The complex nature of global finance intimidates many, but ignoring global finance constrains our understanding of global political economy, development, systemic crises, and our ability to understand important processes that affect our well-being. Finance sits at the heart of trade, growth, development, and social stability. Global finance connects national political economies, transmits shocks and benefits, and serves as the nervous system for the global political economy. Short-term money markets supply tools of payment that promote exchange across time and space, currency markets provide mechanisms to hedge currency risks that accompany cross-border economic transactions, and long-term capital markets provide financing for private and public activities that create jobs and finance programs. Investors and savers look for cross-border opportunities to put their surplus capital to work. Private borrowers seek capital across borders for enterprises that produce jobs and products. Governments and international governmental organizations access such markets to fund national security, health care, infrastructure, education, unemployment insurance, national pension programs, and path-breaking scientific research. Financial markets create credit that enable us to live beyond our immediate means and to invest in the future, but they also create pitfalls that can crush societies and destroy governments.

Many think of global finance as new. Yet the first global capital market emerged in Amsterdam in the late 1500s. The Amsterdam market provided capital for the Dutch Revolt against the Spanish Hapsburgs, financed an explosion of economic activity that linked economies, and became a source of funding for combatants during the violent religious wars of the reformation and counter-reformation. Amsterdam’s capital market underpinned the rise of Dutch global commercial and financial hegemony, laying a foundation for a capitalist global political economy. Global finance thrived during the 1800s and early 1900s. London’s bankers helped the United Kingdom dominate the global political economy in the 19th century. During the early 1900s global financial leadership began shifting to New York and Washington, D.C. A breakdown in British leadership and unwillingness or inability by American policy makers to "step up to the plate" contributed to the political and economic turmoil in the first half of the twentieth century.

Global finance stagnated following the Great Depression. Lessons from the Depression led policymakers to limit global financial mobility while rebuilding war-torn national political economies. Global finance reemerged from its dormancy in the 1960s. Since then, global financial relations and political arrangements governing those relations have undergone changes that alter state-society relations, reorient boundaries between states and markets, affect interdependence, challenge state sovereignty, reallocate risks across and within societies, and influence the distribution of wealth and power in the global arena. The transformations redefine how borrowers borrow, lenders lend, speculators speculate, governments govern, and regulators regulate.
Requirements:

- Participation: Approximately 35%
- 7 weekly papers: Approximately 30%
- Financial crisis paper: Approximately 40%
- Extra/Substitute Credit: Variable

Readings: The required readings are listed below. Some of the readings are available at the campus bookstore. Some are available on the course Blackboard site—indicated by a (*). The articles listed—indicated by a (**)—you can access via JSTOR.

Required books:

- Benjamin Cohen, *The Geography of Money*
- Barry Eichengreen, *Globalizing Capital*
- Mervyn King, *The End of Alchemy: Money, Banking, and the Future of the Global Economy*
- Michael Lewis, *Boomerang*
- Louis Pauly, *Who Elected the Bankers*
- Andrew Sobel, *Birth of Hegemony: Crisis, Financial Revolution, and Emerging Global Networks*

Participation: I will lead the seminar, but I expect vigorous class participation—notice the portion of your grade from participation. The best learning and research is collegial and interactive. I urge you to participate in class, ask questions and engage your peers in a discussion. You will likely discover that your best teachers in class are your colleagues. A good discussion involves give and take among the members of the seminar. As you think about the readings a good strategy is to break a reading down into its important substantive issues, primary theoretical arguments, plausible alternative theoretical explanations, and the empirical strategies employed by the investigator. Be sure to consider ways to build on the research presented as we are engaged in a cumulative endeavor as social scientists.

To encourage participation, I ask you to use your laptops sparingly, if at all, in class. Even when laptops are just used for class related activities such as note taking, researching statements, etc., they prove intellectually distracting as students keep their heads in their computers rather than proactively engaging the material, participating in discussion, and setting the agenda. This can cost you in terms of your final grade.

Weekly papers: I will assume that everyone will have done the reading for each class and we will not have to regurgitate the content, rather we can build on the reading in our discussions. You help set the agenda for our discussions in class. To help guide our discussions, I ask you to submit a one-page paper that addresses the reading for seven weeks of the course. This one-page should be divided into two sections:

- **First**, you should raise a question that the reading provoked and you think would be interesting for the class to discuss.
• **Second**, you should provide a criticism of some aspect of the reading and try to juxtapose the reading vis-a-vis other theoretical approaches.

Please do not regurgitate the reading. I would like to see some critical thought. The paper is due before we discuss the reading. The weeks are up to you, but do not rear load your papers as you may discover you do not have enough weeks left to fulfill this requirement. Be prepared to help guide discussion on the topics you raise in your paper.

**Financial crisis paper**: You will construct a fifteen-page (1 and 1/2 spacing) paper over the course of the semester. Pick a financial crisis with international ramifications. There is no paucity of such crises from which to choose in modern economic history. The Mississippi Company crisis in French markets, the Dutch tulip craze, the financial failures in England leading to the Glorious Revolution of 1688, the Barings Argentinean crisis in the 1800s, US financial crises that occurred with increasing frequency and severity in the 1800s and early 1900s, German hyperinflation, the stock market crash of 1929, the US banking crisis of 1929-1933, the US savings and loan crisis of the 1980s, currency crises such as the European Monetary System, ruble, peso, and Asian financial crises of the 1990s, the global credit freeze in 2008, and most recently the European sovereign debt crisis are just a few examples of financial turmoil that created global distress.

Research the crisis and write a paper that explores 1) the roots of the crisis; 2) its economic, political and social affects on the society where the crisis originated; 3) by what mechanisms and processes the crisis spread globally; 4) its economic, political, and social ramifications globally; and 5) what lessons were learned that influenced state-market relations and regulation. You will find this far easier if you produce your paper in steps. A suggested timetable for producing the paper is below. This will give you opportunities to obtain feedback, to revise sections, and to put together a polished final project.

Week 4: the roots of the crisis;
Week 6: the economic, political and social affects on the society where the crisis originated;
Week 8: by what mechanisms and processes the crisis spread globally;
Week 11: its economic, political, and social ramifications globally; and
Final class: Complete project including a section that discusses what lessons were learned that influenced state-market relations and regulation

**Extra/Substitute Credit**

There are opportunities for you to bank extra or substitute credit. This involves attending and reporting on a relevant on-campus event sponsored by IAS. The calendar on the IAS website lists upcoming talks and events. To qualify for credit you must attend a relevant talk/event and submit a brief (500-word) reflection piece on the connections between the content of the event and international affairs. Your writing should demonstrate comprehension and raise a question about the subject of the event in the context of international affairs. You can substitute three of these papers for one of the weekly papers based on the readings. Or, you can bank extra credit that can raise your grade at the end of the semester.
Safe Educational Environment Policy

This is a seminar involving extensive discussion and give and take. This means that all of us will be responsible for contributing to our own learning as well as the learning experiences of others. Because the contribution of ideas from each student is critical to the learning process, any behavior that makes other students feel uncomfortable in their learning environment will not be tolerated. This includes interrupting others while they are talking, carrying on conversations separate from the class discussion, or making comments that could be perceived as offensive in terms of race, gender, sexual orientation, religion, ethnicity, nationality, social-economic status, ability, etc. Please make every effort to maintain an atmosphere where everyone feels comfortable sharing and responding to ideas.

Health and Bias Considerations

The University is committed to offering reasonable academic accommodations to students who are victims of sexual assault. Students are eligible for accommodation regardless of whether they seek criminal or disciplinary action. Depending on the specific nature of the allegation, such measures may include but are not limited to: implementation of a no-contact order, course/classroom assignment changes, and other academic support services and accommodations. If you need to request such accommodations, please direct your request to Kim Webb (kim_webb@wustl.edu), Director of the Office of Sexual Assault and Community Health Services. Ms. Webb is a confidential resource; however, requests for accommodations will be shared with the appropriate University administration and faculty. The University will maintain as confidential any accommodations or protective measures provided to a student so long as it does not impair the ability to provide such measures.

The University has a process through which students, faculty, staff and community members who have experienced or witnessed incidents of bias, prejudice or discrimination against a student can report their experiences to the University's Bias Report and Support System (BRSS) team. See: brss.wustl.edu

Mental Health Services’ professional staff members work with students to resolve personal and interpersonal difficulties, many of which can affect the academic experience. These include conflicts with or worry about friends or family, concerns about eating or drinking patterns, and feelings of anxiety and depression. See: shs.wustl.edu/MentalHealth

Reading Assignments

Oops....

    Michael Lewis, Boomerang

Financial crises, distress, hegemony, and cooperation
Bubbles, crises, and aftermath
*Kindleberger, Manias, Panics, and Crashes, Chapters 2, 3, 6, and 9
Central banking and lender of last resort
   Central bank policies and domestic monetary politics
   *Henning, *Currencies and Politics in the U.S., Germany, and Japan*
   *Goodhart, *The Evolution of Central Banks*

The Great Depression, lender of last resort, and other collective goods


The recent crisis and a radical disequilibrium between finance and capitalism
   Mervyn King, *The End of Alchemy: Money, Banking, and the Future of the Global Economy*

Financial foundations of global leadership

International monetary regimes
   Design characteristics
   **Cooper, *Prolegomena to the Choice of an International Monetary System***

   Exchange rate regimes, democratization and international cooperation
   Eichengreen, *Globalizing Capital*

   IMF institutional evolution
   Pauly, *Who Elected the Bankers*

   Future?
   Cohen, *The Geography of Money*

Capital markets and capital mobility
   Reemergence of global finance
   *Helleiner, *States and the Reemergence of Global Finance*
   *Sobel, *Domestic Choices, International Markets*

   Global capital mobility, development and investment or who gets to borrow and why
   *Sobel, *State Institutions, Private Incentives, Global Capital*, Chapters 1, 2, 5, 6, 7