and How they Do It
The Cases of Chile and Brazil and Capital Flows

Lecture Topic: Global Financial Issues and Institutions
The Role of the IMF, the World Bank, and the FSB

CLASS 5. FEB. 11, 2014

Reading Assignments:

Gerber: Chap. 13

Class Assignment:

Students assigned to bring in a FT article and discuss—three to be chosen at random

Lecture Topic: What Do We Know About Financial Crises, especially in Emerging Market Economies

CLASS 6. FEB. 18, 2014

Reading Assignments:

Mexico Case: The Tequila Crisis, HBS Case # 9-702-093

Class Assignment:

Students to bring an FT article to class for discussion—three chosen

Class Topic: The Tequila Crisis and Its Lessons

CLASS 7. FEB. 25, 2014

Reading Assignments:

Gerber: Chap. 16
The East Asia Financial Crisis, HBS Case # 9-074-045

Class Assignment:

Students to bring FT article and be prepared to discuss—three selected
Class Topic: The Korean Economy and the Crisis of 1997 and Its Lessons

CLASS 8. MARCH 4, 2014

Reading Assignments:
  Gerber: Chap. 16
  Argentina: Anatomy of a Financial Crisis, Thunderbird Case A03-04-0006

Class Assignment:
  Students to bring FT article to class for discussion—three selected

Class Topic: The End of Convertibility and the Corralito

MID-TERM ASSIGNMENT IS DUE MARCH 17 WITHOUT EXCEPTION: You are expected to take a look at what the government could have done differently in the case of Argentina or what the IMF could have done differently in the case of Korea. The paper (5 single-spaced pages in length) should be in your own words, sources noted, and should demonstrate that you understand the concepts driving crises and the lesson in how to try and avoid them.

CLASS 9. MARCH 18, 2014

Reading Assignments:
  Gerber: Chap. 14
  IMF Report on Greece: (to be distributed)

Class Assignment:
  Students are to prepare a one-page bullet point Note on what should have been done differently by the troika to manage the Greek-Euro crisis. Bring it to class.

Class Topic: Greece and the Euro Crisis

CLASS 10. MARCH 25, 2014

Reading Assignments:
  Gerber: Chap. 12 reread

Class Assignment:

Students to prepare a one-pager either in favor or opposed to the enactment of the Volcker Rule and be prepared to defend your position in a class debate

Lecture Topic: Lessons Learned from Banking and Financial Crises, Modes of Prevention

Video: Colbert Report

CLASS 11. APRIL 1, 2014

Reading Assignments:

Lecture Topic: Risk, Contagion and Regulation

Lecture Topic: The Dollar, the Euro, and Renminbi

CLASS 12. APRIL 8, 2013

Reading Assignments: None

Team Assignment:

Select and present an FT or WSJ issue that is relevant for our class, discuss its ramifications, and present to the class in a 5 page powerpoint, lead the class discussion by asking two thought-provoking questions. Submit a 5 page paper before-hand that analyzes the economic or financial issue chosen. Even though a team assignment, all members of the team are responsible for doing the thinking and the work involved. Team members who do not contribute will be called out.

Three teams to present, each for 30 minutes.

CLASS 13. APRIL 15, 2013
Reading Assignments: None

Team Assignment: as above

CLASS 14. APRIL 22, 2013

Reading assignments: None

Team Assignments: as above

CLASS 15, APRIL 29, 2014

GENERAL DISCUSSION AND REVIEW

FINAL EXAM: MAY 6, 2013