

GLOBALIZATION OF FINANCE  
Prof. Arie Krampf

Program	Leaders at Work
Course title	<b>Globalization of Finance</b>
Number of ESTC	4
Language of Teaching	English
Year and semester	2022-2023 Fall semester
Lecturer name	Prof. Arie Krampf
Lecturer contact number	
Lecturer email	<a href="mailto:a.krampf@mta.ac.il">a.krampf@mta.ac.il</a>
Office hours	After session, by appointment

Course description	<p>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.</p> <p>There are several perspectives from which one can study the globalization of finance: a</p>
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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

	<p>barriers to international monetary and financial cooperation. Included in this category is global financial governance.</p> <p>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.</p> <p>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.</p>
<p>Learning Outcomes</p>	<p>By the end of the seminar students are expected to be able to:</p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Interpret quantitative data regarding the components of the balance of payments (the current</li> </ul>

	<p>account and the capital account).</p> <ul style="list-style-type: none"> <li>▪ Discuss the policy decisions of central banks and other financial technocrats.</li> </ul>
Teaching Methods	Learning is based on frontal lectures, in-class discussion, and home assignments.
Assignments and Requirements	<p><b>Class patriation.</b></p> <p><b>Reading memos:</b> Each reading consists of up to 4400-500 words. Each reading memo will include: (1) Context of the article; (2) Summary of on one of main argument in the article; (3) Demonstration of the argument (example); (4) Student opinion.</p> <p><b>Final assignment:</b></p> <ol style="list-style-type: none"> <li>1. Final papers can be submitted in teams of 2-3 students. Students can also make the research together but sumit different papers on the same topic.</li> <li>2. Papers will be written in English or Hebrew.</li> <li>3. Each paper will consist of 2000 to 2500 words. (around 5 pages).</li> <li>4. Paper will be based on 3 to 5 reading items and 2 additional sources not appeared in the syllabus. (news items, movies, TV series, books etc.).</li> <li>5. Each paper must discuss a topic, which is related to the course. The topic will be presented in the first paragraph of the paper. Preferably, the topic will be presented as question, not necessarily a „research question“. The question should be related to something „you“ wish to know, or something you assume most people don't know.</li> <li>6. It is recommended to prepare a list of keywords we used in the course that you would use in your papers. The list will be prepared jointly on the course webpage.</li> <li>7. Papers must includes „introduction“ and „conclusion“ and a clear outline.</li> <li>8. Paper will be graded according to the following criteria: 1) clarity, structure and style; 2) capacity of the student to discuss</li> </ol>

	conflicting views (if relevant); 3) originality; 4) relevance to the topic of the course.			
Grade composition	<ul style="list-style-type: none"> <li>• Attendance and participation in class discussion and assignments: 20 percent.</li> <li>• Two reading memos (400 words each): 15x2=30 percent</li> <li>• Final project (can be written in teams of 2-3 students): 50 percent</li> </ul>			
Work Parameters (Per week-13 weeks)	Contact hours in lecture form	Assignments (hours)	Reading (hours)	Self-Study (hours)
	2	3	2	1
Attendance	Due to the nature of the course, attendance is very important. Class attendance will be checked by the instructor at the beginning of every class. Students must attend 80% of the sessions. `			

## COURSE STRUCTURE

<b>Introduction</b>	
	Lecture 1: International Financial and Monetary System
	Lecture 2: A Brief History of the International Monetary and Financial System
<b>TOPIC 1: THEORIES</b>	
	Lecture 3: Theories of Money
	Lecture 4: IPE theories and Financial Globalization
<i>Submission reading memo 1</i>	
<b>Topic 2: THE DOMESTIC/INTERNATIONAL NEXUS</b>	
	Lecture 5: The Domestic/International Nexus: The Balance of Payments
	Lecture 6: Financialization and Growth Models
<b>TOPIC 3: CENTRAL BANKING AND GOVERNING FINANCE</b>	
	Lecture 7: Instability and Crises
	Lecture 8: Central Banks and Monetary Policy
	Lecture 9: The Politics of Central Banking
	Lecture 10: International Financial Cooperation & Coordination

<i>Submission reading memo 2 + project proposal</i>	
<b>TOPIC 4: MONETARY AND FINANCIAL POWER</b>	
	Lecture 11: Financial Hierarchies in a Globalized Economy
	Lecture 12: The US Hegemony and its Decline

**Relevant Movies:**

The Big Short (2015)  
 Too Big to Fail (2011)  
 Margin Call (2011)  
 Inside Job (2010)  
 Debtocracy (2011)  
 Money for Nothing (2013)

**READING**

**INTRODUCTION**

**Lecture 1: Introduction: International Financial and Monetary System**

Abdelal, Rawi. *Capital Rules: The Construction of Global Finance*. Harvard University Press, 2007. Ch. 1: Orthodoxy and Heresy.

**Optional:**

Block, Fred L. *The Origins of International Economic Disorder: A Study of United States International Monetary Policy from World War II to the Present*. Berkeley, California: University of California Press, 1977. Ch. 1: Introduction.

Frieden, Jeffrey A. 2014. *Currency Politics: The Political Economy of Exchange Rate Policy*. Princeton University Press. Ch. 1: “Introduction: The Political Economy of Currency Choice”.

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

Frieden, Jeffrey A. *Global Capitalism: Its Fall and Rise in the Twentieth Century*. Reprint. W. W. Norton & Company, 2007. Ch. 12. Ch. 15: Ch. 16 and 20.

**TOPIC 1: Theories**

**Lecture 3: Theories of Money**

Lagos, Ricardo. 2006. “Inside and Outside Money.” Federal Reserve Bank of Minneapolis Research Department Staff Report 374, 8.

**Optional:**

Mehrling, Perry. "The Inherent Hierarchy of Money." In *Social Fairness and Economics*. Routledge, 2012.

Wray, L Randall. 2010. "Alternative Approaches to Money." *Theoretical Inquiries in Law* 11 (1).

#### **Lecture 4: IPE Theories and Financial Globalization**

Braun, Benjamin, Arie Krampf, and Steffen Murau. "Financial Globalization as Positive Integration: Monetary Technocrats and the Eurodollar Market in the 1970s." *Review of International Political Economy* 0, no. 0 (March 22, 2020): 1–26.

#### **Optional:**

Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. Ithaca, NY: Cornell University Press, 1994. Ch. 1: "Introduction"

Newman, Abraham L. 2017. "Sequencing, Layering, and Feedbacks in Global Regulation." In *International Politics and Institutions in Time*, edited by Orfeo Fioretos, 76–116.

Helleiner, Eric. 2017. "Incremental Origins of Bretton Woods." In *International Politics and Institutions in Time*, edited by Orfeo Fioretos.

#### **Topic 2: the domestic/international nexus**

#### **The Domestic/International Nexus: The Balance of Payments**

Polanyi, *The Great Transformation*. Ch. 16. Market and Productive Organization; ch. 17. Self-Regulation Impaired; Ch. 19: Popular Government and Market Economy

#### **Optional:**

Walter, Andrew. 2006. "Domestic Sources of International Monetary Leadership." In *International Monetary Power*, edited by David M. Andrews, 51–71. Ithaca, N.Y.: Cornell University Press.

Broz, J. Lawrence. "The Domestic Politics of International Monetary Order: The Gold Standard." In *International Political Economy: Perspectives on Global Power and Wealth*, edited by Jeffrey A. Frieden and David A. Lake. Routledge, 2000.

Obstfeld, Maurice, Jay C. Shambaugh, and Alan M. Taylor. 2004. "The Trilemma in History: Tradeoffs among Exchange Rates, Monetary Policies, and Capital Mobility." Working Paper 10396. National Bureau of Economic Research. ([Links to an external site.](#))

### **Topic 3: Central Banking and Governing Finance**

#### **Lecture 7: Instability and Crises**

Kregel, Jan. 2012. “Hyman P. Minsky.” In *Handbook of Critical Issues in Finance*, edited by Jan Toporowski and Jo Michell. Edward Elgar Publishing Limited.

#### **Optional:**

Kindleberger, Charles P. *Manias, Panics and Crashes: A History of Financial Crisis*. Wiley, 1996. Ch. 1 “Financial Crisis: A Hardy Perennial” and Ch. 2: “Anatomy of a Typical Crisis” and Ch. 12: The Domestic Lender of Last Resort.

Wolfson, Martin H. 2012. “Financial Crises.” In *Handbook of Critical Issues in Finance*, edited by Jan Toporowski and Jo Michell. Edward Elgar Publishing Limited.

Kirshner, Jonathan. 2014. “Ch. 4: Seeds of Discord: The Asian Financial Crisis.” In *American Power After the Financial Crisis*, 59–81. Cornell University Press.

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

Eichengreen, Barry, and et al. 2011. “Rethinking Central Banking.” The Committee on International Economic Policy and Reform. Washington, D.C.: The Brookings Institution.

#### **Optional:**

Goodhart, Charles. A.E, Forrest Capie, and Norbert Schnadt. 1994. “The Development of Central Banking.” In *The Future of Central Banking*, edited by Forrest Capie, Stanley Fischer, Charles Goodhart, and Norbert Schnadt, 1–112. Cambridge: Cambridge University Press.

Lavoie, Marc. 2004. “The New Consensus on Monetary Policy Seen from a Post-Keynesian Perspective.” In *Central Banking in the Modern World: Alternative Perspectives*, edited by Marc Lavoie and Mario Seccareccia, 15–34. Edward Elgar Publishing.

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

Adolph, Christopher. 2018. “The Missing Politics of Central Banks.” *PS: Political Science & Politics* 51 (4): 737–42.

#### **Optional:**

Dow, Sheila. 2017. “Central Banking in the Twenty-First Century.” *Cambridge Journal of Economics* 41 (6): 1539–57.

Borio, Claudio. 2014. CENTRAL BANKING POST-CRISIS: WHAT COMPASS FOR UNCHARTED WATERS?. in Charles Goodhart, , Daniela Gabor, Jakob Vestergaard, and Ismail Ertürk, (eds) *Central Banking at a Crossroads: Europe and Beyond*. Anthem Press.



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

Andrews, David M. "Monetary Policy Coordination and Hierarchy." In *International Monetary Power*, edited by David M. Andrews, 91–116. Ithaca, N.Y.: Cornell University Press, 2006.

#### **Optional:**

Frieden, Jeffrey. 2016. "The Governance of International Finance." *Annual Review of Political Science* 19 (1): 33–48.

Henning, C. Randall. 2015. "The Global Liquidity Safety Net: Institutional Cooperation on Precautionary Facilities and Central Bank Swaps." Centre for International Governance Innovation, March.

### **Topic 4: Monetary and Financial Power**

#### **Lecture 11: Financial Hierarchies in a Globalized Economy**

Cohen, Benjamin J. "The Macrofoundations of Monetary Power." In *International Monetary Power*, edited by David M. Andrews. Ithaca, N.Y.: Cornell University Press, 2006.

#### **Optional:**

Andrews, David M. "Monetary Power and Monetary Statecraft." In *International Monetary Power*, edited by David M. Andrews. Ithaca, N.Y.: Cornell University Press, 2006.

Krampf, Arie. 2019. "Monetary Power Reconsidered: The Struggle between the Bundesbank and the Fed over Monetary Leadership." *International Studies Quarterly*.

Walter, Andrew. "Domestic Sources of International Monetary Leadership." In *International Monetary Power*, edited by David M. Andrews, 51–71. Ithaca, N.Y.: Cornell University Press, 2006.

Kirshner, Jonathan. 2006. "Currency and Coercion in the Twenty-First Century." In *International Monetary Power*, edited by David M. Andrews. Ithaca, N.Y.: Cornell University Press.

#### **Lecture 12: The US Hegemony and its Decline**

Aliber, Robert. 2020. "Why Did the United States Evolve from the Largest International Creditor in 1980 to the Largest International Debtor in 1990?" *Atlantic Economic Journal* 48 (4): 405–11.

#### **Optional:**

Hardie, Iain, and Sylvia Maxfield. "Atlas Constrained: The US External Balance Sheet and International Monetary Power." *Review of International Political Economy* 23, no. 4 (July 3, 2016): 583–613.

Kirshner, Jonathan. *American Power After the Financial Crisis*. Cornell University Press, 2014. Ch. 1 and Ch. 5.