

**ITRN 602: GLOBAL FINANCIAL CRISES AND INSTITUTIONS**  
**FALL 2018**  
**SCHAR SCHOOL OF POLICY AND GOVERNMENT**  
**GEORGE MASON UNIVERSITY**  
[HTTP://WWW.SLAVISLAVOV.COM/ITRN602](http://www.slavislavov.com/ITRN602)



**Instructor:** Slavi T. Slavov  
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**Office hours:** By appointment

**Prerequisite:**  
ITRN 503

**Class meetings:**  
We will meet Thursdays at 7:20-10:00 pm in Founders Hall 468.

**Required books:**  
Blustein, Paul. The Chastening: Inside the Crisis that Rocked the Global Financial System and Humbled the IMF. PublicAffairs, 2003.

Bayoumi, Tamim. Unfinished Business: The Unexplored Causes of the Financial Crisis and the Lessons Yet to be Learned. Yale University Press, 2017.

**Recommended books:**  
Krugman, Paul, Maurice Obstfeld, and Marc Melitz. International Economics: Theory and Policy. 11<sup>th</sup> edition. Pearson, 2018. (*We will only cover Chapters 19-22.*)

Reinert, Kenneth A. An Introduction to International Economics: New Perspectives on the World Economy. 2<sup>nd</sup> edition. Cambridge University Press, 2011. (*We will only cover Chapters 17-19.*)

**What is this course about?**

This course will provide a historical overview of the international monetary system and its main supporting institutions. We will discuss financial globalization and its benefits and costs, with a particular focus on capital flows into (and out of) emerging markets. We will zoom in on the incompleteness, imperfections, failures, and crises which plague international financial markets. We will learn more about the International Monetary Fund and its role in macroeconomic adjustment and crisis management. We will study the 1997 Asian Financial Crisis and its impact on the debates about exchange rate regimes, international capital mobility, and reforming the global financial architecture. We will cover monetary unions and the history of the single European currency. We will explore the

causes of the 2007-2009 Global Financial Crisis and the subsequent (and closely related) Euro Area Crisis, including banking (de)regulation, the shadow banking system, the flaws in the Euro Area's design, and the intellectual blind spots of the economics profession.

The course will be divided into two parts. In the first part, roughly September and October, we will cover 4 chapters from the Krugman, Obstfeld, and Melitz textbook and 3 chapters from Ken Reinert's textbook. The class will be primarily lecture-based. We will also read Paul Blustein's book on the spate of emerging market crises in 1997-99 because the book is fun ("a riveting thriller about the IMF") and provides useful background to the course.

In the second part, approximately during the month of November, we will read and discuss Tamim Bayoumi's new book about the 2007-2009 Global Financial Crisis and the subsequent Euro Area Crisis. Students will take the center stage and will take turns presenting book chapters and leading the discussion, in groups of 2 or 3.

**Learning outcomes:**

At the end of the semester, students will know more about:

- the international monetary system and its history;
- the modern financial sector: how it operates, how it is regulated, and its role in facilitating risk sharing but also in fueling crises; and
- the role of multilateral institutions in enabling capital flows, facilitating macroeconomic adjustment, and managing crises.

<b><u>Grading:</u></b>	Writing assignments (best 8 out of 11)	10%
	Presentation	20%
	Midterm	20%
	Final	40%
	Class attendance and participation	10%

**So far, so good, but always make sure you read the small print:**

The writing assignments will be based on the assigned chapters from Paul Blustein's and Tamim Bayoumi's books (see the end of this syllabus for the calendar of reading assignments). Assignments should be typed, 1-2 pages long, and will be due in class only. I will not accept them before or after class, or over e-mail. In your writing assignment, you should suggest topics for classroom discussion. Do you have any disagreements with the author? Anything that puzzles you? Any limitations, omissions, or loose ends? Any questions you would like to bring up in class – and perhaps possible answers to these questions?

You can skip 3 writing assignments without penalty. Use these freebies wisely – save them for illness, travel, crunch periods in other classes or in your job, religious observances, or any other unanticipated emergency (academic, personal, or professional).

Together with a couple of classmates, you will present one chapter from Tamim Bayoumi's book and lead the discussion during the second segment of the class. More detailed guidelines on the structure of the presentations will be provided later.

The midterm will take place on October 18 during regular class time. There will be no alternate midterm dates. The final exam will be on Thursday, December 13, 7:30-10:15 pm. The final exam will be cumulative. Both tests will be closed-book, closed-notes.

I will drop your midterm score if you do better on the final exam. Under this scenario, the final will count for 60 percent of your course grade. You are allowed to skip the midterm. If you do, I will transfer its weight to the final, which will then count for 60 percent of your grade. I strongly recommend against taking this strategy – it is risky and courts academic disaster. I urge you to take the midterm – it will never hurt your grade and can only help.

This is a discussion-based class, so class attendance is mandatory. I expect you to come to class on time. I also expect you to demonstrate your command of the assigned readings, and to contribute questions as well as answers and ideas to the discussion. Your attendance and participation record will be reflected in your final grade.

Take a careful look at all requirements and dates listed above. If you cannot reconcile them with your other commitments, you should drop this class.

As all other Schar School faculty, I have zero tolerance for academic dishonesty and will strictly enforce Mason's honor code.

If you are a student with a disability and need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through the DRC.

**Communication:**

The course web page is at:

<http://www.slavislavov.com/itrn602>

**Schedule of class meetings:**

August 30

Chapter 19 in Krugman, Obstfeld, and Melitz

Chapter 17 in Reinert

September 6

Chapter 19 in Krugman, Obstfeld, and Melitz

Chapter 17 in Reinert

Chapters 1-2 in Blustein

September 13

Chapter 20 in Krugman, Obstfeld, and Melitz  
Chapter 18 in Reinert  
Chapters 3-4 in Blustein

September 20

Chapter 20 in Krugman, Obstfeld, and Melitz  
Chapter 18 in Reinert  
Chapters 5-6 in Blustein

September 27

Chapter 21 in Krugman, Obstfeld, and Melitz  
Chapter 19 in Reinert  
Chapters 7-8 in Blustein

October 4

Chapter 21 in Krugman, Obstfeld, and Melitz  
Chapter 19 in Reinert  
Chapter 9 in Blustein

October 11

Chapter 22 in Krugman, Obstfeld, and Melitz  
Chapter 18 in Reinert  
Chapters 10-11 in Blustein

October 18

Midterm

October 25

Chapter 22 in Krugman, Obstfeld, and Melitz  
Chapter 18 in Reinert  
Chapters 12-13 in Blustein

November 1

Introduction and Chapters 1-2 in Bayoumi

November 8

Chapters 3-4 in Bayoumi

November 15

No class

November 22

Thanksgiving recess – no class

November 29

Chapters 5-6 in Bayoumi

December 6

Chapters 7-9 and “Final Thoughts” in Bayoumi