

POLITICS OF INTERNATIONAL FINANCIAL CRISES

INR 3933-0005 | Fall 2022
Tue. & Thu. 3:05–4:20 p.m.
BEL 0115

Syllabus last updated: August 22, 2022

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via Zoom ([click here](#))

COURSE DESCRIPTION

Financial crises are a recurring feature of the global economy. This course examines theories and empirical studies of the political causes and consequences of global financial crises. The course will consider the politics of crisis from a comparative and international political economy perspective, drawing on the relevant scientific literature. In addition to learning about general theories and broad empirical regularities, we will explore in-depth case studies of important crisis episodes from around the globe, including the 1930s Great Depression, the 1980s Latin American debt crisis, the 1997-8 Asian financial crisis, the 2007-8 Global Financial Crisis, and the 2009-2012 eurozone debt crisis.

COURSE OBJECTIVES

At the end of this course, students will be able to

- summarize and explain key arguments and empirical findings in the scientific literature on the politics of financial crises;
- apply the theories and arguments discussed in class to specific cases;
- evaluate the contemporary public debate on the political causes and consequences of international economic crises.

READINGS

There is no required textbook for this class.

All assigned readings will be academic articles or book chapters and will be made available in digital format through Canvas.

REQUIREMENTS

- **READING:** Students are expected to read *all* readings assigned in the Course Outline presented below. The course requires on average 80 pages of reading per week and it is heavily focused on the assigned readings. It is essential that you keep up with the readings, as you will be examined on this material.
- **LECTURES:** Students are expected to attend all lectures having read the assigned material in advance.
- **IN-CLASS GROUP ASSIGNMENTS:** There will be 4-6 in-class group activities throughout the semester, which will be based on the assigned readings. The activities will involve in-class discussions in groups, but students will turn in their own individual answers to the assignment. These in-class assignments will be graded pass/fail.
- **EXAMS:** There will be 3 take-home, open-book, open-note exams. Collaboration is not permitted in the exams. See the exam policy below for details.

In my experience, students who keep up with the readings, follow lectures regularly, and ask questions when they are confused or unsure about the material tend to do well in classes like this one. Students who do not do these things often struggle.

GRADES

The final course grade will be determined based on the following breakdown:

- In-class group assignments: 15%;
- 1st exam: 25%;
- 2nd exam: 30%;
- 3rd exam: 30%.

I adhere to FSU's standard number-to-letter grade conversion scheme (shown below) for your final grade. Final grades ending in .5 or higher are automatically rounded up to the nearest whole percentage point.

93% and above: A	86-83%: B	76-73%: C	66-63%: D
92-90%: A–	82-80%: B–	72-70%: C–	62-60%: D–
89-87%: B+	79-77%: C+	69-67%: D+	59% and below: F

EXAMS

All exams in this course are take-home, open-note, open-book exams. Exams will be typed and uploaded on Canvas. Late exams will not be accepted. There will be no make-up examinations except in the case of a documented medical emergency or other excused absences.

No collaboration of any form is allowed in the exams. I expect all of the work you turn in to be your own. Academic misconduct of any sort will not be tolerated and will be handled according to university policy.

Originality check: All written exams will be turned in using the Canvas folder for the specific assignment. Exam submissions by email will not be accepted. Canvas will conduct originality checks on all assignments using the *Turnitin* software. This will give you the opportunity to assess the originality of your answers. You are expected to verify the assignment's originality score upon submitting it. If you find any issues with your assignment, you should correct them immediately and resubmit it, so that the problem no longer exists when I grade your exam. It is your responsibility to ensure that your submission passes the originality check.

MISSED ASSIGNMENTS

Make-up exams, activities, and participation will be considered for *excused absences only*. As per the Florida State University Attendance Policy, excused absences include documented illness, deaths in the family and other documented crises, call to active military duty or jury duty, religious holy days, and official University activities. These absences will be accommodated in a way that does not arbitrarily penalize students who have a valid excuse. Consideration will also be given to students whose dependent children experience serious illness.

Consideration will only be given when I am contacted *prior to or within two days after a missed assignment with appropriate documentation*.

GRADE APPEALS

Grade appeals must be made *in writing* by email with an explanation of why additional points are deserved. Grade appeals must be submitted no sooner than one week after a graded exam is returned—to allow for appropriate reflection—and no later than two weeks after a graded exam is returned.

TECHNOLOGY POLICY

I strongly encourage you to take notes by hand and discourage the use of laptops and tablets in class. Available [evidence suggests](#) that taking notes by hand, as opposed to typing them, is more conducive to effective learning. However, the use of laptops and tablets is left to the student's discretion and allowed exclusively for class-related activities (note-taking).

Cellphones are not allowed. The use of electronic devices for any other purposes is not permitted—it distracts your colleagues and disrupts the class.

UNIVERSITY ATTENDANCE POLICY

Excused absences include documented illness, deaths in the family and other documented crises, call to active military duty or jury duty, religious holidays, and official University activities. These absences will be accommodated in a way that does not arbitrarily penalize students who have a valid excuse. Consideration will also be given to students whose dependent children experience serious illness.

ACADEMIC HONOR POLICY

The Florida State University Academic Honor Policy outlines the University's expectations for the integrity of students' academic work, the procedures for resolving alleged violations of those expectations, and the rights and responsibilities of students and faculty members throughout the process. Students are responsible for reading the Academic Honor Policy and for living up to their pledge to "...be honest and truthful and...[to] strive for personal and institutional integrity at Florida State University." (Florida State University Academic Honor Policy, found at <http://fda.fsu.edu/Academics/Academic-Honor-Policy>)

AMERICANS WITH DISABILITIES ACT

Students with disabilities needing academic accommodation should: (1) register with and provide documentation to the Student Disability Resource Center; and (2) bring a letter to the instructor indicating the need for accommodation and what type. Please note that instructors are not allowed to provide classroom accommodation to a student until appropriate verification from the Student Disability Resource Center has been provided. This syllabus and other class materials are available in alternative format upon request. For more information about services available to FSU students with disabilities, contact the:

Student Disability Resource Center
874 Traditions Way
108 Student Services Building
Florida State University
Tallahassee, FL 32306-4167
(850) 644-9566 (voice)
(850) 644-8504 (TDD)
sdrc@admin.fsu.edu
www.disabilitycenter.fsu.edu

FREE TUTORING FROM FSU

On-campus tutoring and writing assistance is available for many courses at Florida State University. For more information, visit the Academic Center for Excellence (ACE) Tutoring Services' comprehensive list of on-campus tutoring options—see <http://ace.fsu.edu/tutoring> or contact tutor@fsu.edu. High-quality tutoring is available by appointment and on a walk-in basis. These services are offered by tutors trained to encourage the highest level of individual academic success while upholding personal academic integrity.

SYLLABUS CHANGE POLICY

Except for changes that substantially affect implementation of the evaluation (grading) statement, this syllabus is a guide for the course and is subject to change with advance notice.

COURSE OUTLINE

PART 1. THE FINANCIAL SYSTEM AND THE ECONOMICS OF CRISIS

Tue., Aug. 23: Course Overview

- Read the Syllabus.

Thu., Aug. 25: The Financial System and the National Economy

- Frederic S. Mishkin. *Economics of Money, Banking, and Financial Markets*. Prentice Hall, Boston, eleventh edition, 2016. [Chapter 2: “An Overview of the Financial System.”]

Tue., Aug. 30: The Financial System and the Global Economy

- Maurice Obstfeld. The Global Capital Market: Benefactor or Menace? *The Journal of Economic Perspectives*, 12(4):9–30, 1998.
- Recommended video: *Global Capital Market: Risks and Rewards* (33 min.). Available at <https://login.proxy.lib.fsu.edu/login?url=http://digital.films.com/PortalPlaylists.aspx?wID=104919&tid=34993> (requires FSU login).

Thu., Sep. 1: The Economics of Financial Crises

- (1) Charles P. Kindleberger. *Manias, Panics, and Crashes: A History of Financial Crises*. Basic Books, New York, 1978. [Chapter 2: “Anatomy of a Typical Crisis.”]
- (2) Lawrence H. Summers. International Financial Crises: Causes, Prevention, and Cures. *American Economic Review*, 90(2):1–16, 2000.

Tue., Sep. 6: Financial Crises: The Long View

- Carmen M. Reinhart and Kenneth S. Rogoff. This Time is Different: A Panoramic View of Eight Centuries of Financial Crises. *Annals of Economics and Finance*, 15(2):215–268, 2014. [Only until page 260; ignore appendices.]

PART 2. THE POLITICAL ORIGINS OF FINANCIAL CRISES

Thu., Sep. 8: Democracies, Autocracies, and Financial Crises

- Phillip Y. Lipscy. Democracy and Financial Crisis. *International Organization*, 72(4):937–968, 2018.

Tue., Sep. 13: Constitutions and Sovereign Debt Crises

- Emanuel Kohlscheen. Why Are There Serial Defaulters? Evidence from Constitutions. *The Journal of Law & Economics*, 50(4):713–730, 2007.
- [1st Exam Handed Out.](#)

Thu., Sep. 15: NO CLASS. Annual Meeting of the American Science Political Association

Tue., Sep. 20: Elections, Government Partisanship, and Currency Crises

- David A. Leblang. The Political Economy of Speculative Attacks in the Developing World. *International Studies Quarterly*, 46(1):69–91, 2002.
- Recommended video: *Speculative Attacks* (7 min.). Available at <https://youtu.be/cWE3Ap0KNk8>.

Thu., Sep. 22: 1st Take-Home Exam Due by 5:00 p.m. (No Lecture)

PART 3. NATIONAL AND INTERNATIONAL RESPONSES TO CRISES

Tue., Sep. 27: The Politics of Policy Responses to the Great Depression

- Peter Alexis Gourevitch. Breaking with Orthodoxy: The Politics of Economic Policy Responses to the Depression of the 1930s. *International Organization*, 38(1):95–129, 1984.

Thu., Sep. 29: The Domestic Politics of IMF Rescues

- Quintin H. Beazer and Byungwon Woo. IMF Conditionality, Government Partisanship, and the Progress of Economic Reforms. *American Journal of Political Science*, 60(2):304–321, March 2016.
- Recommended video: *How the IMF Tracks Economies and Makes Loans* (16 min.). Available at <https://login.proxy.lib.fsu.edu/login?url=http://digital.films.com/PortalPlaylists.aspx?wID=104919&xtid=11190> (requires FSU login).

Tue., Oct. 4: Mass Politics and Sovereign Debt Crises

- K. Amber Curtis, Joseph Jupille, and David Leblang. Iceland on the Rocks: The Mass Political Economy of Sovereign Debt Resettlement. *International Organization*, 68(3):721–740, 2014.

Thu., Oct. 6: US Interests and IMF Loans

- J. Lawrence Broz and Michael Brewster Hawes. Congressional Politics of Financing the International Monetary Fund. *International Organization*, 60(2):367–399, 2006.

PART 4. THE POLITICAL CONSEQUENCES OF FINANCIAL CRISES

Tue., Oct. 11: Extreme Politics After Crises

- Manuel Funke, Moritz Schularick, and Christoph Trebesch. Going to extremes: Politics after financial crises, 1870–2014. *European Economic Review*, 88:227–260, 2016.
- Enrique Hernández and Hanspeter Kriesi. The electoral consequences of the financial and economic crisis in Europe. *European Journal of Political Research*, 55(2):203–224, 2016.

Thu., Oct. 13: The Global Financial Crisis and US Monetary Power

- Barry Eichengreen. *Exorbitant Privilege: The Rise and Fall of the Dollar*. Oxford University Press, New York, 2011. [Chapters 1 & 6]
- 2nd Exam Handed Out.
- Recommended videos:
 - *Reserve Currencies*
(available at <https://youtu.be/dOsGfG2YS3g>)
 - *Safe Haven Currencies*
(available at <https://youtu.be/cLsKU3FtNs4>)
 - *Eichengreen Sees Multipolar Reserve Currency System*
(available at <https://youtu.be/TvI4L9cSvws>)
 - *Why the U.S. Dollar Remains Strong*
(available at <https://youtu.be/piNGSrXN78U>)
 - *Will the Renminbi Ever Really be a Reserve Currency?*
(available at <https://youtu.be/KSWZTOU1F2U>)

Tue., Oct. 18: The Global Financial Crisis and US Monetary Power (Continued.)

- Barry Eichengreen. *Exorbitant Privilege: The Rise and Fall of the Dollar*. Oxford University Press, New York, 2011. [Chapters 1 & 6]
- *Optional*: Niall Ferguson. Complexity and Collapse: Empires on the Edge of Chaos. *Foreign Affairs*, 89(2):18–32, 2010.

Thu., Oct. 20: **2nd Take-Home Exam Due by 5:00 p.m. (No Lecture)**

PART 5. CASE STUDIES

Tue., Oct. 25: The Great Depression

- Jeffrey A. Frieden. *Global Capitalism: Its Fall and Rise in the Twentieth Century*. W. W. Norton & Company, New York, 2006. [Chapters 8 & 9. Chapter 7 optional, highly recommended for context.]

Thu., Oct. 27: The Asian Financial Crisis, 1997-98

- Stephan Haggard and Jongryn Mo. The political economy of the Korean financial crisis. *Review of International Political Economy*, 7(2):197–218, 2000.
- Recommended videos:
 - *Asian Financial Crisis of 1997* (7 min.). A brief introduction to the economics of the Asian financial crisis. Available at <https://youtu.be/ClhA5pjHjT0>.
 - *Korea: Conquering a Financial Crisis* (18 min.). Available at <https://login.proxy.lib.fsu.edu/login?url=http://digital.films.com/PortalPlaylists.aspx?wID=104919xtid=11192> (requires FSU login).

Tue., Nov. 1: The US Subprime Crisis (1): Origins

- Menzie D. Chinn and Jeffrey A. Frieden. *Lost Decades: The Making of America's Debt Crisis and the Long Recovery*. W.W. Norton & Company, 2012. [Chapters 2 & 3]
- Podcast: This American Life, *The Giant Pool of Money*. Episode available at <http://www.thisamericanlife.org/radio-archives/episode/355/the-giant-pool-of-money>.
- Recommended video: *The Crisis of Credit Visualized* (11 min.). Available at <http://youtu.be/w4gcdQA33aI>.

Thu., Nov. 3: The US Subprime Crisis (2): US Policy Response

- Menzie D. Chinn and Jeffrey A. Frieden. *Lost Decades: The Making of America's Debt Crisis and the Long Recovery*. W.W. Norton & Company, 2012. [Chapters 4 & 5]

Tue., Nov. 8: The US Subprime Crisis (3): US Policy Response (Continued.)

- Menzie D. Chinn and Jeffrey A. Frieden. *Lost Decades: The Making of America's Debt Crisis and the Long Recovery*. W.W. Norton & Company, 2012. [Chapters 4 & 5]

Thu., Nov. 10: Conflict and Cooperation in the 2007-08 Global Financial Crisis

- Daniel W. Drezner. The System Worked: Global Economic Governance during the Great Recession. *World Politics*, 66(1):123–164, 2014.

Tue., Nov. 15: The Eurozone Crisis (1)

- Ezra Klein. Greece's Debt Crisis, Explained in Charts and Maps. *Vox*, July 6, 2015. Available at <https://www.vox.com/2015/7/1/8871509/greece-charts>.
- Recommended videos:
 - *Europe on the Brink* (23 min.). Available at https://youtu.be/0FxFvQ_NJ3E.
 - *The Three Sides of the Crisis* (7 min.). Available at <https://youtu.be/tBP114NaT9c>.
 - *How the Euro Caused the Greek Crisis* (3 min.). Available at <https://youtu.be/ULQiCN0YNmw>.

Thu., Nov. 17: The Eurozone Crisis (2)

- Jeffry Frieden and Stefanie Walter. Understanding the Political Economy of the Eurozone Crisis. *Annual Review of Political Science*, 20(1):371–390, 2017.

Nov. 22-24: No Classes. Thanksgiving Day Holiday.

Tue., Nov. 29: Review Session and Course Conclusion

Thu., Dec. 1: 3rd Take-Home Exam Due by 5:00 p.m.