

International political economy of money and finance

Syllabus

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Description

The global economy has been transformed by a decades-long process of financialization. Any attempt to address the great societal challenges of our time has to grapple with the realities of the global monetary and financial order. Drawing on history, economics, sociology, and political science, this course offers an interdisciplinary introduction to the political economy of money and finance. Concentrating on the period since the 1970s, the course teaches an understanding of financialization as a process that unfolds over time. Through a balance sheet lens, the course focuses on the key actors within the global monetary and financial system—such as institutional capital pools—and their relationships with governments and the non-financial sector. It also covers the role of public financial actors such as central banks and the International Monetary Fund. Understanding, processing, and visualizing financial data are integral to the course.

Students will learn to

1. understand the global monetary and financial system as a set of interlocking, hierarchically organized balance sheets;
2. use R to obtain, process, and visualize financial data;
3. identify the distributional consequences of the existing order;
4. understand why policy space is reduced for many countries, and what governments can do to increase it;
5. how to think about alternative institutional arrangements.

Course outline

1. The financial world of yesterday

Financial globalization is not new. The first financial globalization reached its peak in the late 19th / early 20th century. It was both a driver and a byproduct of colonial expansion and imperialism, and established a core-periphery dynamic that persists today.

- Obstfeld, M., & Taylor, A. M. (2005). *Global capital markets: Integration, crisis, and growth*. Cambridge University Press. Pages 126-135.
- Hauner, T., Milanovic, B., & Naidu, S. (2017). *Inequality, foreign investment, and imperialism*. Working Paper.

2. Financial deglobalization

The post-war decades differ starkly from the periods of financial globalization that preceded and succeeded them. The international regime centred on the Bretton Woods system, which fixed exchange rates while seeking to impose strict controls on cross-border movements of capital.

- Frieden, J. (2019). The Political Economy of the Bretton Woods Agreements. In N. Lamoreaux & I. Shapiro (Eds.), *The Bretton Woods Agreements: Together with Scholarly Commentaries and Essential Historical Documents* (pp. 21–37). Yale University Press.

- Helleiner, E. (2014). *Forgotten foundations of Bretton Woods: International development and the making of the postwar order*. Cornell University Press. Pages 1-28.
- Ogle, V. (2020). ‘Funk Money’: The end of empires, the expansion of tax havens, and decolonization as an economic and financial event. *Past & Present*, 249(1), 213–249.

3. The return of financial globalization

The international monetary arrangement decided at Bretton Woods remained precarious and came under increasing pressure during the late 1960s. Its eventual demise was both a result and an accelerant of a rapid and dramatic financial liberalization. The causes of this shift have been hotly debated among IPE scholars.

- Abdelal, R. (2007). *Capital rules: The construction of global finance*. Harvard University Press. Pages 1-18.

- Kentikelenis, A. E., & Babb, S. (2019). The Making of Neoliberal Globalization: Norm Substitution and the Politics of Clandestine Institutional Change. *American Journal of Sociology*, 124(6), Pages 1728–1751.
- Murau, S., & van 't Klooster, J. (2022). Rethinking Monetary Sovereignty: The Global Credit Money System and the State. *Perspectives on Politics*.

4. How to read balance sheets and use financial accounts data

Students will learn the basics of double-entry bookkeeping – the key skill to understand and think in terms of balance sheets. Based on this, students will be introduced to national accounting and will learn how to navigate national financial accounts and extract time-series data.

- OECD. (2017). *Understanding Financial Accounts*. Pages 23-60.
- Braun, B., & Koddenbrock, K. (2022). The Three Phases of Financial Power: Leverage, Infrastructure, and Enforcement. In B. Braun & K. Koddenbrock, *Capital Claims: Power and Global Finance*. Routledge.

- IMF. Global Financial Stability Report (get latest edition [from here](#)).
- Explore national financial accounts via national central banks and national statistical agencies. See “[Data sources for IPE students](#)”.

5. Key actors: Institutional capital pools

The main movers of capital are institutional capital pools – pension funds, insurers, sovereign wealth funds, asset managers. Students will examine the business models and investment preferences of these various actors and learn how to marshal data to map their global footprint.

- Braun, B. & Buller, A. (2021). [Titans: Tracing the rise and the politics of asset manager capitalism](#). *Phenomenal World*.
- Christophers, B. (2023). *Our Lives in Their Portfolios: Why Asset Managers Own the World*. Verso Books. **Chapter 3**.

- Babić, M. (2023). The Rise of State Capital: Transforming Markets and International Politics. Agenda Publishing. **Chapter 3**.

- Fichtner, J., Heemskerk, E., & Petry, J. (2022). The new gatekeepers of financial claims: States, passive markets, and the growing power of index providers. In B. Braun & K. Koddenbrock (Eds.), *Capital Claims: Power and Global Finance* (pp. 69–87). Routledge.

6. Key assets: Sovereign debt

Sovereign debt is the base asset on which the global financial system is built. We will discuss the mechanisms through which sovereign borrower hierarchies are created and sustained, including prudential regulation of financial institutions, central bank collateral frameworks, and rating agencies.

- Hardie, I. (2012). *Financialization and Government Borrowing Capacity in Emerging Markets*. Palgrave Macmillan. Pages 1-25.
- Barta, Z. (2022). [Rating Sovereigns: Sovereign ratings in a financialized world](#). *Phenomenal World*.

- Bruneau, Q. (2023). In the club: How and why central bankers created a hierarchy of sovereign borrowers, c. 1988–2007. *Review of International Political Economy*, 30(1), 153-175.

7. Key currencies: The dollar and the renminbi

Countries in the periphery of the global financial system depend on core countries for access to hard currency, be it to pay for imports or to repay foreign debts. States in the core routinely use this dependency to project power, notably through lending and through financial sanctions. At the same time, commodity exporters and large emerging economies use their status as net-creditors to the rest of the world to project power.

- Schwartz, H. M. (2020). [The Dollar and Empire: How the US dollar shapes geopolitical power](#). *Phenomenal World*.
- McDowell, D. 2023. *Bucking the Buck: US Financial Sanctions and the International Backlash against the Dollar*. Oxford University Press. **Chapters 1 & 6**.

- Horn, S., Reinhart, C. M., & Trebesch, C. (2021). China's overseas lending. *Journal of International Economics*, 133, 1-32.
- Ali, M. 2022. [Regime Change?The evolution and weaponization of the world dollar](#). *Phenomenal World*.

- Setser, B. W. 2022. [The New Geopolitics of Global Finance](#). *Follow the Money*.

8. Key questions: *How* does capital move?

Countries in the periphery of the system often lack control over domestic financial conditions, which instead are determined by developments at the core. This session exposes students to the debate about the ‘global financial cycle’, the distinction between push and pull factors as drivers of cross-border capital movements, and the policy implications for developing and emerging market economies.

- Miranda-Agrippino, S., & Rey, H. (2020). U.S. Monetary Policy and the Global Financial Cycle. *The Review of Economic Studies*, 87(6), 2754–2776.
- Korinek, A., Loungani, P. & Ostry, J. D. (2022). [The IMF’s updated view on capital controls: Welcome fixes but major rethinking is still needed](#). Brookings.

- IMF (2012). [The liberalization and management of capital flows: An institutional view](#).
- IMF (2022). [Review of ‘The institutional view on the liberalization and management of capital flows’](#).

9. Policy space in emerging market economies

The global monetary and financial system imposes limits on the policy space available to national governments. In this session, students will be introduced to recent examples of countries seeking to develop policies that increase their policy space, without provoking capital flight and balance-of-payment difficulties.

- Mosley, L. (2000). Room to Move: International Financial Markets and National Welfare States. *International Organization*, 54(4), 737–773.
- Naqvi, N. (2021). Renationalizing finance for development: Policy space and public economic control in Bolivia. *Review of International Political Economy*, 28(3), 447-478.

- Ban, C., & Bohle, D. (2021). Definancialization, financial repression and policy continuity in East-Central Europe. *Review of International Political Economy*, 28(4), 874-897.

10. Imbalanced national growth models

Even the largest economies operate within constraints imposed by the global monetary and financial system. In this session, students will learn about how China and Germany – among the world’s leading exporters – navigate these constraints.

- Klein, M. C., & Pettis, M. (2020). *Trade Wars Are Class Wars*. Yale University Press. **Pages 101-130.**
- Baccaro, L., & Höpner, M. (2022). „The Political-Economic Foundations of Export-Led Growth: An Analysis of the German Case “. In L. Baccaro & J. Pontusson (Eds.), *Diminishing Returns: The New Politics of Growth and Stagnation* (pp. 238–267). Oxford University Press.

- Hünnekes, F., Konradt, M., Schularick, M., Trebesch, C., & Wingenbach, J. (Eds.). (2023). *Exportweltmeister: Germany’s foreign investment returns in international comparison*. Graduate Institute of International and Development Studies Working Paper no. 03/2023. Geneva.

11. Global finance and the green transition

How do states seek to steer capital flows through de-risking partnerships with private financial actors, and what might be the consequences for the balance of power between public and private actors? Large parts of the existing capital stock will either be phased out and financial assets will be devalued – who holds these future stranded assets?

- Semieniuk, G., Holden, P. B., Mercure, J.-F., Salas, P., Pollitt, H., Jobson, K., Vercoulen, P., Chewpreecha, U., Edwards, N. R., & Viñuales, J. E. (2022). Stranded fossil-fuel assets translate to major losses for investors in advanced economies. *Nature Climate Change*, *12*, 532–538.
- Gabor, D. (2022). [The Wall Street Consensus at COP27: The roll-out of derisking at COP27](#). *Phenomenal World*.
- Arun, A. (2023). [The Investment Climate: The limits of institutional investors and private financing](#). *Phenomenal World*.

- Gabor, D. (2021). The Wall Street Consensus. *Development and Change*, *52*(3), 429–459.
- Christophers, B. (2022). Fossilised Capital: Price and Profit in the Energy Transition. *New Political Economy*, *27*(1), 146–159.

12. Ideas for a new global monetary order

We have learned that what you can do depends on where you stand in global monetary and financial hierarchy. This final session is dedicated to the discussion of alternative institutional arrangements. What would a global monetary and financial system look like that is geared towards justice and sustainability? What institutions would be needed to support those goals? Who is most likely to oppose those institutions, and what would it take to overcome their opposition?

- Cordelli, C., & Levy, J. (2022). The Ethics of Global Capital Mobility. *American Political Science Review*, 116(2), 439–452.
- Gallagher, K. P., & Kozul-Wright, R. (2021). *The Case for a New Bretton Woods*. John Wiley & Sons. Chapter 3.