GLOBALIZATION OF FINANCE

GOV 94kp (Spring 2022)  
Wednesday 9:45am-11:45am  
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Office Hours: TBA.

SEMINAR DESCRIPTION
During the last four decades the international monetary and financial system has undergone a radical transformation, often referred to as financialization or financial globalization. The change manifested in the rapid growth of financial assets and the expansion of various types of cross-border capital flows. This process has affected domestic economies in the global North and South, influenced how nations govern their domestic economies, impacted the stability of the global economic system and shaped the global hierarchies of power. The purpose of the seminar is to explore several aspects of this trend.

There are several perspectives from which one can study the globalization of finance: a purely economic perspective, a sociological perspective, or a historical perspective. In this seminar, we will seek to link the theories of money—the mainstream and the heterodox (Post-Keynesian) with International Political Economic (IPE) theories as well as Comparative Political Economy (CPE) theories.

After setting the stage in the first two lectures, we will discuss the theories of money and IPE theories of global finance. In this context, we will learn about the recent debates between the mainstream and Post-Keynesian approaches to money, banking and finance. Then, we will discuss the implications of these debates for the dynamics of global finance, the drivers of the process and the stakeholders.

The second topic is the external/domestic nexus. We will discuss the mechanisms through which global financial flows and the global monetary and financial system affect domestic policies, institutions and economic regimes. We will first learn about the politics of the balance of payments, and then the impact of financialization on the growth of nations.

The third topic is central banking and the governance of finance at the domestic and global levels. Currently, central banks are the single most powerful actors governing the monetary and financial systems. After discussing the types of instability and crises capitalist economies are prone to, we will discuss the various measures that central banks—and nations—take to maintain stability. Accordingly, we will learn about the theory of the practice of monetary policy, the politics of central banks and the goals
and barriers to international monetary and financial cooperation. Included in this category is global financial governance.

We will conclude the seminar with the topic of monetary and financial power. Within this topic, we will seek a synthesis between theories of money and IR theories of intergovernmental power. Within this context we will examine the hypotheses of US hegemony and the counter-hypothesis about America’s declining monetary and financial power. We will also discuss the European integration process as a financial warfare maneuver.

The seminar is designed for students interested in international political economy and comparative political economy. It does not assume prior knowledge in economics, but it does assume an interest in the topic. Throughout the seminar students will be encouraged to follow the news and bring events and trends to be discussed and analyzed in class.

SEMINAR GOALS AND OBJECTIVES

By the end of the seminar students are expected to be able to:

- Conduct a small-scale research project on the topic of global finance using the aspects discussed in class. The project includes conceptualizing the issue, identifying the key actors, interpreting the key actors’ interests and constraints, collecting relevant material, organizing it and presenting it.
- Interpret quantitative data regarding the components of the balance of payments (the current account and the capital account).
- Discuss the policy decisions of central banks and other financial technocrats.

REQUIREMENTS AND ASSIGNMENTS

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<tr>
<th>Requirement</th>
<th>Date</th>
<th>Percentage of final grade</th>
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<tbody>
<tr>
<td>Attendance and participation in class discussion and</td>
<td>NA</td>
<td>10</td>
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<tr>
<td>in-class micro-assigments</td>
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<tr>
<td>Reading memo 1</td>
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<td>10</td>
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<tr>
<td>Reading memo 2</td>
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<td>10</td>
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<tr>
<td>Final project proposal</td>
<td></td>
<td>10</td>
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<tr>
<td>In-class presentation of work-in-progress</td>
<td>NA</td>
<td>10 *</td>
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<tr>
<td>(Depends on enrolment, time availability and choice of</td>
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<td>students)</td>
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<tr>
<td>Final project</td>
<td>TBA</td>
<td>50 60</td>
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<td>Total</td>
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* In case students made a presentation, the weight of the final project would be 50 percent of final grade; if they did not make a presentation, the weight of the final project would be 60 percent.
INSTRUCTIONS FOR READING MEMOS

• Each reading memo consists of three pages (800 to 1200 words).
• Each reading memo discuss two reading items from the required or optional reading.
  o First page: A summary of the first reading item. It should include the main message of the text. It should relate to all or some of the following questions: What are the theoretical and/or empirical contribution of the text? Which important distinctions/classifications the authors make? Against whom the authors are arguing? Is the claim historical or theoretical? What is your take from the text?
  o Second page: A summary of the second reading item (see above).
  o Third page: Discussing the juxtaposition of the two reading items. It should address all of some of the following questions: Why did you choose the two items? What can be learned from the juxtaposition/synthesis of the two reading items? What type of questions emerged that are still to be investigated?
• Students will submit their reports to the course website in a Word file written in 12 point Times New Roman font with 1.5 spaces.

Grading criteria for reading memos

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<tr>
<th>Criteria</th>
<th>Points</th>
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<tr>
<td>Precision: The student uses precise and clear language (rather than vague and general language)</td>
<td>20</td>
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<tr>
<td>Concepts: The student uses the concepts correctly.</td>
<td>30</td>
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<tr>
<td>Argumentation: The student supports his/her arguments with evidence and/or references from the reading material.</td>
<td>30</td>
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<tr>
<td>Presentation: The assignment is logically organized and formatted properly.</td>
<td>20</td>
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<tr>
<td>TOTAL</td>
<td>100</td>
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Policies

Please note the following requirements and expectations.

No Late Work: Assignments will lose 5 percent per day (for each assignment) except in the case of documented, serious medical or family problems.
Absentee Policy. In the case of absence from a lecture, a two-page (approx. 600-800 words) critical analysis of the readings must be submitted to the Teaching Fellow by the end of the same day. 

Abide by the Harvard College Honor Code. You may reacquaint yourself with the Honor Code here.

Individual work: All assignments for this course are online. You are permitted to consult the readings and course notes while completing the assignments. While you may discuss the assignments with peers in the course, your submitted work must be solely your own. No collaboration on the actual assignments or sharing of work is permitted.

MATERIALS AND ACCESS

All book chapters and journal articles will be available on the course website. Students are encouraged to purchase the following book (not mandatory): [Editor’s note: You need a title here]
### Critical Dates

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
<th>Lecture</th>
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<tbody>
<tr>
<td><strong>Introduction</strong></td>
<td>Wed. January 26</td>
<td>Lecture 1: International Financial and Monetary System</td>
</tr>
<tr>
<td><strong>TOPIC 1: THEORIES</strong></td>
<td>Wed. Feb. 2</td>
<td>Lecture 2: A Brief History of the International Monetary and Financial System</td>
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<tr>
<td><strong>TOPIC 1: THEORIES</strong></td>
<td>Wed. Feb. 9</td>
<td>Lecture 3: Theories of Money</td>
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<tr>
<td><strong>TOPIC 1: THEORIES</strong></td>
<td>Wed. Feb. 16</td>
<td>Lecture 4: IPE theories and Financial Globalization</td>
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<td><strong>TOPIC 2: THE DOMESTIC/INTERNATIONAL NEXUS</strong></td>
<td>Wed. Mar. 2</td>
<td>Lecture 6: Financialization and Growth Models</td>
</tr>
<tr>
<td><strong>TOPIC 3: CENTRAL BANKING AND GOVERNING FINANCE</strong></td>
<td>Wed. Mar. 9</td>
<td>Lecture 7: Instability and Crises</td>
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<tr>
<td><strong>TOPIC 3: CENTRAL BANKING AND GOVERNING FINANCE</strong></td>
<td>Wed. Mar. 23</td>
<td>Lecture 8: Central Banks and Monetary Policy</td>
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<tr>
<td><strong>TOPIC 4: MONETARY AND FINANCIAL POWER</strong></td>
<td>Wed. April 6</td>
<td>Lecture 10: International Financial Cooperation &amp; Coordination</td>
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<tr>
<td><strong>TOPIC 4: MONETARY AND FINANCIAL POWER</strong></td>
<td>Wed. April 13</td>
<td>Lecture 11: Financial Hierarchies in a Globalized Economy</td>
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<tr>
<td><strong>TOPIC 4: MONETARY AND FINANCIAL POWER</strong></td>
<td>Wed. April 20</td>
<td>Lecture 12: The US Hegemony and its Decline</td>
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<tr>
<td><strong>TOPIC 4: MONETARY AND FINANCIAL POWER</strong></td>
<td>Wed. April 25</td>
<td>Lecture 13: A Currency Union: The European Case</td>
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### Recommended Movies:
- The Big Short (2015)
- Too Big to Fail (2011)
- Margin Call (2011)
- Inside Job (2010)
- Debtocracy (2011)
- Money for Nothing (2013)

### Recommended Books
READING

INTRODUCTION

Lecture 1: Introduction: International Financial and Monetary System


Lecture 2: A Brief History of the International Monetary and Financial System

Required:


TOPIC 1: THEORIES

Lecture 3: Theories of Money


Lecture 4: IPE Theories and Financial Globalization


**TOPIC 2: THE DOMESTIC/INTERNATIONAL NEXUS**

The Domestic/International Nexus: The Balance of Payments


Lecture 6: Financialization and Growth Models


**TOPIC 3: CENTRAL BANKING AND GOVERNING FINANCE**

Lecture 7: Instability and Crises

Required:


**Lecture 8: Central Banks and Monetary Policy**


Goodhart, Charles, Daniela Gabor, Jakob Vestergaard, and Ismail Ertürk, eds. 2014. *Central Banking at a Crossroads: Europe and Beyond*. Anthem Press.


**Lecture 9: The Politics of Central Banking**


**Lecture 10: International Financial Cooperation & Coordination**


TOPIC 4: MONETARY AND FINANCIAL POWER

Lecture 11: Financial Hierarchies in a Globalized Economy


Lecture 12: The US Hegemony and its Decline


Lecture 13: A Currency Union: The European Case
