

**The International Political Economy of Global Finance
Spring 2013**

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Location: PS seminar room

Class Meets: Wednesday 10am-12:30pm

Office Hours: Thursday 10am-noon and by appointment

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This class is intended to give graduate students a field survey of the main issues and areas in and around global finance. Although global finance is back in vogue since the 2008 crisis, it remains a frontier of research in mainstream IPE. As such, it is an excellent area to conduct research since it remains, to steal a line from one of the field's pioneers, Susan Strange, an 'open range' of inquiry.

The course is divided into three parts. The first part covers classic accounts of the politics of global finance from within political science and related areas. The second part focuses in on the best accounts of the 2008 crisis – including mine. The third part takes off from here to discuss contributions in areas such as Risk Management, Hedge Funds, Money Laundering, Quantitative Finance, and the Offshore World.

Requirements

Since this class is about finding new topics to write about the final paper (usual 25 page-effort) could take the following forms. First, how theory you already know can illuminate a case of something we have read about in finance. For example, how theories of institutional change and agency vis-à-vis market creation. Second, how something in the class makes you re-think something you have learned in political science (the same story backwards). Third, an actual thesis prospectus that draws from on a topic in finance. A review article for a political science journal based off these texts and themes that would also work as a dissertation lit review.

Texts for Purchase

James Barth (et al.) *Guardians of Finance* (Boston: MIT Press 2012)
Peter Bernstein, *Against the Gods* (New York: Wiley 1996)
Richard Bookstaber *A Demon of our own Design* (New York Wiley 2009)
Satyajit Das, *Traders, Guns and Money* (New York: Prentice Hall 2010)
Emmanuel Derman *Models, Behaving Badly* (New York: Free Press 2012)
Steve Drobny *The Invisible Hands* (New York: Wiley 2011)
Barry Eichengreen *Globalizing Capital* (Princeton University Press 2004)
Justin Fox *The Myth of the Rational Market* (New York: Harper 2009)
Roman Fryman and Michael Goldberg, *Beyond Mechanical Markets* (Princeton 2011)
John Kenneth Galbraith *The Great Crash of 1929* (New York: Houghton Mifflin 2009)
Simon Johnson and James Kwak, *Thirteen Bankers* (New York: Pantheon 2010)
Sebastian Mallaby *More Money than God* (New York: Penguin 2008)
Ronen Palan *The Offshore World* (Cornel 2005)
Scott Patterson *Dark Pools* (New York: Random House 2012)
Scott Patterson *The Quants* (New York: Crown Business 2010)
Raghuram Rajan *Fault Lines: How Hidden Fractures Still Threaten the World Economy*
(Princeton: Princeton University Press 2011)
Jason Sharman *The Money Laundry* (Cornel 2012)
Nassim Nicolas Taleb *The Black Swan* (New York: Random House 2010)

Class Schedule

Class One: January 23rd

No readings – intro and overview of course

Part One: Foundational Finance

Class Two: January 30th

Conference Absence – get ahead on reading

Class Three: February 6th – The Big Picture

Eichengreen *Globalizing Capital* (all)

And

Helleiner *States and the Reemergence of Global Finance* (all)

Class Four: February 13th – General and Specific Crashes

Galbraith *The Great Crash* (all)

Reinhardt and Rogoff, *This Time Its Different* NBER paper (skim)

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

Blyth *Austerity* Ch. 6 (Pdf from me – do not circulate)

Part Two: The Current Crisis

Class Five: February 20th - Crisis Causes

(NB: Class rescheduled to February 21st at 6pm)

Rajan, *Fault Lines* (Chs. 1-3)

Barth, *Guardians of Finance* (Chs. 2-5 inclusive)

Johnson, *Thirteen Bankers* (Skim)

Blyth, *Austerity* Chapters 2 and 3 (Pdf. From me don't share)

Reinhardt and Rogoff, 'Growth in a Time of Debt' NBER paper and related critiques

<http://www.nber.org/papers/w15639>

Part Three: Finance Beyond the Crisis

Class Six: February 27th Banks

Anat Admati and Martin Hellwig, *The Bankers New Clothes* (All – PDF available from me – again – don't share)

Class Seven: March 6th – Markets

Fryman, *Beyond Mechanical Markets* (All)
Fox, *The Myth of the Rational Market* (Skim esp. p. 197-end)

Class Eight: March 13th – Risk (Mis)Management

Taleb, *The Black Swan* (Part Three)
Bernstein, *Against the Gods* (Skim first)
Derman, *Models, Behaving, Badly* (All)

Class Nine: March 20th – Traders

Das, Traders, *Guns and Money* (All)
Drobný *The Invisible Hands* (Skim – maybe do as joint reading and divide it up – To be decided)

Class Ten: March 27th

No Class – Spring Break

Class Eleven: April 3rd

Rocket Scientists and High Frequency Trading

Patterson, *Dark Pools* (All)
Patterson, *The Quants* (All)

Class Twelve: April 10th – Hedge Funds

Mallaby, *More Money than God* (all)
Bookstaber, *A Demon of Our Own Design* (8-11 and conclusion)

Class Thirteen: April 17th

No Class – Conference absence

Class Fourteen: April 24th - Offshore and Money Laundering

Palan, *The Offshore World* (Skim)
Sharman, *The Money Laundry* (All)

Class Fifteen: May 1st – The Future of Finance

LSE Report on the Future of Finance - available at
<http://harr123et.files.wordpress.com/2010/07/futureoffinance5.pdf>
Esp. Turner, Goodhart, Haldane, Kay and Wolf

Andy Haldane Pieces (various - TBA)