

Money and Power in the IPE
POLS: 1420
Fall 2012
Mark Blyth
Department of Political Science
Brown University

Location: List 120
Class Meeting Times: Tuesday and Thursday 10:30-11:50am

Office Hours: W 10-12
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Section Times and Locations:
Monday 10am and 2pm – Rock 412
Tuesday 5pm – Wilson 203
Wednesday 10am and 2pm - Rock 412
Thursday 1pm – Wilson 205
Thursday 2pm – Watson Institute 116
Friday 12 noon – Wilson 304

This course is designed to give the student a thorough grounding in the political economy of international relations, using international monetary relations as a particular prism. The analytic goals of the course are twofold. First, to examine the key problems states have faced, and continue to struggle with, in an interdependent world economy over the past century or so. Second, to analyze how the role of the state in that economy, and the strategies that states have employed in the IPE, have changed over time by looking comparatively at different states' economic strategies.

The course is divided into four parts. The first part introduces the 19th Century Gold standard regime and analyzes why it fell apart, why its interwar restoration was so problematic, and why its post-WW2 replacement, the so-called 'embedded liberal' Bretton Woods regime, was so different than what came before. The second part focuses on tensions within the Bretton Woods regime that led to its dissolution, out of which came, in the context of the period, a fear of US decline and a consequent return to the politics of the 1930s. We discuss why this fear was misplaced and how different states (the US, the EU and East Asia) each found their own ways of dealing with this new 'globalized' and/or 'neoliberalized' environment. Part three analyzes how this neoliberal order is policed and the sources of monetary power therein. The role of the IMF, Credit Rating Agencies and Independent Central banks are discussed, as is the (continuing) role of the dollar as the key currency. The final part of the course focuses upon new sources of tension in the current system. Specifically, the 'warning' given by the East Asian financial crisis and the current global financial crisis are analyzed alongside of the rise of the so-called BRIC countries (Brazil, Russia, India and China) as possible 'system transformers' in the 21st Century.

There are three pieces of work for course credit for each of the classes. First, there is a short answer mid-term exam (closed book) in class on October 11th. Second, there is a substantive paper (7-10

pages) topics for which are given out November 13th and are due back November 27th. Finally there is, of course, a final exam covering the whole semester's work, which will be held at 2pm on May 19th 2011. The breakdown on these components is as follows: *Mid-Term 30% Paper 30% Final Exam 30%*. The remaining ten percent depends upon section participation.

Texts Available For Purchase

Rawi Abdelal. *Capital Rules: The Construction of Global Finance* (Cambridge: Harvard University Press 2006)
Mark Blyth *Great Transformations: Economic Ideas and Political Change in the Twentieth Century* (Cambridge: Cambridge University Press 2002)
Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton: Princeton University Press 2008)
John Kenneth Galbraith, *The Great Crash* (New York: Houghton Mifflin 2009)
Eric Helleiner *States and the Reemergence of Global Finance: From Bretton Woods to the 1990's* (Ithaca: Cornell University Press 1994)
Eric Helleiner and Jonathan Kirshner (eds.) *The Future of the Dollar* (Ithaca: Cornell University Press 2009)
McNamara, Kathleen *The Currency of Ideas: Monetary Politics in the European Union* (Ithaca: Cornell University Press, 1999).
Greta Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge: Harvard University Press 2011)
Louis Pauly *Who Elected the Bankers?* (Ithaca: Cornell University Press 1994)

Class Schedule

Class One: Introduction

Thursday September 6th

No Readings

Part One: The Beginning and End of Globalization v.1.0

Class Two: The 19th Century IPE

Tuesday Sept 11th

Karl Polanyi *The Great Transformation*
Chs. 1, 2

Class Three:

Thursday September 13th

No Class – Conference Absence

Class Four: The End of the Old Order

Tuesday September 18th

Eichengreen *Globalizing Capital* ch. 2
Block *The Origins of the International Monetary Disorder* Ch. 2.

Class Five: The Great Collapse

Thursday September 20th

Galbraith, *The Great Crash* Chs. 4-7

Class Six: Interwar Instability

Tuesday September 25th
Block *The Origins of the International Monetary Disorder* Ch.3
Eichengreen *Globalizing Capital* Ch. 3

Class Seven: Creating a New Order

Thursday September 27th
Helleiner *States and the Reemergence of Global Finance* Ch. 1-3.
Block *The Origins of the International Monetary Disorder* Chs. 4-5

Class Eight: Destabilizing the New Order

Tuesday October 2nd 2012
Helleiner *States and the Reemergence of Global Finance* Ch. 4-7
Eichengreen, *Globalizing Capital* Ch. 4

Class Nine: Destabilizing the New Order

Thursday October 4th 2012
Goldin and Margo “The Great Compression” NBER 3817 (1991)
Blyth, *Great Transformations* Chs. 1, 5, 6.

Class Ten: The Fear of Failure

Tuesday October 9th
Kindleberger *The World in Depression* Chs. 1 and 14.
Gilpin, *The Political Economy of International Relations*, Chs. 9, 10.

Class Eleven:

Thursday October 11th
Mid Term Exam

Part Two: Financial Fixes and Foreign Reformulations

Class Twelve: The US Financial Fix

Tuesday Oct. 16th
Krippner, *Capitalizing on Crisis*, Chs. 3 and 4

Class Thirteen: Europe’s Adaptations

Thursday Oct. 18th
McNamara, *The Currency of Ideas* Chs. 5-7
Abdelal, *Capital Rules*, ch. 4

Class Fourteen: Asia’s Alternative 1

Tuesday October 23rd
Evans Haggard *Pathways from the Periphery* Chs. 1, 2.
Alice Amsden “The State and Taiwan’s Economic Development” in Evans et al. *Bringing the State Back In?* pp. 77- 106.
Woo-Cummings (ed.) *The Developmental State* Ch. 4

Class Fifteen:

Thursday October 25th
No Class - Conference Absence

Class Sixteen: Asia's Alternative 2

Tuesday October 30th

Blyth (ed.) *Handbook of IPE*,
Chs. 10-12.

Part Three: Globalization v.2.0 - Policing the New Order

Class Seventeen: Institutions and Power – IFIs

Thursday November 1st

Pauly, *Who Elected the Bankers?*

Chs. 1, 2, 5, 6, 7

Abdelal, *Capital Rules*, ch. 7.

Class Eighteen: Institutions and Power - CBI

Tuesday November 6th

Posen “Central Bank Independence and
Disinflationary Credibility”

Oxford Economic Papers 50 (1998) pp. 335-359

Posen “Declarations Are Not Enough”

NBER Macroeconomics Annual (1995)

pp. 253-273.

Grabel “Ideology and Power,” in Kirshner (ed.)

Monetary Orders 2003

Berman and McNamara “Bank on Democracy”

Foreign Affairs (2000)

Class Nineteen:

Thursday November 8th

No Class - Conference Absence

Class Twenty: Money and Power – The Dollar

Tuesday November 13th

Helleiner and Kirshner (eds.)

The Future of the Dollar, Chs. 2, 3, 5.

**NB: Paper Topics will be given out November 13th and are due back first class after
Thanksgiving**

Part Four: Alarm Bells and Possible Futures

Class Twenty-One: The East Asian Crisis Thursday November 15th

Wade and Veneroso "The Asian Crisis"

New Left Review 228 (1998)

Wade "From Miracle to Cronyism"

Cambridge Journal of Economics 22 (1998)

Stiglitz "Sound Finance" Speech (1998)

Calomiris "Senate Testimony" (1998)

Class Twenty-Two:

Tuesday November 20th

No Class – Conference Absence

Class Twenty-Three

Thursday November 22nd

No Class - Thanksgiving

Class Twenty-Four: The Global Financial Crisis (Act One – the US)

Tuesday November 27th

Watch this on line on your own time

<http://www.pbs.org/wgbh/pages/frontline/meltdown/view/>

Then read these for class...

Michael Lewis on the blow-up and AIG

<http://www.portfolio.com/news-markets/national-news/portfolio/2008/11/11/The-End-of-Wall-Streets-Boom>

http://www.huffingtonpost.com/2009/07/07/michael-lewis-on-aig-read_n_227071.html

Joe Nocera on value at risk analysis

<http://www.nytimes.com/2009/01/04/magazine/04risk-t.html>

Felix's Salmon's piece on the Gaussian Cupola

http://www.wired.com/techbiz/it/magazine/17-03/wp_quant?currentPage=all

Matt Taibbi on Goldman Sachs

http://www.rollingstone.com/politics/story/29127316/the_great_american_bubble_machine

Blyth on Bouncy castle finance

http://www.foreignpolicy.com/articles/2009/09/14/bouncy_castle_finance

and related

<http://www.nytimes.com/2012/05/12/business/jpmorgan-chase-fought-rule-on-risky-trading.html?pagewanted=1&r=1&hp>

Class Twenty-Five: The Global Financial Crisis (Act Two – Europe)

Thursday November 29th

Watch the video of Martin Wolf at Brown here:

<http://brown.edu/web/livestream/archive/2012-euroconf.html>

Then read:

Jay Shambaugh, 'The Euro's Three Crises' available at

http://www.brookings.edu/~media/Files/Programs/ES/BPEA/2012_spring_bpea_papers/2012_spring_BPEA_shambaugh.pdf

Mark Blyth, *Austerity: The History of a Dangerous Idea* Ch. 3 (PDF from me)

Class Twenty-Six: Was Finance Really a Fix?

Tuesday December 4th

Kindleberger, *Manias, Panics, Crashes* Chs, 1-3.

Reinhart and Rogoff "This Time its Different" NBER 13882, Available at

<http://www.nber.org/papers/w13882>

Reinhart and Rogoff

"The Aftermath of Financial Crises" NBER 14656

Available at <http://www.nber.org/papers/w14656>

Class Twenty-Seven: The BRICs Alternative?

Thursday December 6th

"Dreaming with the BRICs" Goldman Sachs Economics Papers 99 (2003)

Available at <http://www.goldmansachs.com/our-thinking/brics/brics-reports-pdfs/brics-dream.pdf>

Varshney, "India's Democratic Challenge" *Foreign Affairs*, March 2007

Ban, 'Brazil's Neo-developmental State' (forthcoming) *Review of International Political Economy* 2013 (PDF from me)

Class Twenty-Eight

Course Review

TBD

Final Exam:

9am December 13th – Room TBC