COURSE NUMBER: IBUS4303

SEMESTER: Spring 2012

COURSE TITLE: International Monetary and Financial Issues

CLASS DAY AND TIMES: Wednesdays 12:45-3:15 p.m.

COURSE DESCRIPTION: Monetary and financial problems invariably start in one or more countries, with some becoming internationalized and global. In this course, we first review the basic tools for assessing international financial developments. We then cover the financial crises of 2007-2008 in the United States, its internationalization, metamorphosis and the evolving crisis in the countries of the Eurozone. In the process, we also look at other monetary arrangements and earlier banking crises. Finally, we discuss various suggestions for financial reform. If we invite an outside speaker or two, class schedule may have to be re-arranged and classes compressed. Moreover, in view of the rapidly changing financial crisis, topics may be adjusted with little prior notification. The dates for the tests, however, will not be changed.

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Office Hours: Wednesdays 11:00-12:30 and by appointment

INST ASST: Ali Sharifkhani 202-704-8066, asharif@gwmail.gwu.edu
Office Hours: Wednesdays 3:30-5:30 p.m.

REQUIRED READINGS: The assigned readings will come from lecture notes and other readings (all posted on Blackboard), the textbook (optional) Gerber, (5th edition, Addison-Wesley). I realize that books are expensive, but you should buy one book that is a classic and cheap: Charles Kindleberger, Manias, Panics, and Crashes, Fifth (or any addition) Edition (paperback), Wiley, 2005, and may want to buy another that will be a classic and again is relatively cheap: Carmen M. Reinhart Kenneth Rogoff, This Time Is Different: Eight Centuries of Financial Folly, Princeton University press, 2009 (as a substitute I have assigned Carmen Reinhart and Kenneth Rogoff, This Time Is Different: A Panoramic View of Eight Centuries of financial Crises, April 2008, on Blackboard and on the web
at: http:// www.nber.org/~wbuiter/cr1.pdf). I will also upload a few chapters from a recent book of mine and an older book (both books that I don’t want you to buy).

**COURSE OBJECTIVE:** The objective in this course is to assess the most important international monetary and financial issues of the day, namely the financial crisis that erupted in 2007-2008, its metamorphoses and its internationalization and the evolving crisis in the Eurozone; to develop a real grasp of the factors that have impacted these recent international financial developments; and to become familiar with the suggestions for policies and reforms.

**METHOD OF INSTRUCTION:** Lectures

**GRADING:** Grades will be based on two in-class tests (the second test will cover only the material discussed and assigned after the first test, that is in sessions 8-13). Each test will carry a 50% weight in the final grade. Class attendance is required and class participation is encouraged.

**DISABILITY SERVICES:** Any student who feels s/he may need an accommodation based on the impact of disability should contact the Professors or the Assistant privately to discuss specific needs. Please contact the Disability Support Services office at 202.994.8250 in the Marvin Center, Suite 242, to establish eligibility and to coordinate reasonable accommodation. For additional information please refer to: http://gwired.gwu.edu/dss/.

**Academic Integrity:** Conduct and all work in this course must be in accordance with The George Washington University Code of Academic Integrity.
SCHEDULE OF TOPICS AND READINGS:

Session 1 (1/18/2012): Course Overview, Globalization, and Discussion and Assessment of Student Perceptions of the Evolving Global Financial Crisis
Readings:
1. Class Note #1
2. Gerber Chapters 1
4. “Measuring Globalization”, Foreign Policy
5. “A game of catch-up,” The Economist, September 24, 2011

Session 2 (1/25/2012): International Trade and Commercial Policy
Readings:
1. Class Note #2
2. Gerber, chapters: 3, 4, 5, 6, 7

Session 3 (2/1/2012): Balance of Payments, Current Account and its Sustainability
Readings:
1. Class Note #3
2. Gerber, Chapter 9

Readings:
1. Class Note #4
2. Gerber, chapter 10
5. “The Big Mac Index,” The Economist, October 2010

Session 5 (2/15/2012): International Payments Systems and Monetary Arrangements (European Monetary System)
Readings:
1. Class Note #5
2. Gerber, Chapter 14
8. “Reserve Currencies,” The Economist, September 24, 2011

Session 6 (2/22/2012): Economic Integration and Currency Unions (Optimal Currency Areas and the Euro—background and its formation)
Readings:
1. Class Notes #6
2. Gerber chapters: 13, 14
3. Askari, Hossein and Chatterjee, Joydeep, The Euro and Financial Market Integration

Session 7 (2/29/2012): First Test

Session 8 (3/7/2012): The Fundamental Role of Finance in an Economy, History of Financial
   Crises, “Financialization” and the Lessons
   Readings:
   1. Charles Kindleberger, Manias, Panics, and Crashes, Fifth (or any addition) Edition
      (paperback), Wiley, 2005
   3. Carmen Reinhart and Kenneth Rogoff, This Time Is Different: A Panoramic View of Eight
      Centuries of Financial Crises, April, 2008
      IMF Survey, June, 2011

3/14/2012: Spring Break

Session 9 (3/21/2012): Third World Debt Crisis of the 1980s, Financial Contagion, Brady Plan
   and the Lessons
   Readings:
   1. Gerber Chapter 12
   2. Askari, Third World Debt And Financial Innovation: The Experiences of Chile and
      Mexico and Innovation, Paris: OECD, 1991

Session 10 (3/28/2012): The Euro Crisis—the Pull of Politics and Economics, the Challenge
   and the Policy Responses
   Readings:
   1. Gerber, chapters 14, 2
   2. Hossein Askari, “Twenty-Five Years of Post-Bretton Woods Experience: Some Lessons”,
      Banca Nazionale Del Lavoro Quarterly Review, March 1999
   3. Franco Modigliani and Hossein Askari, “Business Expectations and Strategy for the
      United States of Europe”, Strategy and Business, Second Quarter 1997
   6. “All pain, no gain?” The Economist, December 2010
   10. “The single currency’s medical chart,” The Economist, August 2011
   13. Stephen King, “Rouble poses worrying parallels for euro crisis,” Financial Times, August
       9, 2011
   14. George Soros, “Three steps to resolving the Eurozone crisis,” Financial Times, August 14,
       2011
   17. “Keep the fire burning,” The Economist, October 1, 2011
20. “Staring into the abyss,” The Economist, November 12, 2011
22. “In theory,” The Economist, November 12, 2011
23. “After the crisis,” The Economist, November 12, 2011

Readings:
1. Askari, Preface, and chapters: 1, 2
2. “Gaining Trust,” TIAA, spring 2011
5. Laurence Lindsey, “The Deficit Is Worse Than We Think,” WSJ, June 27, 2011
6. “Some Like It Hot,” The Economist, June 30, 2011
7. Martin Wolf, “From Italy to the US, utopia vs reality,” Financial Times, July, 12 2011

Session 12 (4/11/2012): The Economic Debate: Keynes vs. Hayek, Stimulus-Bailouts vs. None, Left vs. Right and the Road to Conflict
Readings:
1. Download podcast: http://downloads.bbc.co.uk/podcasts/radio4/analysis/analysis_20110803-2040b.mp3
2. BBC News, “Keynes v Hayek: Two Economic Giants go head to head,” August 2, 2022

Readings:
1. Askari, chapters: 12
2. Forbes.com-Kotlikoff pdf

Session 14 (4/25/2012): Second Test