

University of Denver  
Josef Korbel School of Int'l Studies  
Winter 2023

Professor Ilene Grabel  
Office: Sie Internat'l Relations Complex, Rm. 1159  
Phone: 303-871-2546  
Off. Hrs.: in person (no appt. needed<sup>1</sup>); other  
days/times via zoom by appt.<sup>2</sup>  
Email: Ilene.Grabel@du.edu

## INTS 4320 INTERNATIONAL MONETARY RELATIONS

### **Course description and learning objectives:**

The subject of this course is the theory, policy, political economy, and history of the international organization of money and finance. International financial theory or "open economy macroeconomics" is based mainly on macroeconomic tools of analysis. For this reason, a familiarity with Macroeconomic Theory is a prerequisite for this course. **At the least, all students must have successfully completed at the undergraduate level a course in Introductory Macroeconomics, International Economics, or Principles of Economics.** Open economy macroeconomics deals with balance of payment and exchange rate dynamics in an open world economy, as well as with the effectiveness of (and constraints on) macroeconomic policy under conditions of globalization and floating exchange rates. In addition to studying the formal theory of open economy macroeconomics, we will examine the history and political economy of international financial regimes. Here we will focus on the effects of international financial arrangements on investment, unemployment, inflation, income distribution, and class conflict in countries of the global north and, through international financial arrangements, on countries of the global south and east as well.

We will also place the theoretical issues raised in the course in the context of three contemporary debates in international monetary relations. The class will have the option of selecting to focus the final three weeks of the course on any three of the following eight issues. (Readings for all eight issues are provided below in section III. of the course outline in order to aid in your decision, and to serve as a reference for those topics that we will not cover this term.) The eight issues are as follows: (1) the debate over the causes and consequences of the global financial crisis of 2008, monetary policy responses to the Covid-19 crisis, and lessons for future financial crises; (2) the emergence of "financial pluripolarity," and new (developmental) financial architectures; (3) US monetary power, the dollar-led financial order, and the global implications of quantitative (monetary policy) tightening; (4) the rise of capital controls and currency interventionism during and since the global financial crisis of 2008; (5) the IMF (and the World Bank): governance, power, policy practice, and the possible futures of these institutions; (6) "greening" the global financial system (7) the internationalization and role of the RMB and China's role in the global financial

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<sup>1</sup> The days/times for in-person office hours vary each week. No appt. is needed. In-person hours will be held on Thurs., Jan. 19, 130-230pm; Wed. Feb. 1, 11-1145am & 145-315pm; Thurs., Feb. 16, 1030-1145am & 130-230pm; Wed., March 1, 1030-1145am & 145-245pm; Thurs., March 9, 1030-1145 & 145-315pm. Be in touch with me via email if you would like to meet (in person or by zoom) at a time other than my established office hours.

<sup>2</sup> Click on this [hyperlink](#) to make an appointment for online office hours. The Calendly app will generate a Zoom code for the online meeting.

architecture; and (8) cryptocurrencies and central bank digital currencies (CBDCs): implications for monetary policy, financial stability, and financial regulation .<sup>3</sup>

Students who apply themselves to the materials in this course should acquire a capacity to understand the historical evolution, workings, and problems associated with today's US dollar-denominated international monetary system. Students should attain an understanding of the following areas: the workings of fixed, pegged, and dirty float exchange rate regimes; the debate over the determinants of exchange rates; the effects of monetary and fiscal policies on exchange rates; the effects of exchange rates on trade performance, economic growth, debt-service costs, and international relations; and the distributional implications and transmission effects of exchange rates and monetary policies. Students should understand the key institutions of the international monetary system, particularly the roles played by and the relationships among central banks, governments (especially Treasury Departments/Finance Ministries), multilateral financial institutions (especially the IMF), multilateral organizations, networks, and arrangements (such as the European Union, the Chiang Mai Initiative Multilateralisation, the G20, etc.), sovereign wealth funds, and institutional investors. Students should understand the origin and significance of critical international monetary problems (such as financial, banking and exchange rate fragility, capital flight, coordination failures, liquidity crises, currency misalignments, global imbalances, currency wars, and the transmission effects of monetary and exchange rate policies, debt crises). Students should also be able to understand the economic and political logic of diverse positions taken in contemporary debates concerning international monetary problems and policy dilemmas (e.g., what are the implications for the US and the global economy of the contractionary monetary policies now being implemented in many countries, does the International Monetary Fund have sufficient credibility and resources to respond to nascent financial crises, are central bank digital currencies a vehicle for financial inclusion, and is China's RMB likely to displace the US dollar as an international reserve currency). My hope is that upon completing the course students will be able to participate intelligently in discussions of current and future policy challenges in international monetary affairs.

**Course material:** The following three books will be used extensively in the course and should be purchased by all students (or borrowed from the library):

Paul Krugman and Maurice Obstfeld, *International Economics*, Addison Wesley, 6<sup>th</sup> edition, 2003, 7<sup>th</sup> edition, 2005, 8<sup>th</sup> edition, 2009, 9<sup>th</sup> edition 2011, 10<sup>th</sup> edition 2014, 11<sup>th</sup> edition 2015/2018, 12<sup>th</sup> edition 2021 (the latter four editions with co-author Marc Melitz). (Note: you may also use older editions of the text. We will not be using the 'access kit' that is sold with newer editions of the text.)

Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, Princeton: Princeton University Press, 1998, 2008, or 2019 edition.

Eric Helleiner, *States and the Reemergence of Global Finance*, Ithaca: Cornell University Press, 1996.

Some of you may benefit from a basic reference volume on the global financial system. Note that there will be no assigned readings from these reference volumes (and hence, purchase is optional). The Lanchester book is discursive in nature, while the Valdez and the Oxford Dictionary are traditional encyclopedia/dictionary formats.

John Lanchester, *How to Speak Money*, New York: WW Norton & Co., 2014.

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<sup>3</sup> Please check from time to time the "Emerging Issues Parking Lot" folder in Canvas. I will use that folder to store materials that you may wish to discuss in an optional (extra) meeting of the course.

Stephen Valdez, *An Introduction to Global Financial Markets*, Palgrave Macmillan, 2007 or 2013 edition.

*A Dictionary of Finance and Banking*, 6<sup>th</sup> edition, Oxford: Oxford University Press, 2018.

### **How to obtain other readings for the course:**

Aside from the material in the books that you will be purchasing, you can obtain the required readings from Canvas (these are in the “Modules” tab in Canvas—these items are marked with **C** on the course outline). Please note that you can also find many of the readings on your own by using Jstor, Goldrush or Article Finder (on the Anderson website), Google, or Google Scholar. Please plan for problems with Canvas—this means that you should obtain course materials well in advance of the time that a particular reading has been assigned. *If a persistent link or Canvas are not functioning or if you have trouble downloading an item from Canvas, please first try to obtain the reading on your own using Google/Google Scholar/ Goldrush/Jstor/Article Finder or other resources available through the Anderson Academic Commons website.*

Note that with some exceptions optional readings are not available through Canvas (but of course you may find many of them on your own).

### **Policy on classroom use of electronics and recording devices:**

Evidence shows that students who bring laptops, tablets or other electronic devices to class earn lower grades, learn less, and participate far less effectively than students who do not. Moreover, using a device for purposes unrelated to the course distracts other students (and me). Moreover, even when tablets or laptops are used for purposes related to the course, the constant sound of keys tapping interferes with the concentration of others in the course.

*Computers (laptops or tablets) may not be used in the course.* (Students requiring exceptions should contact me.) Students should bring pen and paper to class for the purposes of taking notes. It is advisable to bring hard copies of the required readings to class, or preferably your notes and a list of questions on the readings in hard copy form. This class may not be recorded and cellphones must, of course, be turned off before class begins.

### **Data and news sources on international finance:**

1. The IMF's publication, IMF Survey, is an invaluable resource. Data on aggregate, regional and countrywide financial sector and macroeconomic performance are presented in International Financial Statistics (IMF/World Bank). This volume is published annually. The IMF's quarterly publication, World Economic Outlook, provides a survey and analysis of key trends in the global financial system. The World Bank's Global Economic Prospects is also useful publications. IMF and World Bank publications are available on the institutions' websites. The IMF's magazine, Finance and Development, is a useful resource on financial policy issues in countries of the global south and east.

2. The IMF's Balance of Payments Statistics Yearbook presents detailed data on the balance of payments.

3. The World Bank's Global Financial Development Database is dataset on financial system characteristics for a large number of countries.

4. Cross-national macroeconomic data can be found in Main Economic Indicators, published by the Organization for Economic Cooperation and Development.

5. The May issue of the US Commerce Department's Survey of Current Business summarizes US international transactions for the preceding year.

6. The United Nations publishes the annual World Economic and Social Survey, which covers major issues facing the world economy. The United Nations Conference on Trade and Development (UNCTAD) also publishes a number of useful reports.

7. The websites of Center for Economic and Policy Research, UMASS Political Economy Research Institute, Economic Policy Institute, Peterson Institute for International Economics reprints many useful studies of international financial policy issues and debates.

8. Many blogs present useful discussions of international financial issues. The blogs I read regularly include <http://www.project-syndicate.org/>, <http://rodrik.typepad.com/>, <http://www.voxeu.org>, <http://www.economist.com/blogs/freeexchange/>, <http://blog-imfdirect.imf.org>, <http://economix.blogs.nytimes.com>, <http://blogs.ft.com/beyond-brics/>, <http://www.piie.com/blogs/realtime>, <http://www.cepr.net/index.php/blogs>, <http://www.brettonwoodsproject.org>.<sup>4</sup> The New York Times business section and the Financial Times<sup>5</sup> provide the best newspaper coverage and opinion analysis of international monetary issues. You have free access to the NYT and [WSJ] as a DU student (see the Announcements section of Canvas for information on how to access the newspaper). The Economist magazine is also an excellent news source, and you should consider reading it regularly.

### **Grading:**

***Course grades will be determined by three factors: two exams (together they account for 60% of your grade); three brief discussion question response memos (together they account for 30% of your grade, each one accounts for 10% of your grade); and class participation (10% of grade). Note that exam 1 is optional and exam 2 is required.*** For students who choose to take exam 1 and exam 2, exam 1 accounts for 25% of your course grade and exam 2 accounts for 35% of your course grade. For students who choose to skip exam 1, exam 2 will account for 60% of your course grade. See the documents “Guidance on writing and grading” and “Discussion of some commonly used terms in graded papers” in Canvas (“Syllabus” section) for discussion of writing and grading.

The exams will be in the “Assignments” section of Canvas and should be submitted there as well. See the course outline below for exam distribution and due dates/times. *Absolutely no extensions will be given on the two exams. You may use your own notes in preparing this exam, but you may not talk with any of your colleagues about the exam once it has been distributed.* Please note that numerical (rather than letter) grades are assigned to all exams, and grades on exams can range from zero to one hundred.

Discussion question response memos will be due one hour before the start of each class meeting (that is, by 1pm) in Part III of the course (Tuesday, February 21; Tuesday, February 28; and Tuesday, March 7). Each discussion question response memo will provide responses (based on the required readings) to the discussion questions for that day’s class meeting. Instructions and prompts for the discussion question response memos will be in Canvas in the “Quizzes” section, and should be submitted to me there as well.

The remaining 10% of the grade will come from your participation in class discussions, particularly those held during the final third of the course. Please note that this component of your grade is a function of the quality (and *not* the quantity) of your contributions to discussion.

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<sup>4</sup> Other interesting blogs include the following: <http://www.newyorker.com/contributors/john-cassidy>, <http://www.bankinformationcenter.org>, <http://www.economist.com/blogs/economist-explains>, <http://www.economist.com/blogs/buttonwood>, <http://bruegel.org>, <https://theconversation.com/us/business>, <http://www.nakedcapitalism.com>, <http://nakedkeynesianism.blogspot.com>, <http://economistsview.typepad.com>, <http://yanisvaroufakis.eu>, <http://helicoptermoney.blogspot.co.uk>, <http://www.washingtonpost.com/blogs/monkey-cage/>.

<sup>5</sup> If you cannot access an *FT* article, then googling the article title directly and accessing it via google results might help. If that does not work, then you can access a few articles via the incognito version.

### **Preparation for class each week:**

All readings not marked as optional are required for the course. You should read them in the order that they appear on the course outline. All reading should be completed prior to the class meeting. Note that some readings are more difficult than others; you may need to read some works several times in order to gain a good understanding of them.

You will notice that there are a lot of readings marked as “optional” under the heading for each topic covered in the course. These readings are intended for those students (a.) interested in learning more about a particular topic, (b.) researching an MA thesis, special research paper, or Ph.D. dissertation and (c.) for Ph.D. students preparing for the comprehensive exams.

## **COURSE OUTLINE**

**Introduction to the course and overview of the global financial system: A survey of key issues, debates, and problems** (1 session) {Course meeting on: Tuesday, Jan. 3}

There are no required readings for the first meeting of the course. However, attendance at this meeting is critical. I will be delivering a lecture during our first meeting that provides an overview of the key issues, debates, and policy challenges confronting international monetary policymakers. This material will provide the context for the subject matter to be discussed for the rest of the term. We will also, of course, discuss the specifics of the course, e.g., requirements, the syllabus, etc.

Please start getting into the habit of following global financial news. I am a financial news addict, as you will quickly learn. We will *always* connect the financial news to what we are studying. I encourage you to raise issues that come up in the financial news—we can always discuss them in class or privately, and I can clarify any issues or terminology that you find unclear. The best sources of financial news are as follows: the International Monetary Fund’s (IMF) IMF Survey, the IMF’s magazine Finance and Development, the business section of the *New York Times*, the *Financial Times* (newspaper), and *The Economist* (magazine). Note that you have free access to the *New York Times* as a DU student. See the information on how to access the NYT (and also the *Wall Street Journal*) in the “Announcements” section of Canvas. Reading the *New York Times* and the latest IMF news updates are musts.

Please also take a look at the folders in the “News Stories and Opinion Essays” in Canvas (which is in the “Modules” section). I will update the material in the News Stories folder throughout the term. Skim as many of the articles here that you can. They will give you a feel for what is going on in the world of international finance.

**I. The evolution of the international monetary system: The political economy of international financial regimes (2 sessions; 1 session on A. and one session on B.)**

*How did the international monetary system come to be organized around the US dollar? Why are currencies no longer convertible to gold? Why are currency values in most countries largely determined by market forces instead of having values that are fixed or pegged by governments? What can we learn about debates and challenges in today's international monetary system by considering a period of relative international monetary stability (i.e., the classical gold standard era) and a period of chaos and inter-country conflict (i.e., the interwar era)? Why does there seem to be a perennial preoccupation with gold-based monetary systems?*

**IA. The classical gold standard (1870-1914) and the interwar period (1918-1939)** {Course meeting on: Tuesday, January 10}

**Classical gold standard:**

*Why do we see a global convergence around gold-based currencies and fixed exchange rates in the later half of the 19<sup>th</sup> century? Why was the British pound sterling the world's key currency at this time? What set of (domestic and international) economic and political conditions facilitated the operation of the classical gold standard? To what extent did the particular nature of political enfranchisement (i.e., only men who owned property held the right to vote) play a role in the operation of the international monetary system? To what extent did colonialism play a role in the operation of the international monetary system? How well did the classical gold standard operate across a number of dimensions? Why did this system eventually collapse? What lessons can we take from the operation of the classical gold standard for contemporary calls to link currencies to gold and/or to stabilize exchange rates through some type of pegged system?*

Barry Eichengreen, chapters 1-2, *Globalizing Capital: A History of the International Monetary System*, Princeton: Princeton University Press, 1998, 2008, or 2019. [Purchase this book]

Marcello de Cecco, Chs. 2, 4 & 6, "The World Economy after 1870," "Indian Monetary Vicissitudes, and "The International Financial System, 1890-1914," preface, pp. 22-38, pp. 62-75 and pp. 103-126 in Marcello de Cecco, *Money and Empire* (Basil Blackwell, 1974). [C]

Marcello de Cecco, "Short-Term Capital Movements Under the Gold Standard," pp. 102-112, in Jorge Braga de Macedo, Barry Eichengreen, and Jaime Reis, editors, *Currency Convertibility: The Gold Standard and Beyond* (London: Routledge, 1996). [C]

Note: if you are asking yourself, "why am I reading about gold-based monetary systems now," then you may want to have a look now at the folders in Canvas that contain several short articles written in the last several years concerning a return to some type of gold standard.<sup>6</sup>

Robert J. Shiller, *Narrative Economics*, Princeton: Princeton University Press, 2019, pp. 166-72. (OPTIONAL-in Canvas)

Marcello de Cecco, "The Gold Standard," pp. 539-545, in *The New Palgrave Dictionary of Economics* (London: MacMillan, 1987). (OPTIONAL)

Hugh Rockoff, "The 'Wizard of Oz' as a Monetary Allegory," *Journal of Political Economy*, 1990, vol. 98, no. 4, pp. 739-60. (OPTIONAL)

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<sup>6</sup> You might find this interview and podcast of interest in connection with contemporary discussion of a return to some type of gold standard (<http://www.npr.org/2017/06/26/534406765/one-nation-under-gold-explores-americas-obsession-with-one-precious-metal>  
<http://www.npr.org/sections/money/2011/04/27/135604828/why-we-left-the-gold-standard> )

### **Interwar period:**

*Why was the gold-exchange standard so short-lived, and why was the interwar monetary system characterized by such high levels of instability? Why were competitive currency devaluations so problematic? What is the relevance of the interwar experience for contemporary debates over “pluripolarity” in the global financial system? Were the “currency wars”<sup>7</sup> in the decade that followed the global financial crisis of 2008 an analogue of the competitive currency devaluations of the interwar period?*

Barry Eichengreen, chapter 3, *Globalizing Capital: A History of the International Monetary System*, Princeton: Princeton University Press, 1998, 2008, or 2019. [Purchase this book]

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Karl Polanyi, chapters 17-19, *The Great Transformation*, Boston: Beacon Press, 1944. (OPTIONAL)

Fred Block, Chapter 2, "The Decline of the Nineteenth- Century Gold Standard," pp. 14-31, in F. Block, *The Origins of International Economic Disorder* (University of California Press, 1977). (OPTIONAL)

Andrew Walter, Ch. 5, "International Monetary Disorder in the Interwar Period," pp. 116-49, in A. Walter, *World Power and World Money* (NY: St. Martin's Press, 1991). (OPTIONAL)

Charles Kindleberger, Chapters 16-21, in C. Kindleberger, *A Financial History of Western Europe* (London: Allen & Unwin, 1984). (OPTIONAL)

*The two readings below provide an overview and critical assessment of hegemonic stability theory:*

Andrew Walter, Introduction, Ch. 1 and Conclusion, "Hegemony and International Monetary Disorder," "Hegemony and International Monetary Order," pp. 1-27 & 240-46, in A. Walter, *World Power and World Money* (NY: St. Martin's Press, 1991). (OPTIONAL)

Barry Eichengreen, "Hegemonic Stability Theories of the International Monetary System," National Bureau of Economic Research, Wkg., Paper No. 2193, March 1987. (OPTIONAL)

**IB. Bretton Woods (1944-1971) and the dirty float (1971/3-Present)** {Course meeting on: Tuesday, January 17}

### **Bretton Woods:**

*To what extent does the Bretton Woods international monetary system reflect an effort to build on the positive and negative experiences of the classical gold standard and the interwar eras? What economic and political conditions facilitated the operation of the post-war global monetary system? In what ways do we see “embedded liberalism” and Keynesianism reflected in the operating principles of domestic and international financial markets during this era? Why were capital controls such a central feature of the post-war global monetary system? What role did the US, the US dollar, and the newly founded International Monetary Fund (IMF) play in the success and ultimate collapse of the Bretton Woods system? What policy lessons can we draw from the post-war monetary system? Why did many policymakers call for a “New Bretton Woods” during the global financial crisis of 2008 and the Covid-19 crisis? What features of the Bretton Woods system remain in place today?*

Barry Eichengreen, chapter 4, *Globalizing Capital: A History of the International Monetary System*, Princeton: Princeton University Press, 1998, 2008, or 2019. [Purchase this book]

Eric Helleiner, chapters 1-5, *States and the Reemergence of Global Finance*, Ithaca: Cornell University Press, 1996. [Purchase this book]

Eric Helleiner, “A Bretton Woods Moment? The 2007-2008 Crisis and the Future of Global Finance,” *International Affairs*, 2010, 86(3), 619-36. (Note: this article is germane to our discussions of Bretton Woods, contemporary financial reform, and calls for a “New Bretton Woods.”) [C]

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<sup>7</sup> Here I am borrowing a phrase from Brazil’s former Finance Minister, Guido Mantega.

Eichengreen, Barry, Bretton Woods After 50, *Review of Political Economy*, 2021, 33:4, pp. 552-569. (OPTIONAL-in Canvas)

Eric Helleiner, *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order*, Ithaca: Cornell University Press, 2014. The entire book is well worth reading, particularly for students interested in the role of countries in the global south and east in global financial governance. But if you only have time to read part of the book, read the introduction, chs. 1, 6, 7, 9 and the conclusion. (OPTIONAL)

Eric Helleiner and Bessma Momani, "The Hidden History of China and the IMF," pp. 45-70, in Eric Helleiner and Jonathan Kirshner (eds.), *The Great Wall of Money*, Ithaca: Cornell University Press, 2014. (OPTIONAL)

Fred Block, Chapter 3, "Bretton Woods and the British Loan," pp. 32-69, in F. Block, *The Origins of International Economic Disorder* (University of California Press, 1977). (OPTIONAL)

### **The dirty float (1971/3-present):**

*How did the collapse of the Bretton Woods system usher in the era of the dirty float and the liberalization of international capital flows? In what ways did changes in ideas (by economists and policymakers) facilitate the rise of the dirty float and capital flow liberalization? What has kept the dirty float system operating over the last several decades? Should we take seriously contemporary calls to recast the global monetary system around gold or some other anchor? What does international monetary history suggest about the longevity of the dollar as the world's key international reserve currency? Should we be concerned about the current backlash against multilateralism and cooperation, the rise of retrogressive forms of nationalism, and the spillover effects of a strengthening US dollar?*

Barry Eichengreen, chapter 5 (read pages 136-middle of page 152 in the 1998 edition, pages 134-149 in the 2008 edition, or chapter 5 in the 2019 edition), *Globalizing Capital: A History of the International Monetary System*, Princeton: Princeton University Press, 1998, 2008, or 2019. [Purchase this book]

Eric Helleiner, chapters 6-8, *States and the Reemergence of Global Finance*, Ithaca: Cornell University Press, 1996. [Purchase this book]

Rawi Abdelal, "Writing the Rules of Global Finance: France, Europe and Capital Liberalization," *Review of International Political Economy*, February 2006, 13:1, pp. 1-27. [C]

If you haven't done so already, please read the collection of short articles (in Canvas) concerning a return to a gold standard (see also fn5).

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Kunz, Diane, "The Fall of the Dollar Order," *Foreign Affairs*, July 1995, Vol. 74, No. 4, pp. 22-26. (OPTIONAL)

Susan Strange, "Still and Extraordinary Power: America's Role in a Global Monetary System," pp. 73-106, in R. Lombra and W. Witte, eds., *The Political Economy of International and Domestic Monetary Relations* (Ames, Iowa University Press, 1982). (OPTIONAL)

Raymond Frost, "Losing Economic Hegemony: UK 1850-91 and US 1950-90," *Challenge*, July-August 1992, vol. 35, no. 4, pp. 30-34. (OPTIONAL)

<p><b>EXAM 1 (OPTIONAL)<sup>8</sup>: DISTRIBUTED ON MONDAY, JANUARY 16 AT 3PM VIA CANVAS. THE EXAM CAN BE FOUND IN THE "ASSIGNMENTS" SECTION OF CANVAS AND SHOULD</b></p>
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<sup>8</sup> The exam is an optional "take home" essay. Students will write an essay of up to 2100 words in response to one question that I pose on the material covered in section I of the course. See the "grading" section of the syllabus (above) for information on exam weighting.



**BE SUBMITTED THERE AS WELL. THE EXAM IS DUE ON MONDAY, JANUARY 23 AT 11:59PM.**

**II. International Financial Theory/Open-economy Macroeconomics** (4 sessions; 1 session on each of the topics listed below as A.-D.)

Note: Omit the appendices in Krugman, Obstfeld, and Melitz.

**A. The rules and political economy of balance of payments accounting** {Course meeting on: SPECIAL DAY/TIME: Thursday, Jan. 19, 9am-noon; Friday, Jan. 20, 9am-noon; Friday, Jan. 20, 1230-330pm; Friday, Jan. 20, 130-430pm; OR, Saturday, Jan. 21, 9am-noon—VOTE TO BE TAKEN ON DAY/TIME FOR THIS SPECIAL MAKE-UP CLASS MEETING }

*What are the key types of transactions recorded in the current and the capital and financial accounts of the balance of payments? What can we learn about a nation's economy by examining various components of and historical trends in its balance of payments position? Are deficits in a country's current account always bad? How credible are balance of payments data?*

Krugman, Obstfeld, and Melitz, Chapter 12, middle of page 307-320 in 2003 edition (note: review pages 294-middle of page 307 if you need a refresher in macroeconomics), or Chapter 12, middle of p. 291-302 in 2005 edition (note: review page 278-middle of page 291 if you need a refresher in macroeconomics), or chapter 12, pp. 301-312 in 2009 edition (note: review page p. 290-top of p. 301 if you need a refresher in macroeconomics), or Chapter 13, pp. 306-17 in 2011 edition (note: review pp. 293-306 if you need a refresher in macroeconomics), Chapter 13, pp. 326-338 in 2014 edition (note: review pages pp. 315-326 if you need a refresher in macroeconomics), Ch. 13, pp. 334-45 in 2015/2018 edition (note: review pages 323-32 if you need a refresher), Section 13.3 in the 2021 edition (note: review sections 13.1-13.2 if you need a refresher in macroeconomics). [Purchase this book].

Cheryl Payer, "How to Read a Balance of Payments Table," page 4-middle of page 12, in C. Payer, *The Debt Trap: The IMF and the Third World* (Monthly Review, 1974). (Note: Compare the way in which Payer and the text explain the position of the "investment income" item on balance of payments tables. Attention should also be paid to the way in which Payer discusses "reading" a balance of payments table.) [C]

David Calleo and Susan Strange, "Money and World Politics," pp. 94 - middle of p. 107, in S. Strange, editor, *Paths to International Political Economy* (London: George Allen, 1984). [C]

William Poole, "Does the United States Have a Current Account Deficit Disorder? In: P. King and S. King, eds., *International Economics and International Economic Policy*, NY: McGraw Hill, 2005, pp. 234-239. [C] **(SKIM ONLY)**

John Motala, "Statistical Discrepancies in the World Current Account," *Finance and Development*, March 1997, pp. 24-25. **(SKIM ONLY)** [C]

\*Note: you can find the US' BOP data at <https://www.bea.gov/data/intl-trade-investment/international-transactions> and BOP data for all IMF member countries at <https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1390030341854>

**B. Exchange rate determination and dynamics: The neoclassical view** {class meeting on: Tuesday, Jan. 31}

*From a neo-classical perspective, what determines the value of a country's currency (i.e., its exchange rate)? (Note that the neo-classical perspective on exchange rates is also known as the orthodox view, the monetary theory of exchange rate determination, and the economic factors view.) From a neo-classical*

*perspective, what causes the exchange rate to change? What is overshooting in currency markets, what causes it, and is it a serious problem for policymakers (or is it merely an “intra-day phenomenon,” per John Rutledge)? Are currency markets “efficient” (in the sense that the values of currencies reflect accurate information about the true state of a country’s economy)? You may also wish to reflect on the following question this week (or certainly by next week): does the neo-classical view of exchange rate dynamics provide a good explanation of what you observe when you look at trends in some particular country’s exchange rate? E.g., the euro and the Chinese RMB have both depreciated relative to the US dollar during 2022, the US dollar has appreciated relative to many currencies during 2021-22, and the Russian ruble has appreciated relative to many currencies during the war in Ukraine. How can we explain changes in the values of these (and other) currencies? Do currency values reflect fundamental factors, market psychology, market sociology, news, rumors, the pandemic, politics, etc.?*

Krugman & Obstfeld, Chapters 13-14 (2003, 2005, 2009), Chapters 14-15 in the 2011, 2014, 2015/2018, 2021 editions. Purchase this book].

John Rutledge, "An Economists' View of the Foreign Exchange Market: Report on Interviews with West Coast Foreign Exchange Dealers," page 351 - middle of page 357, in Robert Baldwin and J. David Richardson (eds.), *International Trade and Finance* (Little, Brown, & Co., 1981). (This article is an example of what Hopper terms the “fundamental economic factors” theory of exchange rate determination, or what is more precisely termed the “efficient markets” or “neoclassical” view of exchange rate determination.) [C]

Gregory Hopper, “What Determines the Exchange Rate: Economic Factors or Market Sentiment,” *Business Review: Federal Reserve Bank of Philadelphia*, September-October 1997, pp. 17-29. [C]  
<http://www.philadelphiafed.org/files/br/brso97gh.pdf>

Christopher Neely, “Foreign Exchange Intervention in an Era of Restraint,” *Federal Reserve Bank of St. Louis Review*, September/October 2011, 93(5), pp. 303-24. Please **SKIM** this article and focus on the concrete examples of currency market intervention that are discussed. [C]

Bank for International Settlements, *Triennial Central Bank Survey*, Monetary and Economic Department, 27 October 2022, pp. 1-8 for summary data on foreign exchange market activity. [C]

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 Neil Wallace, “Why Markets in Foreign Exchange are Different from Other Markets,” *Federal Reserve Bank of Minneapolis Quarterly Review*, Fall 1979, 3(4), pp. 1-6. (Note: this article exemplifies the arguments made against floating exchange rates during the 1970s.) (OPTIONAL)

Gregory Hopper, “Is the Foreign Exchange Market Efficient?”, *Business Review, Federal Reserve Bank of Philadelphia*, 1994, p. 17-25. (OPTIONAL)

### **C. Exchange rate determination and dynamics: Non-neoclassical views** {class meeting on: Tuesday, Feb. 7}

*Here we look at insights into currency market dynamics that derive from non-neoclassical approaches. In chapter 12 of the General Theory, Keynes does not discuss exchange rates per se. (Rather, his examples concern stock prices.) But his landmark insights on the endogeneity of expectations, fundamental uncertainty, market psychology and market sociology, the inherent instability of financial markets and asset prices, and the macroeconomic problems that stem from financial volatility can be used to understand currency market dynamics. Skidelsky extends Keynes’ work and argues for its contemporary relevance. Adam Harmes focuses on the role of institutional investors (such as pension funds, mutual funds) in driving currency market instability. Pay particular attention to his discussion of institutional investors and overshooting. Oberlechner and Hocking is an interesting example of work in the behavioral economics tradition, a school of thought that often marries studies of markets with psychology, especially cognitive psychology (and sometimes neuroscience). Finally, the papers by Nelson and Sent & van Staveren are in the*

*feminist economics tradition. Taken together, these authors respond critically (though differently) to a common assumption in behavioral approaches to finance. The assumption is that men and women have different proclivities when it comes to risk taking, which influences the degree to which financial markets (including currency markets) are volatile. (See also additional feminist treatments of the behavioral approach by Nelson and van Staveren in the optional readings. If you get really interested in the behavioral approach, you may want to track down at Anderson the optional readings by Coates, Herbert, and Oberlechner et al.—see below.)*

*After you read these various perspectives, compare them to the neo-classical view of exchange rate determination and dynamics. See if you can answer the following questions from the perspective of each approach: Which perspective sheds more light on what you observe when you look at currency markets today (e.g., as concerns the value of the dollar, RMB, euro, ruble, or any other currency)? Are currency markets efficient? Are overshooting and volatility significant public policy problems? To what extent are currency markets driven by the rational decisions of wealth-maximizing investors, information about an economy's fundamental conditions, rumor, news, market sentiment, expectations, group dynamics, and institutional power? Would you expect currency markets dominated by female traders to be as volatile as markets are presently?*

Keynes, John Maynard, *The General Theory of Employment, Interest, and Money*. New York: Harcourt Brace and Company, 1936, chapter 12. [C]

Skidelsky, Robert, "The Relevance of Keynes," *Cambridge Journal of Economics*, 2011, 35, pp. 1-13.

(Note: pay particular attention to sections 1, 2, 5-6.) [C]

Oberlechner, Thomas and Sam Hocking, "Information Sources, News, and Rumors in Financial Markets: Insights into the Foreign Exchange Market," *Journal of Economic Psychology*, 25 (2004), pp. 407–424. [C]

Shiller, Robert, "Why Our Beliefs Don't Predict Much About the Economy," *New York Times*, October 12, 2018, p. B4. [C]

Esther-Mirjam Sent & Irene van Staveren, "A Feminist Review of Behavioral Economic Research on Gender Differences," *Feminist Economics*, 2019, 25:2, 1-35 [C]; **OR**, Nelson, Julie, "Not-So-Strong Evidence for Gender Differences in Risk Taking," *Feminist Economics*, 2015. [C]

Harmes, Adam, "Institutional Investors and Polanyi's Double Movement: A Model of Contemporary Currency Crises," *Review of International Political Economy*, Autumn 2001, 8(3), pp. 389-437. (Please focus only on the arguments that relate to the role of institutional investors in causing 'overshooting' in currency markets.) (OPTIONAL)

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*Additional research by feminist economists on the underlying assumptions and research methods used by many behavioral economists. See, e.g., the following papers:*

Irene van Staveren, "The Lehman Sisters hypothesis." *Cambridge Journal of Economics* (2014), 38, pp. 995-1014. (OPTIONAL-in Canvas)

Julie A. Nelson, "The Power of Stereotyping and Confirmation Bias to Overwhelm Accurate Assessment: The Case of Economics, Gender, and Risk Aversion," *Journal of Economic Methodology*, 21(3), pp. 211-231. (OPTIONAL-in Canvas)

*Additional examples of work in the Keynesian/post-Keynesian tradition (what Hopper terms the "market sentiment" approach):*

Harvey, John, "Currency Markets Participants' Mental Model and the Collapse of the US dollar: 2001-2008," *Journal of Economic Issues*, December 2009, XLIII(4), pp. 931-949. Harvey, John, "Psychological and Institutional Forces in the Determination of the Exchange Rate," *Journal of Economic Issues*, 2006, XL(1), pp. 153-170. (OPTIONAL)

*Additional examples of the work in the behavioral tradition:*

John Coates, *The Hour Between Dog and Wolf: Risk Taking, Gut Feelings and the Biology of Boom and Bust*, New York, Penguin Press, 2014. See especially p. 30, chs. 3-4, 6-7. (OPTIONAL)

Oberlechner, Thomas and Carol Osler, "Overconfidence in Currency Markets," August 2007, mimeo. (OPTIONAL)

Oberlechner, Thomas, Thomas Slunecko and Nicole Kronberger, "Surfing the Money Tides: Understanding the Foreign Exchange Market through Metaphors," *British Journal of Social Psychology* (2004), 43, pp. 133–156. (OPTIONAL-in Canvas)

Coates, J. M. and J. Herbert, "Endogenous Steroids and Financial Risk Taking on a London Trading Floor," *PNAS*, April 22, 2008, vol. 105, no. 16, pp. 6167–6172. (OPTIONAL-in Canvas)

*Other interesting papers:*

Lo, Andrew, *Adaptive Markets: Financial Evolution at the Speed of Light*, Princeton: NJ, Princeton University Press, 2017. Read chapters 1 & 4. (OPTIONAL-in Canvas)

James Crotty, "The Realism of Assumptions Does Matter: Why Keynes-Minsky Theory Must Replace Efficient Market Theory as the Guide to Financial Regulation Policy," PERI Working Paper No. 255, March 2011. (OPTIONAL)

#### **D. The relationship between exchange rates and trade performance** {Course meeting on: Tuesday, February 14}

*From the perspective of neo-classical theory, how does a country's exchange rate influence its trade performance? In what ways is this view reflected in decisions made by national policymakers and advice offered by institutions like the IMF? Is there evidence that you can draw upon to support the commonly-held understanding of the link between exchange rates and trade performance? What are the implications of the J curve effect for policy? Will the Eurozone and China each experience a J curve effect if their currencies continue to depreciate—and, if so, is this cause for concern? Is a fire sale effect something to be concerned about, say, in the case of the Brazilian real, or any of the other currencies that have been weakening of late? Could neo-classical economists have it wrong? What if (per Hossein-Zadeh) currency values do not drive trade performance, but rather trade and real sector performance influence currency values? What kind of guidance might policymakers derive from Hossein-Zadeh? If Hossein-Zadeh is correct, then why do policymakers continue to be so preoccupied with the value of their country's currency? During the global financial crisis of 2008 and the Covid-19 crisis there was a great deal of conflict among policymakers about the spillover effects of the expansionary monetary policies implemented in countries of the global north. Was this concern warranted? Central bankers in the global north are now introducing contractionary monetary policies. Is this helping countries to recover from the economic fallout of recent and ongoing crises (namely, the Covid-19 crisis, inflation, the war in Ukraine)? Are exports from countries in the global south and east benefiting from recent currency depreciations?*

Krugman & Obstfeld, chapter 16 (2003, 2005, 2009), chapter 17 in 2011, 2014, 2015/2018, 2021 editions.

Paul Krugman, "Exchange Rate Policy: The J-Curve, the Fire Sale, and the Hard Landing," pp. 382-387 in Philip King, editor, *International Economics and International Economic Policy* (McGraw-Hill, 1990). [C] (Note: this article is a classic. When you read it, please consider whether its predictions are relevant to today's circumstances. Are countries with depreciating currencies experiencing a J curve effect? Do any of these currencies seem to be heading for what Krugman calls a "fire sale" or a "hard landing"?)

IMF, "Exchange Rates and Trade Flows," *IMF World Economic Outlook*, October 2015, chapter 3, pp. 105-42. [C]; **OR**, IMF Webinar on "Dominant Currency Financing and the Great Lockdown," 7/20/2020. Speakers: IMF Chief Economist Gita Gopinath, Philip Lane from European Central Bank, Ana Fernanda Maiguashca from Colombia's Banco de la República, and Hyun Shin from the Bank for International Settlements—moderated by Soumaya Keynes of The Economist. Note: scroll to the bottom of this IMF blog post to be taken to the webinar. [C]

Esmail Hossein-Zadeh, "Rethinking the Trade-Currency Relationship," *Challenge*, July-August 1995, pp. 55-6. [C] (Note: consider whether the arguments advanced in the article explain the currency-trade or the trade-currency relationship in any particular country today.) [C]

Raghuram Rajan, "Currencies Aren't the Problem," *Foreign Affairs*, March/April 2011, 90(2), pp. 104-16.

[C]

\* Note: the issues discussed this week will also be taken up in Int'l Trade (INTS 4310).

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*The following three papers are classic examinations of the "J-curve" (and other negative) effects of currency depreciation on countries in the global south and global east.*

Krugman, Paul and Lance Taylor, "Contractionary effects of devaluation," *Journal of International Economics*, 1978, 8, pp. 445-56; Richard Cooper, "Currency devaluation in developing countries," *Princeton Essays in International Finance*, June 1971, No. 86, pp. 3-38; Diaz-Alejandro, Carlos, "A note on the impact of devaluation and the redistributive effect," *Journal of Political Economy*, Dec. 1963, vol. 71, pp. 577-80.  
 (OPTIONAL)

**EXAM 2 (REQUIRED)<sup>9</sup> DISTRIBUTED ON MONDAY, FEBRUARY 13 AT 3PM VIA CANVAS. THE EXAM CAN BE FOUND IN THE "ASSIGNMENTS" SECTION OF CANVAS AND SHOULD BE SUBMITTED THERE AS WELL. THE EXAM IS DUE ON SATURDAY, FEBRUARY 18 AT 11:59PM.**

### **III. Contemporary Debates in International Monetary Relations**

The class will have the option of selecting to focus the final three weeks of the course on any three of the eight issues listed below. We will discuss one issue from among topics A.-H. during each of the final three weeks (namely, Tuesday, February 21; Tuesday, February 28; Tuesday, March 7). All members of the class are expected to come to each session ready to discuss issues drawn from your discussion question response memos.

A required discussion question response memo will be due one hour before the start of each class meeting (that is, by 1pm) in Part III of the course (Tuesday, February 21; Tuesday, February 28; Tuesday, March 7). Each discussion question response memo will present brief responses (*based on the required readings*) to the discussion questions for that day's class meeting. Instructions and prompts for the discussion question response memos will be in Canvas in the "Quizzes" section and should be submitted there as well.

#### **A. The debate over the causes and consequences of the global financial crisis of 2008, monetary policy responses to the Covid-19 crisis, and lessons for future financial crises**

*What were the chief causes of the global financial crisis of 2008? How did central banks respond to the crisis of 2008? How do differing perspectives on the root causes of the crisis influence positions taken in debates over what might be done to prevent other financial crises? What were the chief consequences of the crisis of 2008 for financial regulation, income and wealth distribution, public health, the role of the US financial and regulatory system as a global role model, countries of the global south and east, the power of the financial community, and the operation of financial firms? What can we learn by examining the transmission effects of the crisis of 2008 for women and people of color? What is your assessment of the arguments around discriminatory and predatory lending? How did central banks respond to the Covid-19 crisis, and to what extent were these responses informed by the crisis of 2008? Is there anything in the economic, financial, and public health environment today that suggests that another global or regional financial crisis is possible or likely? And what indications do we have that the burdens of new financial crises will be borne most heavily by countries of the global south and east, women, and people of color?*

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<sup>9</sup> The exam is a required "take home" essay. Students will be required to write an essay of up to 2100 words (plus diagrams, as appropriate) in response to one question that I pose on the material covered in section II of the course. See the "grading" section of the syllabus (above) for information on exam weighting.

- Crotty, James, "Structural Causes of the Global Financial Crisis: A Critical Assessment of the 'New Financial Architecture,'" *Cambridge Journal of Economics*, 2009, 33, pp. 563-580. [C]
- Gabor, Daniela, "Why Shadow Banking is Bigger Than Ever," *Jacobin Magazine*, Nov. 27, 2018. [C]
- van Staveren, Irene, "The Lehman Sisters hypothesis," *Cambridge Journal of Economics* (2014), 38, pp. 995-1014. **OR**, Prugl, Elisabeth, "Lehman Brothers and Sisters" Revisiting Gender and Myth After the Financial Crisis, pp. 21-40, in *Scandalous Economics*, Aida Hozic and Jacqui True, Oxford: Oxford University Press, 2016 [C].
- Epstein, Gerald and Juan Montecino, *Overcharged: The High Cost of Finance*, Roosevelt Institute, July 2016. [C]
- Massey, Douglas, and Jacob Rugh. 2018. "The Great Recession and the Destruction of Minority Wealth." *Current History* 117 (802):298-303. [C]
- Masterson, Thomas, Ajit Zacharias, Fernando Rios-Avila & Edward N. Wolff (2019) The Great Recession and Racial Inequality: Evidence from Measures of Economic Well- Being, *Journal of Economic Issues*, 53:4, 1048-1069. [C]
- Coates, Ta-Nehisi, *We Were Eight Years in Power*, New York: One World, 2017, pp. 207-08. [C]
- Grabel, Ilene, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*, Cambridge: The MIT Press, 2017. Read chapters 1&6. [C]
- Tooze, Adam, "The Forgotten History of the Financial Crisis: What the World Should Have Learned in 2008," *Foreign Affairs*, Sept.-Oct. 2018. [C]
- Kerry Liu, 2021. "COVID-19 and the Chinese Economy: Impacts, Policy Responses and Implications," *International Review of Applied Economics*, 35:2, 308-330. [C] **OR**, Matheus R. Grasselli, 2022. "Monetary Policy Responses to Covid-19: A Comparison with the 2008 Crisis and Implications for the Future of Central Banking," *Review of Political Economy*, 34:3, 420-445. [C]
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- Grabel, Ilene. 2018. "The Upside of a Messier Global Financial Architecture." *Current History* 117 (802):321-4. (OPTIONAL-in Canvas)
- Jean-Louis Arcand, Enrico Berkes and Ugo Panizza, "Too Much Finance, IMF Working Paper No. 161, Research Department, 2012 (OPTIONAL-in Canvas)
- Stephen G Cecchetti and Enisse Kharroubi, *Reassessing the Impact of Finance on Growth*, BIS Working Paper No. 381, 2012 (OPTIONAL-in Canvas).
- Reeves, Aaron. 2018. "The Cost of Austerity Policies for Public Health." *Current History* 117 (802):310-14. (OPTIONAL-in Canvas)
- Taleb, Nassim Nicholas and Mark Blyth, "The Black Swan of Cairo: How Suppressing Volatility Makes the World Less Predictable and More Dangerous," *Foreign Affairs*, May/June 2011, pp. 33-39. (OPTIONAL-in Canvas)
- Reinhart, Carmen, and Vincent Reinhart. 2018. "What We Should Have Learned From 2008." *Foreign Affairs*. (OPTIONAL-in Canvas)
- Palma, José Gabriel, "The Revenge of the Market on the Rentiers," *Cambridge Journal of Economics*, 2009, 33, pp. 829-869. (OPTIONAL)
- Johnson, Simon, "The Quiet Coup," *Atlantic Monthly*, May 2009. (OPTIONAL-in Canvas)
- Daniela Gabor, "The (impossible) repo trinity: the political economy of repo markets, *Review of International Political Economy*, 2016, 23:6, 967-1000 (OPTIONAL-in Canvas)
- Ghosh, Jayati and C. P. Chandrasekhar, "The Costs of 'Coupling': The Global Crisis and the Indian Economy, *Cambridge Journal of Economics*, 2009, 33, pp. 725-739. (OPTIONAL)
- Hozic, Aida and Jacqui True, *Making Feminist Sense of the Global Financial Crisis*, pp. 3-21, in *Scandalous Economics*, Aida Hozic and Jacqui True, Oxford: Oxford University Press, 2016. (OPTIONAL-in Canvas)
- Floro, Maria et al. "The Impact of the Economic Crisis on Women's Empowerment," Swedish International Development Agency, Dec. 2009. (OPTIONAL)
- Reinhart, Carmen and Kenneth Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, Princeton: Princeton University Press, 2009, read Preamble and Chs. 13-14. (OPTIONAL)

- Wolf, Martin, *The Shifts and the Shocks-What We've Learned-and have Still To Learn-From the Financial Crisis*, New York: Penguin Press, 2014, chs. 1-5. (OPTIONAL)
- Schwartz, Herman, *Subprime Nation: American Power, Global Capital, and the Housing Bubble*, Ithaca and London: Cornell University Press, 2009. (OPTIONAL)
- Wade, Robert and Silla Sigurgeir, "Iceland's Meltdown: The Rise and Fall of International Banking in the North Atlantic," *Real-world Economics Review*, 2011, Issue No. 56, pp. 58-71. (OPTIONAL)

**B. Recent (and ongoing) crises, the emergence of "financial pluripolarity," and new (developmental) financial architectures**

*Are we observing the emergence of pluripolarity in the global financial system? If so, in what ways is pluripolarity manifesting? What are the implications of these changes for the US, the IMF, the World Bank? Do these changes matter in terms of power and governance in the global financial system? Are we moving toward a "post-American" global financial order? To what extent are new financial architectures in the global south and east emerging? Why might these new architectures matter from the perspective of global financial governance, financial stability and resilience, and the prospects of countries in the global south and east to achieve the sustainable development goals? What are the advantages and disadvantages of a global financial architecture in which the Bretton Woods institutions operate alongside institutions based in and controlled by countries of the global south and east? Do tensions around multilateralism in the US render emergent financial pluripolarity more or less important? Is the war in Ukraine likely to accelerate financial pluripolarity? Are Chinese-led institutions the principal drivers of changes in the global financial architecture? Is emergent financial pluripolarity beneficial for countries on the African continent?*

- Grabel, Ilene, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*, Cambridge: The MIT Press, 2017. Read chapter 6. [C]
- Grabel, Ilene, "Post-American Moments in Contemporary Global Financial Governance," Peter J. Katzenstein and Jonathan Kirshner (eds.), *The Downfall of the American Order?, Liberalism's End?* Ithaca: Cornell University Press, 2022, pp. 124-43. [C]
- Ocampo, José Antonio, *Resetting the International Monetary (Non)System*, Oxford: Oxford University Press, 2017. Read chapter 6. [C]
- Chin, Gregory and Kevin Gallagher, Coordinated Credit Spaces: The Globalization of Chinese Development Finance, 2019, *Development and Change*, 50(1), pp. 245-74. [C]
- Helleiner, Eric, "Multilateral Development Finance in Non-Western Thought: From Before Bretton Woods to Beyond," *Development and Change*, 2018, 50(1), pp. 144-63. [C]
- Prinsloo, Cyril, "AIIB Membership for African Countries: Drawcards and Drawbacks," *Global Policy*, Nov. 2019, 10(4), pp. 625-630. [C]
- Srinivas, P. S. and Bert Hofman, "New Development Bank's Role in the International Financial Architecture," *Global Policy*, July 25, 2022. [C]

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- Humphrey, Chris, "'Minilateral' Development Banks: What the Rise of Africa's Trade and Development Bank Says About Multilateral Governance," *Development and Change*, 2018, 50(1), pp. 164-90. (OPTIONAL-in Canvas)
- Armijo, Leslie and Saori Katada, "Theorizing the Financial Statecraft of Emerging Powers," *New Political Economy*, 2015, 20 (1):42-62. (OPTIONAL)
- Antoniades, Andreas, "The New Resilience of Emerging and Developing Countries: Systemic Interlocking, Currency Swaps and Geoeconomics," *Global Policy*, 8 (2): pp. 170-180, May 2017 (OPTIONAL).
- Chin, Gregory. 2016. "Asian Infrastructure Investment Bank: Governance, Innovation and Prospects." *Global Governance* 22 (1):11-25. (OPTIONAL)
- Grabel, Ilene, "The Upside of a Messier Global Financial Architecture," *Current History*, November 2018, 117(802), pp. 321-24. (OPTIONAL-in Canvas)

- Huotari, Mikko and Thilo Hanemann, "Emerging Powers and Change in the Global Financial Order," *Global Policy*, September 2014, 5(3), pp. 298-310. [Optional-in Canvas]
- Helleiner, Eric. 2016. "Legacies of the 2008 Crisis for Global Financial Governance." *Global Summitry* 2 (1):1-12. (Optional)
- Payne, Anthony, "How Many Gs are There in 'Global Governance' After the Crisis: The Perspective of the 'Marginal Majority' of the World's States," *International Affairs*, 2010, 86(3), pp. 729-740. (OPTIONAL)
- Grabel, Ilene, "Global Financial Governance and Development Finance in the Wake of the 2008 Financial Crisis," special issue on "Critical and Feminist Perspectives on Financial and Economic Crises," *Feminist Economics*, 19(3), 2013, pp. 32-54. (OPTIONAL)

**C. US monetary power, the dollar-led financial order, and the global implications of quantitative (monetary policy) tightening**

*Do recent and ongoing crises undermine or strengthen the US' monetary power (i.e., the global power of the US Federal Reserve, the role of the US dollar as an international reserve asset, and the ability of US policymakers to promote the country's financial model as a global ideal)? What happened to the idea of organizing the international currency system around a new international reserve asset (modeled on the IMF's Special Drawing Rights, SDRs)? Why has the dollar appreciated during and since the Covid-19 crisis and the start of the war in Ukraine? Are we witnessing the end of a dollar-led global financial order? Do sanctions against Russia create incentives to move away from a dollar-led order? Does a stronger US dollar benefit the US economy, other countries in the global north, countries in the global south and east? Why are central banks in many national contexts engaging in "quantitative (monetary policy) tightening," and what are the national and global ramifications of this policy change?*

- Jonathan Kirshner, *American Power After the Financial Crisis*, Ithaca: Cornell University Press, 2014. Read chs. 1, 6, 8. [C]
- Benney, Tabitha and Benjamin J. Cohen, "The International Currency System Revisited," *Review of Keynesian Economics*, 2022, 10(4), pp. 443-61. [C]
- Bibow, Jörg, "'King Dollar' Forever: Prospects for a New Bretton Woods," *Review of Keynesian Economics*, 2022, 10(4), pp. 559-79. [C]
- Subacchi, Paola, "Locking China Out of the Dollar System," *Project Syndicate*, October 21, 2019. [C]
- Prasad, Eswar, "Enduring Preeminence," *Finance & Development*, June 2022, pp. 12-15. [C]
- Wigglesworth, Robin et al., "Financial Warfare: Will There Be a Backlash Against the Dollar"?, *Financial Times*, April 7, 2022. [C]
- O'Neill, Jim, "Will Sanctioning Russia Upend the Monetary System," *Project Syndicate*, March 2, 2022. [C]
- Kavaljit Singh, "The Fed's Aggressive Monetary Policy Tightening: New Headwinds for Emerging Markets," *Madhyam Briefing Paper No. 50*, January 21, 2022. [C]
- United Nations Conference on Trade and Development (UNCTAD), *Trade and Development Report Update*, "Tapering in a Time of Conflict," March 2022. [C]
- Chowdhury, Anis and Jomo Kwame Sundaram, "April Fool's Inflation Medicine Threatens Progress," *Third World Economics*, No. 751, July 2022. [C]
- Russell, K., et al. "The Dollar Is Extremely Strong, Pushing Down the World," *New York Times*, July 16, 2022. [C]

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- Jonathan Kirshner, *American Power After the Financial Crisis*, Ithaca: Cornell University Press, 2014. Ch. 7. (OPTIONAL-in Canvas)
- Norrlof, Carla et al. Global Monetary Order and the Liberal Order Debate. *International Studies Perspectives*, (2020) 21, 109–153. (OPTIONAL-in Canvas)
- Helleiner, E., "The New Politics of Global Reserve Reform," *Journal of Globalization and Development*, 2010, pp. 1-12. <http://www.bepress.com/jgd,MS1113> (OPTIONAL-in Canvas)



Prasad, Eswar S. *The Dollar Trap*, Princeton and Oxford: Princeton University Press, 2014. (OPTIONAL)

Frankel, Jeffrey, "How a Weaponized Dollar Could Backfire," Project Syndicate, October 23, 2019.

(OPTIONAL-in Canvas)

El-Erian, Mohamed A., "Reading the Dollar Doldrums," Project Syndicate, August 11, 2020. (OPTIONAL-in Canvas)

Eichengreen, Barry, "Dollar Sensationalism," Project Syndicate, August 12, 2020. (OPTIONAL-in Canvas)

#### **D. The rise of capital controls and currency interventionism during and since the global financial crisis of 2008**

*Why did controls over international capital movements emerge as a legitimate policy tool during the global financial crisis of 2008 and the Covid-19 crisis? What factors explain the rise of capital controls, and what are the economic and political costs and benefits of this tool? To what extent did currency market interventions become normalized during recent crises, and with what effects on domestic economies and international relations? To what extent are we likely to see new capital controls in response to the flight of capital to US markets and increased global financial volatility stemming from Covid-era volatility, the war in Ukraine, inflation, currency depreciations in vulnerable countries?*

Keynes, John Maynard, "National Self Sufficiency," *Yale Review*, 1933, 22(4), pp. 755-69. [C]

Grabel, Ilene, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*, Cambridge: The MIT Press, 2017. Read chapter 7. [C]

Chwieroth, Jeffrey, "Managing and Transforming Policy Stigmas in International Finance: Emerging Markets and Controlling Capital Inflows After the Crisis," *Review of International Political Economy*, 2015, 22(1), 44-76. [C]

Silla Sigurgeirsdóttir and Robert H. Wade, "From Control by Capital to Control of Capital: Iceland's Boom and Bust, and the IMF's Unorthodox Rescue Package," *Review of International Political Economy*, 2015, 22(1), 103-33. [C]

Moschella, Manuela, "Currency Wars in the Advanced World: Resisting Appreciation At a Time of Change in Central Banking Monetary Consensus," *Review of International Political Economy*, 2015, 22(1), 134-61. [C]

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Skidelsky, Robert, "The Relevance of Keynes," *Cambridge Journal of Economics*, 2011, 35, pp. 1-13. (OPTIONAL)

Ostry, Jonathan, Atish Ghosh, Karl Habermeier, L. Laeven, M. Chamon, M. Qureshi, and A. Kokenyne, "Managing Capital Inflows: What Tools to Use?" IMF Staff Discussion Note, No. 6, April 5, 2011. (OPTIONAL)

*For more on the debate over capital controls and other measures to reduce financial volatility:*

Grabel, Ilene, "Trip Wires and Speed Bumps: Managing Financial Risks and Reducing the Potential for Financial Crises in Developing Economies," prepared for the XVIIIth Technical Group Meeting of the G-24 in Geneva, Switzerland, March 8-9, 2004. Published as G-24 Discussion Paper No. 33, November 2004, United Nations and Geneva. (OPTIONAL)

[http://www.unctad.org/en/docs/gdsmdpbpg2420049\\_en.pdf](http://www.unctad.org/en/docs/gdsmdpbpg2420049_en.pdf) ]

Epstein, Gerald, Ilene Grabel, Jomo KS, Capital Management Techniques In Developing Countries: An Assessment of Experiences from the 1990's and Lessons For the Future, paper prepared for the XVIth Technical Group Meeting (TGM) of the UN Group of Twenty-four, Port of Spain, Trinidad and Tobago, February 13-14, 2003. (OPTIONAL)  
<http://www.g24.org/un-egj04.pdf>

Crotty, James and Gerald Epstein, "In Defence of Capital Controls," In Leo Panitch (ed.), *Are There Alternatives? Socialist Register 1996*, London: Merlin Press, 1996, 118-49. (OPTIONAL)

Kirsten Forbes, "One Cost of the Chilean Capital Controls: Increased Financial Constraints for Smaller Traded Firms," *Journal of International Economics*, 2007, 71, pp. 294-323. (OPTIONAL)

Kristin Forbes, "Capital controls: Mud in the Wheels of Market Efficiency," National Bureau of Economic Research, Working Paper No. 10284, January 2004. (OPTIONAL)  
 Edwards, Sebastian, "How Effective are Capital Controls," *Journal of Economic Perspectives*, 1999, 13(4), pp. 65-84. (OPTIONAL)

**E. The International Monetary Fund (and the World Bank): governance, power, policy practice, and the possible futures of these institutions**

*How well did the IMF perform in the years leading up to the global financial crisis of 2008? How well did the IMF perform during the financial crisis of 2008 and how is it performing now? How does the IMF's own Independent Evaluation Office assess the Fund's performance during crises? Have the ideas of IMF staff and leadership changed during recent crises? Has the power, governance, and content of the IMF's policy advice changed in important ways during recent crises? If so, how do we know if the changes are real or simply rhetorical? To what extent are the IMF and World Bank likely to be left behind in a world in which new multilateral financial institutions (such as the Asian Infrastructure Investment Bank) come to play a more important role at the same time as the US may be retreating from its traditional role in the global financial architecture? Are there any signs of a change in direction at the World Bank or the IMF owing to the leadership of David Malpass and Kristalina Georgieva, respectively? Should climate change mitigation be part of the IMF and World Bank's role? To what extent are the World Bank and IMF responding effectively to the challenges associated with ongoing crises (such as Covid-19 crisis, the economic fallout of the war in Ukraine, climate change)? What deficiencies in the global financial architecture and safety net are revealed by these crises? Are the Bretton Woods institutions credible and capitalized sufficiently such that they can respond effectively to the next financial crisis (triggered, e.g., by financial volatility in Argentina, Ghana, Ecuador, Lebanon, Zambia, Turkey; policy changes inaugurated by a variety of neonationalist leaders; overlending by China; inflation; quantitative tightening in countries of the global north)? What role might the Bretton Woods institutions play in a more multilayered, complex global financial system?*

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#### **F. "Greening" the global financial system**

*What is "financialization" and the "Wall Street Consensus"? Can international private finance (from, e.g., Wall Street) and multilateral institutions (such as the IMF and World Bank) support green energy transformations? What other sources of finance would you propose and are they likely to be forthcoming? What is your assessment of the logic of and prospects for financing a "Global Green New Deal"?*

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## **G. The internationalization and role of the (Chinese) RMB and China’s role in the global financial architecture**

*Is the RMB becoming an international currency, and why does this matter (in terms of financial stability, monetary policy, international and intra-regional relations, and the role of the US dollar)? What factors make further internationalization of the RMB more likely? What factors inhibit further internationalization? What is the significance of the inclusion of the RMB in the IMF’s SDR (as of September 2016)? What is the geopolitical significance of China’s monetary diplomacy (including its bilateral currency swaps), its emergence as a major player in the provision of development finance, and its role in supporting or creating new financial institutions? What are the implications of China’s role in the global financial architecture for global financial stability and development? Is China filling a void in the global financial architecture left by an increasingly fractured US? Do the depreciation of the RMB during the Covid-19 crisis, the slowdown in economic growth in the country, and the relationship between China and Russia threaten the prospects of a more internationalized RMB?*

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## **H. Cryptocurrencies and central bank digital currencies (CBDCs): implications for monetary policy, financial stability, and financial regulation**

*What are cryptocurrencies and CBDCs? What are the chief challenges and opportunities associated with cryptocurrencies and CBDCs? What are the implications of cryptocurrencies and CBDCs for the conduct of monetary policy and the role of central banks; financial regulation and financial stability; national security/foreign policy; security of transactions and privacy; environmental integrity; cost savings to the private sector; and financial inclusion? What role have cryptocurrencies played in struggling states (such as Venezuela) and in the war in Ukraine? Do cryptocurrencies and CBDCs herald a future without what we traditionally think of as "money? Why are some governments cracking down on cryptocurrencies? Why did El Salvador adopt bitcoin as a national currency and how is that experiment going? The use of cash declined during the Covid-19 crisis. Does this development herald the end of money as we know it? Why are so many central banks studying and considering launching CBDCs? How have the few CBDCs issued to date performed?*

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