



**THE GEORGE
WASHINGTON
UNIVERSITY**

WASHINGTON, DC

IBUS 4303 - INTERNATIONAL MONETARY AND FINANCIAL ISSUES

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Classes: Wednesdays 3:30-6:00

Room: Duques 259

Office Hours: Best by Appointment

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COURSE DESCRIPTION AND OBJECTIVES:

International monetary issues have never been constrained within borders; 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 world can have far-reaching implications. We have seen the serious global consequences of financial distress for economies, rich and poor alike.

This course aims to examine the nature of financial shocks, and it looks in depth at how the authorities deal with financial problems originating in the banking sector or in currency misalignment or with respect to external debt. It is useful to review the open macro-economic framework that underpins the financial sector to enable students to better analyze these crises. We will look at the role of financial oversight institutions as well as the actions of the governments themselves in Mexico, Korea, Argentina and Greece. Then, we go further and examine the role of the dollar as a reserve currency, and the implications of actions by central banks, such as the Federal Reserve as it affects Emerging Market Economies (EMEs). Topics will be discussed and analyzed. The course will ultimately look at the risks currently facing the international financial system and we will also 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. Reading news daily, whether in the Financial Times or the WSJ is considered part of the preparation for class discussions.

GRADING CRITERIA:

25% = Midterm Assigned Paper (due March 4th)

25% = Team Assignment (due in April)

10% = Individual contributions and classroom participation

40% = Final Exam (May 8th)

COURSE REQUIREMENTS & THE APPROACH TO LEARNING:

Text: James Gerber, INTERNATIONAL ECONOMICS, Addison-Wesley (Sixth Edition is preferred) but obtaining an inexpensive is of recent vintage is fine.

Assigned readings: Available on *Blackboard*, but cases should be obtained by students via the Harvard Course Pack.

Class attendance: Attendance is not optional and excessive absences will be noted and need further explanation.

Classroom participation: Participation makes up part of your grade and is strongly recommended. *Normal GWU rules apply with respect to integrity and decorum.*

Facebook can wait: In a lecture format it is important to take notes, not surf the web surfing. That and emailing during class are discouraging and are punishable by death! For most classes, especially when hardcopy power-point is distributed, A CLOSED LAPTOPS policy will be enforced.

Guest Speakers: We may have a couple of guest speakers, TBD as the semester progresses.

ASSIGNMENTS:

January 30, 2019: Hand-in Assignment: Due before class.

Please answer the following questions in one paragraph each, put your name on the pages and submit before class. The three questions are as follows:

1. What should be the impact in the US and abroad of “tapering,” the reduction of and eventual reversal of quantitative easing?
2. Do high savings rates in China inevitably mean that China will run a current account surplus and for how long?
3. Why is it unlikely that the US\$-Japanese yen exchange rate will be different in Tokyo than it will be in New York?

February 6th – March 27th: FT Class Assignment: Article due Monday before class, be prepared to discuss in class with some insights not simply repeating the news report.

Each class from Class 4 to Class 10 will have an assignment. A few students will be assigned each class to bring in a FT or equivalent article and discuss. The selected students should send their chosen articles to the TA by Tuesday at 5pm of their assigned week. The TA will then distribute to all students in class via blackboard. Selected students should be prepared to explain their article to the class and why it’s relevant. All students should have read the articles prior to class. Articles can also come from the WSJ or another source; however, the FT on-line is available free to all GW students and is convenient. We will devote 30 minutes of class time each week to this exercise

with the dual objective of a) keeping current on international financial issues and b) helping to prepare students for the team assignment analysis and presentations.

MID-TERM ASSIGNMENT IS DUE MARCH 4th *WITHOUT EXCEPTION*:

Analyze what could have been done differently in the case of Greece. Review IMF Reports and other sources to come a judgment about what the government, IMF and Euro-authorities could have or should have done differently. 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 lessons learned so far. *Further instructions will be given in class.*

April 3rd – April 17th: Two- to three-Person Team Assignment Presentation.

Select and present an FT or WSJ article, discuss its ramifications, and lead the class discussion by asking three thought-provoking questions. Use 7-10 PowerPoint slides and hand in an accompanying 3-4 page “note.” The note should discuss the article in depth and provide citations for resources you used to dig deeper into the topic raised by the newspaper article. Some research, going beyond new reports, is required for a thorough analysis.

Three teams to present each week, each for 30 minutes. Laptops should remain closed for those listening, so that they can participate fully in the discussion.

CLASS SCHEDULE

CLASS 1: January 16, 2019: INTRODUCTION

Lecture Topic:

- How Has the Global Economy and Its Financial System Changed over the past decade?
 - Basic review of macroeconomics in an international setting—concepts and terms that we will be using

Before Class: You should review your macro textbook as a refresher.

Reading Assignments for Next Class:

1. *Gerber’s International Economics: Chapters 11, 9 and 10*

CLASS 2: January 23, 2019

Lecture Topic:

- Open Economy Macro, the Balance of Payments, and the Exchange Rate.
- Reviewing concepts needed for analyzing global issues.

Reading Assignments for Next Class:

1. *Gerber: Chapters 2, 12*
2. *Speech on Central Bank independence by Governor Vujcic (blackboard)*

CLASS 3: January 30, 2019

Lecture Topic:

- What will be the impact of the gradual reversal of quantitative easing in the US?
- A Review of What Central Banks Do and How They Do It
 - The Cases of Chile and Brazil and Managing Capital Flows
- Global Financial Issues and Institutions - The Role of the IMF, World Bank, and FSB

ASSIGNMENT DUE FOR THIS CLASS

Reading Assignments for Next Class:

1. *Gerber: Chap. 13*
2. *See THE BIG SHORT (and be prepared to discuss the causes of the crisis)*
3. *The US Financial Crisis, The Economist (on blackboard)*
4. *Google view of the financial crisis by Ben Bernanke, Brad de Long and Tyler Cowen for class discussion or check Project Syndicate for views.*

CLASS 4: February 6, 2019

Lecture Topic:

- What Do We Know About Financial Crises?
 - What are its causes and impacts?
 - What can we learn from the US financial crisis?
 - How do crises spread?

ASSIGNMENT DUE FOR THIS CLASS

Reading Assignments for Next Class:

1. *Mexico Case: The Tequila Crisis, HBS Case # 9-702-093*
2. *Liliana Rojas-Suarez paper on macro resilience (see blackboard)*

CLASS 5: February 13, 2019

Lecture Topic:

- The Tequila Crisis and Its Lessons
- Latin American Risks and Challenges

ASSIGNMENT DUE FOR THIS CLASS

Reading Assignments for Next Class:

1. *Gerber: Chap. 16*
2. *Leipziger on Moral Hazard in Korea: "Public and Private Interests in Korea," EDI Working Paper, The World Bank, 1998 (optional)*
3. *The East Asia Financial Crisis, HBS Case # 9-074-045*

CLASS 6: February 20, 2019

Lecture Topic:

- What's unique about the Korean development experience
- The Korean Economy and the Crisis of 1997 and Its Lessons

ASSIGNMENT DUE FOR THIS CLASS

Reading Assignments for Next Class:

1. *Gerber: Chap. 16*
2. *Argentina: Anatomy of a Financial Crisis, Thunderbird Case A03-04-0006 (TB0131)*

CLASS 7: February 27, 2019

Lecture Topic:

- The characteristics of a Currency Board
- The End of Convertibility and the Corralito

ASSIGNMENT DUE FOR THIS CLASS

Reading Assignments for Next Class:

1. *Gerber: Chap. 14*
2. *Crisis in Cyprus: Was It Different This Time, Ivey Case W13369 (HBS)*
3. *Review of a recent FSAP for China (blackboard)*

MID-TERM ASSIGNMENT IS DUE MARCH 4th WITHOUT EXCEPTION:

Paper Length: 5 single-spaced pages

- Analyze what the IMF, the Economic Commission, and the ECB could have or should have done differently in the case of Greece. What should the government have done differently? What lessons did we learn from Argentina and Korea that might be relevant here? What's next for Greece? The paper should be in your own words, sources noted, and should demonstrate that you understand the concepts behind the crisis, why solutions haven't worked and the lessons for other countries facing such problems.

CLASS 8: March 6, 2019

Lecture Topic:

- Greece and the Euro Crisis
- China's Financial Sector Risks

ASSIGNMENT DUE FOR THIS CLASS

Other: Team Assignments for April to be set (2-3 students per team)

Reading Assignments for Next Class:

1. *Gerber: Chap. 12 reread*
2. *Reinhart, Carmen and Kenneth Rogoff, " This Time is Different, " NBER Working Paper # 14656 (2009)*
3. *Brookings Paper by Elliott on Basel III regulations (blackboard)*

CLASS 9: March 20, 2019

Lecture Topic:

- Lessons Learned from Banking and Financial Crises
- Modes of Prevention
- Warning Signals and Responses

ASSIGNMENT DUE FOR THIS CLASS

Other: Reconfirm Team Assignments for April to be set (ideally 2 students per team)

Reading Assignments for Next Class:

1. *Barry Eichengreen: Exorbitant Privilege. Chap 6.*
2. *Eswar Prasad, The Dollar Trap, Chaps. 12*
3. *Dani Rodrik on the Trouble with Globalization (blackboard)*

CLASS 10: March 27, 2019

Lecture Topic:

- Risk, Contagion and Regulation
- The Dollar, Euro, and Renminbi and the Future of the System
- The Future of globalization

ASSIGNMENT DUE FOR THIS CLASS

Reading Assignments for Next Class:

None. Work on Team Assignments.

NO READING ASSIGNMENTS PAST THIS POINT

CLASS 11: April 3, 2019

ASSIGNMENT DUE FOR THIS CLASS

CLASS 12: April 10, 2019

ASSIGNMENT DUE FOR THIS CLASS

CLASS 13: April 17, 2019

ASSIGNMENT DUE FOR THIS CLASS

CLASS 14: April 24, 2019 : *GENERAL DISCUSSION AND REVIEW*

**MAY 8, 2019:
Final Exam**