

API6331 A – International Finance

Fall 2011

M.A. in Public and International Affairs

Faculty of Social Sciences

Syllabus

Day: Thursday

Time: 14:30 to 17:30

Room: Desmarais (DMS) 11143

Professeur : Patrick Leblond

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- Availabilities: By appointment only!

GSPIA Secretariat: 613-562-5689

COURSE DESCRIPTION

This course is concerned with the study of international capital markets and the environment in which they operate. It offers an integrated analysis of the international financial system and the issues that it faces. The particular themes studied in this course are capital mobility, exchange rates, exchange rate regimes, financial crises, financial regulation and governance, monetary integration as well as the future of the international financial architecture.

COURSE OBJECTIVES

The course objectives, from the student's point of view, are:

- Understand the origins, evolution and consequences of the globalization of financial flows;
- Analyse the roles of and conflicts between the various actors (investors, banks, governments, regulatory agencies, international financial institutions) involved in the international financial system;
- Analyse the policy options proposed to resolve many of the challenges faced by the international financial system.

**TEACHING APPROACH**

The course will consist of readings, lectures, class discussions, cases and exercises. An important portion of the course will be devoted to class discussions. It is thus very important for students to do the required readings before class and, obviously, to be present in class.

Students are also strongly encouraged to take part in the online discussion forum on the course website (Blackboard Vista) where current events and other course-related topics are discussed.

ASSESSMENT*

- Short Critical Analyses: 20%
- Mid-term Exam: 25%
- Take Home Exam: 40%
- Participation: 15%

Short Critical Analyses (20%)

Each student will write two (2) short critical analyses, which consist of choosing a newspaper or magazine article and critically analysing its content (in terms of argument, empirical evidence, conclusions, policy implications, etc.) using the course readings and lectures. The analysis should take the form of an essay. These short critical analyses be handed in anytime during the semester and will be returned to the student a week later with comments. The newspaper or magazine article being analysed should accompany the essay.

Students have the possibility to write a third assignment if they are not satisfied with their grade on one of the previous two assignments. This means that only the two best critical analyses will count towards the final grade.

The marking key for the short critical analyses is available on Blackboard Vista.

Document Format

- 5 pages maximum (including figures, tables and bibliography)
- Double spaced
- Font 12 pt New Times Roman or equivalent

Mid-term Exam (25%)

The mid-term exam is a two (2) hour in-class exam that will take place on session #7 (October 20, 2011). It covers material seen during sessions 1 to 6. A list of 6 or 7 questions will be handed one week before the exam. At the beginning of the exam, three questions will be selected at random and students will answer two out of the three selected questions.

Take-home Final Exam (40%)



The take-home final exam consists of a research paper that analyses, from both theoretical and empirical perspectives, a particular aspect or issue of the international financial system. The paper should be based on extensive research and should answer a clearly-identified research question relating to international finance. Students are strongly encouraged to meet with the instructor to discuss their proposed topic and approach.

The take-home final exam is due before December 15, 2011 at 4pm; it should be handed in by e-mail at pleblond@uottawa.ca.

(Note: There is a penalty for late submissions. The penalty corresponds to a 5% reduction of the paper's grade for every hour that passes after the deadline until the paper is submitted. University regulation say that work handed in late must be accompanied by a medical certificate in order to avoid any penalty. In case of illness or health-related problems, only medical certificates from the University of Ottawa's counseling services and health clinic (located at 100 Marie-Curie) are recognized as being officially valid. The Faculty has the right to accept or refuse any justification for lateness that is not health related. Reasons like travels, work or personal mistakes in reading exam schedules or syllabi are not generally accepted.)

Document Format:

- 15 pages maximum (including tables, figures and bibliography)
- Double-spaced
- Font 12 pt New Times Roman or equivalent

Participation (15%)

The participation grade will be a function of the following criteria:

- Presence in class (50%)
- Active participation in class discussions and the online forum on Blackboard Vista (50%)

For information about writing papers and exams as well as other helpful tools advice, please consult the following website: <http://www.sciencesociales.uottawa.ca/USB/cleusbkey.swf> .

Be Aware of Academic Fraud!



Academic fraud is an act committed by a student and it can negatively effect your school evaluation (with respect to assignments, tests, exams, etc.). It is not tolerated by the University. Anyone found guilty of fraud will be liable to severe penalties.

Here are some examples of academic fraud:

- Plagiarize or cheat in any way;
- Present falsified research data;
- Submission of an assignment that, in part or in entirety, you are not the author of;
- Presentation of, without the written permission of the professor(s) concerned, the same work from another course.

Over the years, the perfection of the Internet has strongly facilitated the discovery of cases of plagiarism. The tools that are at the disposal of your professors permit, with the help of only a few words, to retrace the origin of a text on the Web.

For more information on fraud and how to avoid it, you can refer to the Faculty web page, which offers tips to help you with your studies and the writing process for university level projects at the following address: http://www.socialsciences.uottawa.ca/eng/ugrad_tips.asp. You can also refer to the Faculty web page for information on plagiarism and university assignments: <http://www.socialsciences.uottawa.ca/eng/ethics.asp>.

The person who committed or attempts to commit academic fraud or who was an accomplice will be punished. Here are some examples of sanctions that could be imposed:

- The assignment or course in question will receive a grade of “F”;
- An additional requirement will be added to the program of study (3 to 30 credits);
- Suspension or expulsion from the Faculty.

Over the past session, the majority of people found guilty of fraud received an “F” in their course and will need to obtain three to twelve extra credits in their program of study.

You may refer to the following address to find the regulations:
http://www.uottawa.ca/academic/info/newsletter/fraud_e.html



COURSE MATERIAL

Required Readings

- Articles and other documents available on Blackboard Vista, the University of Ottawa's library website, or directly from the syllabus (web link).

Suggested Reference Books

- Krugman, Paul, Maurice Obstfeld and Mark Melitz, *International Economics: Theory and Policy*, 9th edition, Prentice Hall, 2011.
- Levi, Maurice, *International Finance*, 5th edition, New York: Routledge, 2009.
- Melvin, Michael, *International Money and Finance*, 7th edition, Boston: Pearson Addison-Wesley, 2004.

COURSE SCHEDULE AND READINGS

Notes:

- Readings followed by a * sign are available on the University of Ottawa's library website under the category "E-journals".
- Readings followed by a ** sign are available on the course's website on Blackboard Vista.
- All other readings are either available from the textbook or a web link found directly in the syllabus.

SESSION 1 (September 8)

INTRODUCTION

- Course introduction
- Why study international finance?
- Issues in international finance
- Course syllabus

Required Readings

- Gilpin, Robert, "The International Financial System", chapter 10, in *Global Political Economy: Understanding the International Economic Order*, Princeton University Press, 2001, pp. 261-277.**
- Walter, Andrew et Gautam Sen, "The Evolution of the International Monetary System", chapter 4 in *Analyzing the Global Political Economy*, Princeton University Press, 2009, pp. 85-132.**
- "Briefing: A short history of modern finance", *The Economist*, October 18, 2008, pp. 79-81.**



Suggested Readings

- Deeg, Richard and Mary A. O'Sullivan, "The Political Economy of Global Finance Capital", *World Politics*, vol. 61, no. 4 (October), 2009, pp. 731-763.
- Mundell, Robert A. "A Reconsideration of the Twentieth Century", *The American Economic Review*, vol. 90, no 3, 2000, pp. 327-340.

SESSION 2 (September 15)

MACROECONOMIC ASPECTS OF THE INTERNATIONAL ECONOMY

- The balance of payments
 - Introduction
 - Definitions
 - Economic concepts of the balance of payments
- Foreign exchange markets
 - Introduction
 - Functioning
 - Main actors
 - Government interventions in foreign exchange markets

Required Readings

- Levi, Maurice, "An introduction to exchange rates", chapter 2 in *International Finance*, 5th edition, New York: Routledge, 2009, pp. 33-55.**
- Ghosh, Atish, "Turning Currencies Around", *Finance and Development*, June 2008, pp. 41-43. (<http://www.imf.org/external/pubs/ft/fandd/2008/06/pdf/ghosh.pdf>)
- "When a flow becomes a flood", Briefing: Global economic imbalances, *The Economist*, 24 January 2009, pp. 74-76.**
- Lane, Philip R. and Gian Maria Milesi-Ferretti, "Examining Global Imbalances", *Finance and Development*, March 2006. (<http://www.imf.org/external/pubs/ft/fandd/2006/03/lane.htm>)
- Alessandria, George, "Trade Deficits Aren't as Bad as You Think", *Federal Reserve Bank of Philadelphia Business Review*, Q1, 2007, pp. 1-10. (http://www.philadelphiafed.org/research-and-data/publications/business-review/2007/q1/br_q1-2007-1_trade-deficit.pdf)
- "Marking the dealer's cards", *The Economist*, 26 November 2005, p. 92.**
- Mohi-uddin, Mansoor, "Goodbye G3, hello S3: the currencies now ruling the roost", *Financial Times*, August 4, 2011, p. 22 (US edition).**

Suggested Readings

- Menkhoff, Lukas and Mark P. Taylor, "The Obstinate Passion of Foreign Exchange Professionals: Technical Analysis", *Journal of Economic Literature*, vol. 45, no. 4, 2007, pp. 936-972.



- Sarno, Lucia and Mark P. Taylor, "Official Intervention in the Foreign Exchange Market: is It Effective and, If So, How Does it Work?", *Journal of Economic Literature*, vol. 39, no. 3, 2001, pp. 839-868.
- Cavusoglu, Nevin, "Exchange Rates and the Effectiveness of Actual and Oral Official Interventions: A Survey of Findings, Issues and Policy Implications", *Global Economy Journal*, vol. 10, no. 4, Article 3.
- Canales-Kriljenko, Jorge Iván, Roberto Guimarães, Shogo Ishii and Cem Karacadağ, "Riding the Tiger", *Finance and Development*, September 2003, pp. 28-31. (<http://www.imf.org/external/pubs/ft/fandd/2003/09/pdf/canales.pdf>)
- Eichengreen, Barry, "The Blind Men and the Elephant", *Issues in Economic Policy* n° 1 (January), Washington: Brookings Institution, 2006, 24 pages.
- Feldstein, Martin, "Resolving the Global Imbalance: The Dollar and the U.S. Saving Rate", *Journal of Economic Perspectives*, vol. 22, n° 3, 2008, pp. 113-125.
- Cooper, Richard N., "Global Imbalances: Globalization, Demography, and Sustainability", *Journal of Economic Perspectives*, vol. 22, n° 3, 2008, pp. 93-112.
- Acharya, Viral V. and Philip Schnabl, "Do Global Banks Spread Global Imbalances? Asset-Backed Commercial Paper during the Financial Crisis of 2007-2009", *IMF Economic Review*, vol. 58, n° 1, 2010, pp. 37-73.

SESSION 3 (September 22)

MACROECONOMIC ASPECTS OF THE INTERNATIONAL ECONOMY (cont'd)

- Exchange rate determination
- Exchange rates, interest rates and purchasing power parity
- Prices and exchange rates

Required Readings

- Callen, Tim, "PPP Versus the Market: Which Weight Matters", *Finance and Development*, March 2007. (<http://www.imf.org/external/pubs/ft/fandd/2007/03/basics.htm>)
- Catão, Luis A.V., "Why Real Exchange Rates?", *Finance and Development*, September 2007. (<http://www.imf.org/external/pubs/ft/fandd/2007/09/basics.htm>)
- "When the chips are down", *The Economist*, 22 July 2010.**
- "An indigestible problem", *The Economist*, 14 October 2010.**
- "Economic focus: Beefed-up burgeronomics", *The Economist*, 30 July 2011.**
- Bailliu, Jeannine and Michael R. King, "What Drives Movements in Exchange Rates", *Bank of Canada Review*, Autumn 2005, pp. 27-39. (<http://www.bankofcanada.ca/wp-content/uploads/2010/06/bailliu.pdf>)
- "Economic focus: Misleading misalignments", *The Economist*, 23 June 2007, p. 86.**
- "Economic focus: The domino effect", *The Economist*, 5 July 2008, p. 86.**
- Cashin, Paul, Lui Céspedes et Ratna Sahay, "Commodity Currencies", *Finance and Development*, March 2003. (<http://www.imf.org/external/pubs/ft/fandd/2003/03/cash.htm>)
- Goldberg, Linda and Eleanor Wiske Dillon, "Why a Dollar Depreciation May Not Close the U.S. Trade Deficit", *Current Issues in Economics and Finance*, vol. 13, no. 5, June



2007, Federal Reserve Bank of New York, p. 1-7.
(http://www.ny.frb.org/research/current_issues/ci13-5.pdf)

Suggested Readings

- Taylor, Mark P., "The Economics of Exchange Rates", *Journal of Economic Literature*, vol. 33, no. 1, 1995, pp. 13-47.
- Williamson, John, "Exchange Rate Economics", *Open Economies Review*, vol. 20, n° 1, 2009, pp. 123-146.
- Lafrance, Robert and Lawrence Schembri, "Purchasing Power Parity: Definition, Measurement and Interpretation", *Bank of Canada Review*, Autumn 2002, pp. 27-33.
(http://www.bankofcanada.ca/wp-content/uploads/2010/06/lafrance_e.pdf)
- Parsley, David C. et Shang-Jin Wei, "A prism into the PPP Puzzle: The Micro-Foundations of Big Mac Real exchange Rates", *The Economic Journal*, vol. 117, no., 523, 2007, pp. 1336-1356.
- Cheung, Yin-Wong, Menzie D. Chinn et Eiji Fujii, "Pitfalls in Measuring Exchange Rate Misalignment: The Yuan and Other Currencies", NBER Working Paper No. 14168, Cambridge, MA: National Bureau of Economic Research, July 2008.

SESSION 4 (September 29)

EXCHANGE RATE REGIMES

- Classification
- Choice and economic performance

Required Readings

- Gosh, Atish R., Anne-Marie Gulde and Holger C. Wolf, "Classifying Exchange Rate Regimes", chapter 4 in *Exchange Rate Regimes: Choices and Consequences*. Cambridge, MA: The MIT Press, 2002, pp. 39-52.**
- Bordo, Michael D., "Exchange Rate Regime Choice in Historical Perspective", NBER Working Paper no. 9654. Cambridge, MA: National Bureau of Economic Research, 2003.**
- Ghosh, Atish R. and Jonathan D. Ostry, "Choosing an Exchange Rate Regime", *Finance and Development*, December 2009, pp. 38-40.
(<http://www.imf.org/external/pubs/ft/fandd/2009/12/pdf/ghosh.pdf>)
- Bubula, Andrea and inci Otter-Robe, "The Continuing Bipolar Conundrum", *Finance and Development*, March 2004, pp. 32-35.
(<http://www.imf.org/external/pubs/ft/fandd/2004/03/pdf/babula.pdf>)
- Levy-Yeyati, Eduardo et Federico Sturzenegger, "To Float or to Fix: Evidence on the Impact of Exchange Rate Regimes on Growth", *American Economic Review*, vol. 93, no. 4, 2003, p. 1173-1193.*

Suggested Readings



- Klein, Michael W. and Jay C. Shambaugh, *Exchange Rate Regimes in the Modern Era*, Cambridge, MA: The MIT Press, 2010.
- Eichengreen, Barry and Raul Razo-Garcia, "How Reliable Are De Facto Exchange Rate Regime Classifications?", NBER Working Paper no. 17318, Cambridge, MA: National Bureau of Economic Research, 2011.
- Cohen, Benjamin J., "The Triad and the Unholy Trinity: Problems of International Monetary Cooperation", chapter 15 in Jeffrey A. Frieden, David A. Lake and J. Lawrence Broz, eds, *International Political Economy: Perspectives on Global Power and Wealth*, 5th edition, New York: W.W. Norton & Company, 2010, pp. 273-285.
- Fischer, Stanley, "Exchange Rate Regimes: Is the Bipolar View Correct?", *Journal of Economic Perspectives*, vol. 15, no. 2, 2001, pp. 3-24.
- Angkinand, Apanard, Eric M.P. Chiu and Thomas D. Willett, "Testing the Unstable Middle and Two Corners Hypotheses About Exchange Rate Regimes", *Open Economies Review*, vol. 20, n^o 1, 2009, pp. 61-83.
- Bordo, Michael D. and Marc Flandreau, "Core, Periphery, Exchange Rate Regimes, and Globalization", NBER Working Paper no. 8584, Cambridge, MA: National Bureau of Economic Research, 2001.
- Calvo, Guillermo A. and Carmen M. Reinhart, "Fear of Floating", *Quarterly Journal of Economics*, vol. 117, no. 2, 2002, pp. 379-408.
- Calvo, Guillermo A. and Frederic S. Mishkin, "The Mirage of Exchange Rate Regimes for Emerging Market Countries", *Journal of Economic Perspectives*, vol. 17, n^o 4, 2003, pp. 99-118.
- Eichengreen, Barry and Ricardo Hausmann, "Exchange Rates and Financial Fragility", NBER Working Paper no. 7418, Cambridge, MA: National Bureau of Economic Research, 1999.
- Obstfeld, Maurice and Kenneth Rogoff, "The Mirage of Fixed Exchange Rates" *Journal of Economic Perspectives*, vol. 9, no. 4, 1995, pp. 73-96.
- Frankel, Jeffrey A., "No Single Currency Regime Is Right for All Countries or at All Times" Essays in International Finance No. 215, Princeton, NJ: International Finance Section, Department of Economics, Princeton University.
- Ghosh, Atish R., Jonathan D. Ostry and Charalambos Tsangarides, "Exchange Rate Regimes and the Stability of the International Monetary System", IMF Occasional Paper no. 270, Washington: International Monetary Fund, 2010.
- Husain, Aasim M., Ashoka Mody and Kenneth Rogoff, "Exchange Rate Regime Durability and Performance in Developing versus Advanced Economies" *Journal of Monetary Economics*, vol. 52, 2005, pp. 35-64.
- Gosh, Atish R., Anne-Marie Gulde and Holger C. Wolf, *Exchange Rate Regimes: Choices and Consequences*, Cambridge, MA: The MIT Press, 2002.
- Levy-Yeyati, Eduardo, Federico Sturzenegger et Iliana Reggio. "On the Endogeneity of Exchange Rate Regimes", unpublished manuscript, Universidad Torcuato Di Tella, 2002. (<http://www.utdt.edu/~ely/endofinal.pdf>)
- Meissner, Christopher M. et Nienke Oomes, "Why Do Countries Peg the Way They Peg? The Determinants of Anchor Currency Choice", *Journal of International Money and Banking*, vol. 28, 2009, pp. 522-547.
- Wolf, Holger C., Atish R. Ghosh, Helge Berger et Anne-Marie Gulde, *Currency Boards in Retrospect and Prospect*, Cambridge, MA: The MIT Press, 2008, 262 pages.



- De La Torre, Augusto, Eduardo Levy Yeyati and Sergio L. Schmukler, “Living and Dying with Hard Pegs: The Rise and Fall of Argentina’s Currency Board”, *Economia*, vol. 5, no. 2, 2003, pp. 43-107.
- Carole Wise and Riordan Roett, eds, *Exchange Rate Politics in Latin America*. Washington: Brookings Institution Press, 2000.

SESSION 5 (October 6)

INTERNATIONAL CAPITAL MARKETS

- Current situation in a historical context
 - Types of capital
 - Geography
 - Actors
 - Evolution

Required Readings

- “Buttonwood: A special case”, *The Economist*, 14 August 2010.**
- Goswami, Mangal, Jack Ree et Ina Kota, “Global Capital Flows: Defying Gravity”, *Finance and Development*, March 2007.
(<http://www.imf.org/external/pubs/ft/fandd/2007/03/picture.htm>)
- Held, David, Anthony McGrew, David Goldblatt and Jonathan Perraton, “Shifting Patterns of Global Finance”, chapter 4 in *Global Transformations: Politics, Economics and Culture*, Stanford, CA, Stanford University Press, 1999, pp. 189-235.**
- Bryant, Ralph C., “Why Has Internationalization Occurred?”, chapter 4 in *International Financial Intermediation*, Washington, DC: Brookings Institution Press, 1987, pp. 58-73.**
- Prasad, Eswar, Raghuram Rajan and Arvind Subramanian, “The Paradox of Capital”, *Finance and Development*, March 2007.
(<http://www.imf.org/external/pubs/ft/fandd/2007/03/prasad.htm>)

Suggested Readings

- Roxburgh, Charles, Susan Lund, and John Piotrovski, “Mapping global capital markets 2011”, McKinsey Global Institute, August 2011.
(http://ww1.mckinsey.com/mgi/reports/freepass_pdfs/Mapping_global_capital_markets/Capital_markets_update_email.pdf)
- Roxburgh, Charles, Susan Lund, Charles Atkins, Stanislas Belot, Wayne W. Hu and Moira S. Pierce, “Global capital markets: Entering a new era”, McKinsey Global Institute, September 2009.
(http://ww1.mckinsey.com/mgi/reports/pdfs/gcm_sixth_annual_report/gcm_sixth_annual_report_full_report.pdf)
- Taylor, Alan M. “International Capital Mobility in History: The Saving-Investment Relationship”, NBER Working Paper #5743. Cambridge, MA: National Bureau of Economic Research, 1996.



- O'Rourke, Kevin H. et Jeffrey G. Williamson, "Forging and Breaking Global Capital Markets", chapter 11 in *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy*, Cambridge, MA: MIT Press, 1999, pp. 207-223.
- Lane, Philip R. and Gian Maria Milesi-Ferretti, "The Drivers of Financial Globalization", *American Economic Review: Papers & Proceedings*, vol. 98, no. 2, 2008, pp. 327-332.
- World Economic Forum, *Financial Development Report 2010*.
(http://www3.weforum.org/docs/WEF_FinancialDevelopmentReport_2010.pdf)
- Goodman, John B. and Louis W. Pauly. "The Obsolescence of Capital Controls: Economic Management in an Age of Global Markets." *World Politics*, 1993, vol. 46, no. 1, pp. 50-82.
- Haggard, Stephen and Sylvia Maxfield. "The Political Economy of Financial Liberalization in the Developing World", *International Organization*, vol. 50, no. 1, 1997, pp. 35-68.
- Simmons, Beth A. "The Internationalization of Capital", in H. Kitschelt, P. Lange, G. Marks and J.D. Stephens, eds, *Continuity and Change in Contemporary Capitalism*, New York: Cambridge University Press, 1999.
- Gourinchas, Pierre-Olivier and Olivier Jeanne, "Capital Flows to Developing Countries: The Allocation Puzzle", NBER Working Paper #13602, Cambridge, MA: National Bureau of Economic Research, 2007.
- Ahlquist, John S., "Economic Policy, Institutions, and Capital Flows: Portfolio and Direct Investment Flows in Developing Countries", *International Studies Quarterly*, vol. 50, 2006, pp. 681-704.

SESSION 6 (October 13)

CONSEQUENCES OF INTERNATIONAL CAPITAL MOBILITY

- Benefits
 - More efficient allocation of capital
- Potential disadvantages
 - Disequilibrium of the balance of payments and financial crises
 - Exchange rate volatility
 - Loss of macroeconomic policy autonomy

Required Readings

- O'Rourke, Kevin H. and Jeffrey G. Williamson. "International Capital Flows: Causes and Consequences", chapter 12 in *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy*, Cambridge, MA: MIT Press, 1999, pp. 225-245.**
- Walter, Andrew and Gautam Sen, "The Consequences of International Financial Integration", chapter 5 in *Analyzing the Global Political Economy*, Princeton, NJ: Princeton University Press, 2009, pp. 133-170.**
- Taylor, Alan M., "Global Finance: Past and Present", *Finance and Development*, vol. 41, no. 1 (March), 2004, pp. 28-31.
(<http://www.imf.org/external/pubs/ft/fandd/2004/03/pdf/taylor.pdf>)



- Kose, M. Ayhan, Eswar Prasad, Kenneth S. Rogoff et Shang-Jin Wei, "Financial Globalization: Beyond the Blame Game", *Finance and Development*, vol. 44, no. 1 (March), 2007. (<http://www.imf.org/external/pubs/ft/fandd/2007/03/kose.htm#author>)
- Mishkin, Frederic S., "Globalization and financial development", *Journal of Development Economics*, vol. 89, n° 2, 2009, p. 164-169.*

Suggested Readings

- Dobbs, Richard, Susan Lund, Charles Roxburgh, James Manyika, Alex Kim, Andreas Schreiner, Riccardo Boin, Rohit Chopra, Sebastian Jauch, Hyun Min Kim, Megan McDonald et John Piotrowski, "Farewell to cheap capital? The implications of long-term shifts in global investment and savings", McKinsey Global Institute, December 2010. (http://www1.mckinsey.com/mgi/publications/farewell_cheap_capital/pdfs/MGI_Farewell_to_cheap_capital_full_report.pdf)
- Bryant, Ralph C., "Has Internationalization Been Helpful or Harmful?", chapter 6 in *International Financial Intermediation*, Washington, DC: Brookings Institution Press, 1987, pp. 87-118.
- Dobson, Wendy and Gary Clyde Hufbauer. "The Joys and Woes of International Capital", chapter 1 in *World Capital Markets: Challenge to the G-10*. Washington, DC: Institute for International Economics, 2001, pp. 1-75.
- Kose, M. Ayhan, Eswar Prasad, Kenneth Rogoff and Shang-Jin Wei, "Financial Globalization: A Reappraisal", *IMF Staff Papers*, vol. 56, n° 1, 2009, pp. 8-62.
- Rodrik, Dani and Arvind Subramanian, "Why Did Financial Globalization Disappoint?", *IMF Staff Papers*, vol. 56, no. 1, 2009, pp. 112-138.
- Obstfeld, Maurice, "International Finance and Growth in Developing Countries: What have We Learned?", *IMF Staff Papers*, vol. 56, no. 1, 2009, pp. 63-111.
- Rioja, Felix and Neven Valev, "Does one size fit all? A reexamination of the finance and growth relationship", *Journal of Development Economics*, vol. 74, n° 2, 2004, pp. 429-447.
- Obstfeld, Maurice. "The Global Capital Market: Benefactor or Menace?", *Journal of Economic Perspectives*, vol. 12, no 4, 1998, pp. 9-30.
- Côté, Agathe, "Exchange Rate Volatility and Trade: A Survey", Working Paper no. 94-5, Ottawa: Bank of Canada, 1994.
- Mosley, Layna, "Room to Move: International Financial Markets and National Welfare States", *International Organization*, vol. 54, no. 4, 2000, pp. 737-773.
- Garrett, Geoffrey. "Capital Mobility, trade, and the domestic politics of economic policy", *International Organization*, vol. 49, no 4, 1995, pp. 657-687.
- Wade, Robert, "Globalization and Its Limits: Reports of the Death of the National Economy Are Greatly Exaggerated", in Suzanne Berger and Ronald Dore, ed., *National Diversity and Global Capitalism*, Ithaca, NY: Cornell University Press, 1996.

SESSION 7 (October 20)

MID-TERM EXAM

**SESSION 8 (November 3)****GOVERNANCE OF THE INTERNATIONAL FINANCIAL SYSTEM**

- Financial regulation and policy
- The international financial architecture
- Role of the IMF

Required Readings

- Davies, Howard et David Green, “The Objectives of International Financial Regulation”, chapter 1 in *Global Financial Regulation : The Essential Guide*, Polity Press, 2008, pp. 7-31.**
- Crockett, Andrew, “Rebuilding the Financial Architecture”, *Finance and Development*, vol. 46, no. 3 (September), 2009, pp. 18-19.
(<http://www.imf.org/external/pubs/ft/fandd/2009/09/pdf/crockett.pdf>)
- Pauly, Louis W., “The Institutional Legacy of Bretton Woods: IMF Surveillance, 1973-2007”, chapter 11 in David M. Andrews, ed., *Orderly Change: International Monetary Relations since Bretton Woods*, Ithaca, NY: Cornell university Press, 2008, pp. 189-210.**
- Boughton, James M., “A New Bretton Woods?”, *Finance and Development*, vol. 46, no. 1 (March), 2009, p. 44-46.
(<http://www.imf.org/external/pubs/ft/fandd/2009/03/pdf/boughton.pdf>)
- Mosley, Layna, “An End to Global Standards and Codes”, *Global Governance*, vol. 15, n° 1, 2009, pp. 9-15.*
- Helleiner, Eric, “Reregulation and Fragmentation in International Financial Governance”, *Global Governance*, vol. 15, n° 1, 2009, pp. 16-21.*

Suggested Readings

- Davies, Howard and David Green, *Global Financial Regulation: The Essential Guide*, Cambridge: Polity Press, 2008.
- Herring, Richard J. and Robert E. Litan, *Financial Regulation in the Global Economy*, Washington: The Brookings Institution, 1995.
- Eichengreen, Barry, *Toward a New International Financial Architecture: A Practical Post-Asia Agenda*, Washington, DC: Institute for International Economics, 1999.
- Kenen, Peter B., *The International Financial Architecture: What’s New? What’s Missing*, Washington, DC: Institute for International Economics, 2001.
- Goldstein, Morris, ‘The International Financial Architecture’, in Bergsten, C.F. and the Institute for International Economics (eds.), *The United States and the World Economy: Foreign Economic Policy for the Next Decade*, Washington: Institute for International Economics, 2005, pp. 373-407.
- Leblond, Patrick, “Canada, the European Union, and transatlantic financial governance”, *International Journal*, vol. 66, no. 1 (Winter), 2010-11, pp. 57-72.



- Helleiner, Eric, "The Financial Stability Board and International Standards", CIGI G20 Paper No. 1, Waterloo, ON, Centre for International Governance Innovation, 2010.
- Singer, David Andrew, *Regulating Capital: Setting Standards for the International Financial System*, Ithaca, NY: Cornell University Press, 2007.
- Walter, Andrew, *Governing Finance: East Asia's Adoption of International Standards*, Ithaca, NY: Cornell University Press, 2008.
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- Andrew H. Hallett et al., eds, *Challenges for Economic Policy Coordination within European Monetary Union*. Norwell, MA: Kluwer Academic Publishers, 2001.
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SESSION 9 (November 10)

FINANCIAL CRISES AND ADJUSTMENT POLICIES (1)

- Past and present cases
 - The Great Depression (1929-1933)
 - The 1980s Latin American debt crisis
 - The East Asian financial crisis (1997-1998)
 - The Great Recession (2007-)

Required Readings

- Kindleberger, Charles P., "An Explanation of the 1929 Depression", chapter 14 in *The World in Depression, 1929-1939*, revised and enlarged edition, Berkeley and Los Angeles, CA: University of California Press, 1986, pp. 288-305.**



- Eichengreen, Barry, “Interwar Instability”, chapter 3 in *Globalizing Capital: A History of the International Monetary System*, 2nd edition, Princeton, NJ: Princeton University Press, 2008, pp. 43-90.**
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- Baily, Martin Neil, Robert E. Litan and Matthew S. Johnson, “The Origins of the Financial Crisis”, Fixing Finance Series – Paper 3, Washington: Brookings Institution, November 2008, 47 pages.



- Brunnermeier, Markus K., “Deciphering the Liquidity and Credit Crunch 2007-2008”, *Journal of Economic Perspectives*, vol. 23, n° 1, 2009, pp. 77-100.
- The Financial Crisis Inquiry Commission, *The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States*, New York: Public Affairs, 2011.
- Razin, Assaf and Steven Rosefield, “Currency and Financial Crises of the 1990s and 2000s”, *CESifo Economic Studies*, vol. 57, no. 3, 2001, pp. 499-530.
- Bordo, Michael D. and John S. Landon-Lane, “The Global Financial Crisis of 2007-2008: is It Unprecedented?”, NBER Working Paper No. 16589, Cambridge, MA: National Bureau of Economic Research, December 2010.

SESSION 10 (November 17)

FINANCIAL CRISES AND ADJUSTMENT POLICIES (2)

- Causes in theory and practice
 - Currency crises
 - Debt crises
 - Banking crises
 - Contagion

Required Readings

- Eichengreen, Barry, “How Economists Understand Crises”, Appendix B in *Toward a New International Financial Architecture: A Practical Post-Asia Agenda*, Washington: Institute for International Economics, 1999, pp. 133-141.**
- Kaminsky, Graciela L. and Carmen M. Reinhart, “The Twin Crises: The Causes of Banking and Balance-of-Payments Problems”, *American Economic Review*, vol. 89, no 3, 1999, pp. 473-500.*
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- Best, Jacqueline, “The Limits of Financial Risk Management: Or What We Didn’t Learn from the Asian Crisis”, *New Political Economy*, vol. 15, no. 1, 2010, pp. 29-49.*

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- Dooley, Michael P., David Folkerts-Landau et Peter M. Garber, "Will Sub-Prime be a Twin Crisis for the United States?", *Review of International Economics*, vol. 17, n° 4, 2009, pp. 655-666.

SESSION 11 (November 24)

FINANCIAL CRISES AND ADJUSTMENT POLICIES (3)

- Crisis prevention
- Crisis management
- Where are we at in global financial reforms

Required Readings

- Summers, Lawrence H. "International Financial Crises: Causes, Prevention, and Cures", *American Economic Review*, vol. 90, no 2, 2000, p. 1-16.*
- Eichengreen, Barry. "Summary of Recommendations", chapter 2 in *Toward a New International Financial Architecture: A Practical Post-Asia Agenda*, Washington, DC: Institute for International Economics, 1999, p. 9-18.**
- Freeland, Chrystia, "We Can't Say They Didn't Warn Us", *Foreign Policy*, December 2010.*
- Ingves, Stefan and Göran Lind, "Stockholm Solutions", *Finance and Development*, December 2008, p. 21-23.
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- Eichengreen, Barry, “Capital Controls: Capital Idea or Capital Folly?”, chapter 10 in *Capital Flows and Crises*, Cambridge, MA: The MIT Press, 2004, pp. 279-288.
- Cooper, Richard N., Daniel K. Tarullo and John Williamson. “Should Capital Controls Be Banished?”, *Brookings Papers on Economic Activity*, 1999 (1), pp. 89-141.
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- Eichengreen, Barry and David Leblang, “Capital account liberalization and growth: was Mr. Mahathir right?”, *International Journal of Finance & Economics*, vol. 8, no 3, 2003, pp. 205-224.
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- Fischer, Stanley. “Financial Crises and Reform of the International Financial System”, NBER Working Paper 9297, Cambridge, MA: National Bureau of Economic Research, 2002.
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- Diamond, Douglas W. and Raguram G. Rajan, “The Credit Crisis: Conjectures about Consequences and Remedies”, *American Economic Review: Papers & Proceedings*, vol. 99, n° 2, 2009, pp. 606-610.
- Leblond, Patrick, “A Canadian perspective on the EU’s financial architecture”, chapter 9 in Kurt Hübner, ed., *Europe, Canada and the Comprehensive Economic and Trade Agreement*, New York: Routledge, 2011, pp. 165-179.



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- French, Kenneth et al., *The Squam Lake Report: Fixing the Financial System*, Princeton, NJ: Princeton University Press, 2010.
- Levinson, Marc, “Faulty Basel”, *Foreign Affairs*, May/June, 2010, pp. 76-88.
- Acharya, Viral V., Thomas F. Cooley, Matthew P. Richardson and Ingo Walter, eds, *Regulating Wall Street: The Dodd-Frank Act and the New Architecture of Global Finance*, New York: John Wiley & Sons, 2011.
- Cooper, Andrew F. and Colin Bradford, “The G20 and the Post-Crisis Economic Order”, CIGI G20 Paper No. 3, Waterloo, ON: Centre for International Governance Innovation, 2010.

SÉANCE 12 (December 1st)

INTERNATIONAL MONETARY INTEGRATION

- Optimal currency areas
- Dollarization
- Monetary unions
- The euro and the debt crisis in Europe

Required Readings

- Kenen, Peter B. and Ellen E. Meade, « The Forms, Costs, and Benefits of Currency Consolidation”, chapter 2 IN *Regional Monetary Integration*, Cambridge University Press, 2008, pp. 9-39.**
- Sadeh, Tal and Amy Verdun, “Explaining Europe’s Monetary Union: A Survey of the Literature”, *International Studies Review*, vol. 11, no. 2, 2009, pp. 277-301.*
- Cohen, Benjamin J. “Beyond EMU: The Problem of Sustainability”, chapter 8 in B. Eichengreen and J. Frieden, ed., *The Political Economy of European Monetary Unification Policy Issues in the Operation of Currency Unions*, 2nd edition, Boulder, CO: Westview Press, 1994, pp. 179-204.**
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- Rose, Andrew K. and T.D. Stanley, "A Meta-Analysis of the Effect of Common Currencies on International Trade", *Journal of Economic Surveys*, vol. 19, n° 3, 2005, p. 347-365.
- Eichengreen, Barry. "European Monetary Unification", *Journal of Economic Literature* vol. 31, 1993, p. 1321-1357.
- Bayoumi, Tamin and Barry Eichengreen, "Ever closer to heaven? An optimum-currency-area index for European countries", *European Economic Review*, vol. 41, 1997, pp. 761-770.
- Kenen, Peter B., *Economic and Monetary Union in Europe*, Cambridge: Cambridge University Press, 1995.
- Dornbusch, Rudi, "Fiscal Aspects of Monetary Integration", *American Economic Review*, vol. 87, no 2, 1997, pp. 221-223.
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- Ray Barrell, Sylvia Gottschalk, Dawn Holland, Ehsan Khoman, Iana Liadze et Olga Pomerantz, "The impact of EMU on growth and employment", *European Economy*, Economic Papers 318, Bruxelles: European Commission April 2008. [http://ec.europa.eu/economy_finance/publications/publication12413_en.pdf]
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- Cohen, Benjamin J., *The Future of Global Currency*, London: Routledge, 2010.

Resources for you

***Mentoring Centre* - <http://www.sciencesociales.uottawa.ca/mentor/fra/>**

The goal of the Mentoring Centre is to help students with their academic and social well being during their time at the University of Ottawa. Regardless of where a student stands academically, or how far along they are in completing their degree, the mentoring centre is there to help students continue on their path to success.

A student may choose to visit the mentoring centre for very different reasons. Younger students may wish to talk to their older peers to gain insight into programs and services offered by the University, while older student may simply want to brush up on study and time management skills or learn about programs and services for students nearing the end of their degree.

In all, the Mentoring Centre offers a place for students to talk about concerns and problems that they might have in any facet of their lives. While students are able to voice their concerns and problems without fear of judgment, mentors can garner further insight in issues unique to students and find a more practical solution to better improve the services that the Faculty of Social Sciences offers, as well as the services offered by the University of Ottawa.

***Career Services* - <http://www.sass.uottawa.ca/careers/>**

Career Services offers various services and a career development program to enable you to recognize and enhance the employability skills you need in today's world of work.

Counseling Service- <http://www.sass.uottawa.ca/personal/>

There are many reasons to take advantage of the Counseling Service. We offer:

- Personal counseling
- Career counseling
- Study skills counseling

***Access Service* - <http://www.sass.uottawa.ca/acces/>**

The Access Service contributes to the creation of an inclusive environment by developing strategies and implementing measures that aim to reduce the barriers to learning for students who have learning disabilities, health, psychiatric or physical conditions.

***Student Resources Centers* - <http://www.communitylife.uottawa.ca/en/resources.php>**

The Student Resources Centers aim to fulfill all sorts of students needs.