

Political Science 579: The Politics of International Finance
Friday, 9:30-11:55, Fenno Room (Harkness 329)

Spring 2007

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Harkness Hall 336
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Purpose of the course: This is an advanced course intended for Ph.D. students. The course conducts a broad survey of the field, focusing on the politics of substantive issues in international finance, including macroeconomic policy coordination, foreign debt and economic adjustment, and European integration.

Course Requirements: Each student writes a data-based research paper (20-25 pages, described below). A draft of the research paper is due Monday, April 30, at 5:00 pm, and the final version is due May 11 at 12:00 noon (no extensions). Each student will have at least two opportunities to present preliminary versions of the paper during the semester. In addition, there will be a take-home final exam, due May 9 at 4:00 pm. Grading: 1/3 class participation, 1/3 papers/final paper, 1/3 final. Note also the Block Seminar on Saturday, May 5, when all students will present their papers. Please reserve the day; we may go off campus for a change of venue.

Research Papers: Although the papers are short (no more than 25 pages, please), the standards are high. The papers are expected to formulate a hypothesis, ground it in appropriate literature, illustrate an argument or puzzle using qualitative evidence, and test the hypothesis using quantitative evidence. Please speak to me before the second class so I can get you started.

Readings: The following books are recommended for purchase; I recommend ordering on-line.

- Kirschner, Jonathan. *Currency and Coercion: The Political Economy of International Monetary Power*. Princeton: Princeton University Press, 1995.
- Cohen, Benjamin J. *The Geography of Money*. Ithaca: Cornell UP, 1998.
- Simmons, Beth. *Who Adjusts? Domestic Sources of Foreign Economic Policy during the Interwar Years*. (Princeton: Princeton Univ. Press, 1994).
- Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. (Ithaca: Cornell Univ. Press, 1994).
- Stone, Randall W. *Lending Credibility: The International Monetary Fund and the Post-Communist Transition*. (Princeton: Princeton Univ. Press, 2002).
- Abdelal, Rawi. *Capital Rules: The Construction of Global Finance*. Cambridge: Harvard University Press, 2007.
- Moravcsik, Andrew. *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*. Ithaca: Cornell Univ. Press, 1998.
- Bernhard, William, and David Leblang. *Democratic Processes and Financial Markets: Pricing Politics*. Cambridge: Cambridge Univ. Press, 2006.

The Tomz book is not yet published, but will be available from the instructor.

Course Outline:

Friday, Jan. 19: International Political Economy and Contemporary Paradigmatic Debates

Friday, Jan. 26: Economic Power

Kirshner, Jonathan. *Currency and Coercion: The Political Economy of International Monetary Power*. (Princeton: Princeton Univ. Press, 1995).

Cohen, Benjamin J. *The Geography of Money*. (Ithaca: Cornell UP, 1998.)

Friday, Feb. 2: Foreign Aid

Morgenthau, Hans. "A Political Theory of Foreign Aid." *American Political Science Review* 56 (2) (June 1962): 301-09.

Drazen, *Political Economy in Macroeconomics*, pp. 601-613.

Stone, Randall W. 2006. "Buying Influence: The Political Economy of International Aid." Working Paper, University of Rochester.

Alesina, Alberto, and David Dollar. 2000. "Who Gives Aid to Whom and Why?" *Journal of Economic Growth* 5 (March): 33-63.

Alesina, Alberto, and Beatrice Weder. 2002. "Do Corrupt Governments Receive Less Foreign Aid?" *The American Economic Review* 92 (4): 1126-38.

Burnside, Craig and David Dollar. 2000. "Aid, Policies and Growth." *American Economic Review* 90 (September): 847-68.

Boone, Peter. 1996. "Politics and the Effectiveness of Foreign Aid." *European Economic Review* 40 (2): 289-329.

Azam, Jean-Paul and Jean-Jacques Laffont. 2003. "Contracting for Aid." *Journal of Development Economics* 70 (1): 25-58.

McLean, Elena V. 2006. *International Organizations and Environmental Aid*. Ph.D. Dissertation, University of Rochester. Skim; focus on research design & main points.

Friday, Feb. 9: International Finance during the Great Depression

Simmons, Beth. *Who Adjusts? Domestic Sources of Foreign Economic Policy during the Interwar Years*. (Princeton: Princeton Univ. Press, 1994).

Oye, Kenneth. *Economic Discrimination and Political Exchange: World Political Economy in the 1930s and 1980s*. Princeton: Princeton Univ. Press, 1993. Chpt. 6.

Friday, Feb. 16: International Finance in the Bretton Woods Era

Milner, Helen V. *Interests, Institutions, and Information: Domestic Politics and International Relations*. Princeton: Princeton Univ. Press, 1997. Chapter 5, pp. 135-57.

Keohane, Robert O. *After Hegemony: Cooperation and Discord in the World Political Economy*. (Princeton: Princeton Univ. Press, 1984), Chapters 8, 9.

Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. (Ithaca: Cornell Univ. Press, 1994). Chapters 1-5.

Drazen, Allen. *Political Economy in Macroeconomics*. Princeton: Princeton University Press, 2000. (pp. 529-44.).

Friday, Mar. 9: International Finance under Flexible Exchange Rates

Oye, Kenneth. *Economic Discrimination and Political Exchange: World Political Economy in the 1930s and 1980s*. Princeton: Princeton Univ. Press, 1993. Chpt. 8.

Odell, John S. *Negotiating the World Economy*. (Ithaca: Cornell Univ. Press, 2000). Chpt. 4.

Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. (Ithaca: Cornell Univ. Press, 1994). Chapter 6-8.

Drazen, *Political Economy in Macroeconomics*, (pp. 559-80.)

Frieden, Jeffrey A. 1991. *Debt, Development, and Democracy: Modern Political Economy and Latin America, 1965-1985*. Princeton: PUP. Chapters 2-3 (pp. 42-94).

Aggarwal, Vinod K. *Debt Games: Strategic Interaction in International Debt Rescheduling*. (New York: Cambridge Univ. Press, 1996). Chpts. 11, 13, 14.

Friday, Mar. 23: From the Common Market to the European Union

Moravcsik, Andrew. *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*. Ithaca: Cornell Univ. Press, 1998. Introduction, Chpts. 1, 4-6.

Hall, Peter A., and Robert J. Franzese, Jr. "Mixed Signals: Central Bank Independence, Wage Bargaining, and European Monetary Union." *International Organization* 52 (3) (Summer 1998): 505-36.

Henning, C. Randall. "Systemic Conflict and Monetary Integration in Europe." *International Organization* 52 (3) (Summer 1998): 537-74.

Drazen, *Political Economy in Macroeconomics*, (pp. 544-59.)

Friday, Mar. 30: The International Monetary Fund

Steinwand, Martin, and Randall W. Stone. "The International Monetary Fund: A Review of the Recent Evidence." Working Paper, University of Rochester, 2007.

Stone, Randall W. *Lending Credibility: The International Monetary Fund and the Post-Communist Transition* (Princeton: Princeton Univ. Press, 2002).

Stone, Randall W. 2004. "The Political Economy of IMF Lending in Africa." *American Political Science Review* 98:577-591.

Mody, Ashoka and Randall W. Stone. "The Scope of IMF Conditionality." Forthcoming, IMF Working Paper, 2007.

Krueger, Anne. 2000. "Conflicting Demands on the IMF." *American Economic Review* 90 (2): 38-42.

Friday, April 13: Globalization by Design?

Abdelal, Rawi. *Capital Rules: The Construction of Global Finance*. Cambridge: Harvard University Press, 2007.

Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. (Ithaca: Cornell Univ. Press, 1994). Chapter 9.

Drazen (2000), 580-87.

Friday, April 20: International Debt (with special visitor, Mike Tomz)

Bulow, Jeremy, and Kenneth Rogoff. "A Constant Recontracting Model of Sovereign Debt." *Journal of Political Economy* 97, No. 1 (1989).

Tomz, Michael. *Reputation, Debt, and International Cooperation*. Forthcoming, Princeton University Press, 2007.

Drazen (2000), 587-601.

Friday, April 27: Asset Prices, Crises, and Domestic Politics

Bernhard, William, and David Leblang. *Democratic Processes and Financial Markets: Pricing Politics*. Cambridge: Cambridge Univ. Press, 2006.

Saturday, May 5: Block Seminar: Student presentations all day

Wednesday, May 9: Final exam due, 4:00 pm

Friday, May 11: Final paper due, 12:00 noon