Course Description and Prerequisites

The global economy has been progressively integrated through international trade and investment over the last five decades. Globalization, which is particularly pronounced in money and financial markets, accentuates the impact of foreign financial disturbances on national economies and vice versa. This process has also elevated the importance of international monetary and financial policies for governments around the world. The 2008-2009 financial crisis and the 2010-2013 European sovereign debt crisis have again placed reform of the international monetary system squarely on their agenda.

This course addresses contemporary and historical issues in international monetary and financial relations. Emphasizing key political and economic concepts, the course examines the historical evolution of the international monetary system, the political economy of monetary regimes, and the merits of alternative exchange rate policies. It also examines global conflicts over balance-of-payments adjustment, international currency competition and regional monetary integration.

The course’s learning outcomes for students are:

1. understanding of the major issues concerning international monetary and financial relations;
2. knowledge of the basic concepts and principles of the field;
3. ability to use analytical tools to assess policy and alternative proposals for international monetary and financial reform.
4. skill in articulating related arguments.

SIS 616 International Economics or its equivalent is a prerequisite. For students in the International Economic Relations (IER), this course is a sequel to SIS 616 International Economics and a core course for the field. It complements SIS 665 International Trade and Investment Relations and SIS 619 International Political Economy within the IER program.
The instructor's office location and office hours:
SIS Building 317
Time: Wednesdays 9:00 a.m. – 12 noon and by appointment
Tel: 885-1707

Grading and Requirements

Students are expected to come to each class, read the assigned materials, participate in class discussions, prepare and deliver a slide presentation in class, and take the final exam. The weights attached to these requirements are:

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<tr>
<th>Requirement</th>
<th>Weight</th>
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<tr>
<td>Participation</td>
<td>20%</td>
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<tr>
<td>Presentation</td>
<td>30%</td>
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<tr>
<td>Quiz</td>
<td>10%</td>
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<tr>
<td>Examination</td>
<td>40%</td>
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Students will present on a day and topic assigned by the instructor, who will take student preferences into consideration. The presentation should be prepared in Powerpoint and be emailed to the class through Blackboard before the class session in which the presentation is scheduled. The presentation should be approximately 12 minutes long, consisting of 12-18 slides, and will be evaluated on the basis of quality of substantive content and professionalism of the slides and the oral delivery. Students must practice their presentations before class. Importantly, the rest of the class also has responsibilities in these presentations, namely, to engage in questions and discussion and to apply this material in the quiz and the examination. Students are responsible on the quiz, examination and in class generally for the material presented by their peers.

In addition, the instructor will test for students’ understanding of important concepts over the course of the semester by administering a quiz.

The examination at the end of the course will be comprehensive.

Students are encouraged to consult the instructor’s website for syllabi, weblinks and other resources: [randallhenning.org](http://www.randallhenning.org)

By enrolling in this course, students agree to adhere to American University's Academic Integrity Code (AIC) in its entirety. The AIC, whose provisions are taken seriously in this course, can be found at: [American.edu/AcademicReg/New/reg80.html](http://www.american.edu/american/registrar/AcademicReg/New/reg80.html)

Laptop computers are allowed in the classroom at the discretion of the instructor. Students may use them to take notes and make presentations in class. If the instructor believes that they are being used inappropriately – that is, for any other purpose – the student’s laptop privilege will be revoked. The instructor reserves the right to ban all laptops and has done so in other courses. The use of cell phones and other personal electronic devices is completely banned during class time.
A prior understanding of the foundations of open economy macroeconomics is essential. All students will need to review and enhance their understanding of these concepts and theories over the course of the semester by reviewing their international economics textbook. I have included such a text as a required purchase below.

**Important Information for All Students**

Standards of Academic Conduct: They are set forth in American University’s Academic Integrity Code (AIC). By registering for this course, you acknowledge your awareness of the AIC, and you are obliged to become familiar with your rights and responsibilities as defined by the Code. Violations of the AIC will not be treated lightly, and disciplinary actions will be taken should violations occur. Please contact me if you have any questions about the academic violations described in the Code in general or as they relate to particular requirements for this course, and I encourage you to familiarize yourself with the AIC at [http://www.american.edu/academics/integrity/code.cfm](http://www.american.edu/academics/integrity/code.cfm). Finally, please let me know if you become aware of any violations of the AIC by other students.

In the Event of an Emergency: AU will implement a plan for meeting the needs of all members of the university community. Should the university be required to close for a period of time, we are committed to ensuring that all aspects of our educational programs will be delivered to you. These may include altering and extending the duration of the traditional term schedule to complete essential instruction in the traditional format and/or use of distance instructional methods. Specific strategies will vary from class to class, depending on the format of the course and the timing of the emergency. I will communicate class-specific information to you via AU email and/or Blackboard, and you are responsible for checking your AU email on a daily basis and for keeping yourself informed of any declared emergencies. Please refer to the AU Student Portal, the AU Web site [http://www.american.edu/emergency/](http://www.american.edu/emergency/) and the AU information line at (202) 885-1100 for university-wide information.

AU provides numerous services to help students to be successful in their coursework: the Academic Support Center, the Counseling Center, Disability Support Services, the Writing Center and Writing Lab, and the Center for Diversity and Inclusion, most of which are located in the Mary Graydon Center (MGC).

Academic Support Center (x3360, MGC 243) offers study skills workshops, individual instruction, tutor referrals, Supplemental Instruction, and services for students with learning disabilities and ADHD. Writing support is available in the ASC Writing Lab or in the Writing Center. If you qualify for accommodations because of a disability, please notify me in a timely manner with a letter from the Academic Support Center or Disability Support Services so that we can make arrangements to address your needs.

Counseling Center (x3500, MGC 214) offers counseling and consultations regarding personal concerns, self-help information, and connections to off-campus mental health resources.

Disability Support Services (x3315, MGC 206) offers technical and practical support and
assistance with accommodations for students with physical, medical, or psychological disabilities. If you qualify for accommodations because of a disability, please notify me in a timely manner with a letter from the Academic Support Center or Disability Support Services so that we can make arrangements to address your needs.

Writing Center (x2991, Battelle-Tompkins 228) offers free, individual coaching sessions to all AU students. In your 45-minute session, a student writing consultant can help you address assignments, understand the conventions of academic writing, and learn how to revise and edit your own work. The Center offers appointments on the hour from 11 AM to 9 PM Monday through Thursday; 11 AM to 4 PM Friday, and 3 to 6 PM on Sundays.

Center for Diversity and Inclusion (x3651, MGC 2nd fl.) is dedicated to enhancing LGBTQ, Multicultural, First Generation, and Women’s experiences on campus and to advance AU’s commitment to respecting and valuing diversity by serving as a resource and liaison to students, staff, and faculty on issues of equity through education, outreach, and advocacy.

Required Texts


Daily reading of the financial press.

Course Outline and Readings

BB = Material posted on electronic reserve on Blackboard
CR = On closed reserve in the library

**Week 1: Introduction**
1. Course administration.
2. Introduction to key concepts and analytical issues in the international monetary and financial system.

**Week 2: Gold Standard and Interwar Conflict**

Eichengreen, *Globalizing Capital*, chapters 1-3.


Self-introductions.

**Week 3: Bretton Woods Regime and International Monetary Fund**

Corden, *Too Sensational*, Introduction and Chapter 2. (BB)

Eichengreen, *Globalizing Capital*, ch. 4 (Bretton Woods System).

Appleyard, Field and Cobb, Chapter 25 and the first half of Chapter 29.

Recommended:

**Weeks 4 and 5: Flexible Exchange Rates: Experience and Debates**

For week 4:

Eichengreen, ch. 5, pp. 136-152 (floating), 181-186 (developing countries/conclusion), and chapter 6. Discussion of overall argument of Eichengreen’s book during this session.

Appleyard, Field and Cobb, Chapters 27 and 29. [confirm chapter numbers in current edition]


For week 5:
Gagnon and Hinterschweiger, chapters 4, 5 and 9.


Recommended:
Corden, chapters 3 and 4. See also chapters 5 (In-between Regimes) and 14 (Conclusion).

Week 6: The IMF and Its Monetary and Financial Roles (concept quiz)

Robert E. Rubin, and Jacob Weisberg, In an Uncertain World (New York: Random House, 2003), Chapters 1 (The First Crisis of the Twenty-First Century, Mexico), 9 (A Crisis Considered, Asia) and 10 (Hitting Bottom, Russia and LTCM). (BB)


Recommended:
Corden, chapters 10 (Mexico, Chile, Brazil) and 12 (Lessons from Asia).
Edwin M. Truman, ed., *Reform the IMF for the 21st Century* (see above), chapters 1 and 7 (regional arrangements, by Henning), and 9 (chairs and shares, by Truman).


**Weeks 7 and 8: Revived Bretton Woods and Currency Manipulation**

**Week 7:**

**Week 8:**


Recommended:

[Spring Break]

**Week 9: Monetary Regionalism: Asian Exchange Rate Regimes and Finance**


Recommended:
Masahiro Kawai, online reading on Asian exchange rate regimes.C. Randall Henning,

Week 10: Monetary Regionalism: Europe – Theory and Principles

Paul de Grauwe, The Economics of Monetary Union, 7th edition (New York: Oxford University Press, 2007), Chapters 1 and 2. (BB)
Eichengreen, Globalizing Capital, chapter 5, pp. 152-187.


Recommended:
Corden, Chapters 7 (Fiscal Policy), 8 (devaluation and borrowing), 9 (Openness and Size) and 13 (Europe).

Week 11: Monetary Regionalism: European Crisis – Diagnosis, Banking and Fiscal Union

Philip R. Lane, The European Sovereign Debt Crisis, Journal of Economic Perspectives, vol. 46, no. 3 (Summer 2012), pp. 49-68. (BB)


Recommended:
Week 12: Debt Restructuring: “Bailing in” the Private Sector

Jeffrey D. Sachs, “Do We Need an International Lender of Last Resort?,” Frank D. Graham Lecture, Princeton University, April 20, 1995. (BB)


The main questions for this section are:
1. What is the rationale for bankruptcy arrangements in the domestic context?
2. How have scholars applied them to the international context?
3. What are the barriers to creating an SDRM at the international level?
4. What are the interests of the major actors in doing so?
5. What is the relationship between debt restructuring and crisis finance from the IMF?

Recommended:
Roubini and Setser, Bailouts or Bailins?, selected chapters. (CR)

Weeks 13 and 14: Who’s the Top Currency? The Contest for Dominance (and Review)

Week 13:

Week 14:


Recommended:
Zhou Xiaochuan, Reforming the International Monetary System, article posted on PBOC website. http://www.bis.org/review/r090402c.pdf?frames=0