

Political Science 101: Governing Global Finance

Northwestern University
Spring 2015
Tuesday and Thursday 9:30-10:50AM
University Library 3722

Prof. Stephen Nelson

Office: Scott Hall 238

Office hours: Tues. 3:30-4:30PM & Weds. 4-5PM

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Brief Course Overview

The governance of globalized (and increasingly crisis-prone) financial markets has become a consuming issue for policymakers in the wake of the financial crises of the past half-decade. In this first-year seminar we will explore the politics of globalized financial markets. Topics covered include: theoretical perspectives on financial market regulation; the historical evolution of the international architecture of financial market governance; the shifting locus of authority in global financial market governance; the crisis of 2008 in the American financial system; the Eurozone's sovereign debt crisis; and the costs and benefits of the emergence of globalized markets for financial assets.

Goals of the Course

By the end of this course students will:

- Become familiar with some of the key economic ideas, institutions, structures, trends, and turning points in the governance of globalized financial markets
- Work with different theoretical perspectives on finance and market regulation
- Delve into the details of the 2008 crisis in the American financial system and the ongoing sovereign debt crisis in the Eurozone countries
- Improve their abilities to use analytical frameworks and empirical evidence when talking and writing about important debates in this issue area
- Sharpen their writing skills

Course Requirements and Grading

The weighting of the course requirements is as follows:

- Research paper: 40%
- Analytical essay: 25%
- Course participation: 25%
- Peer feedback exercise: 5%
- "Resident expert" in one seminar meeting: 5%

The largest share of your final course grade (40%) is a research paper. You will start to develop the idea for the research paper in the first weeks of the quarter; in the process of completing the

paper, each of you will submit updates on your progress and meet with me individually. I'll circulate more details on the research paper requirement during the quarter. Be aware, however, that the final version of your research paper must be submitted to me by **5pm on Monday, June 8**.

A second component (25%) of your course grade is an analytical essay on a topic drawn from the course readings. In this assignment you will choose from a set of essay questions (details will be distributed as the date of the assignment approaches).

You must turn in printed copies of your papers. I will count your paper as received only when I have a hard copy in hand. Essays received after the deadline expires will be considered late and penalized one half-grade step (a B+ becomes a B). Additional half-grade reductions accrue for each 12-hour period after the announced deadline (e.g., a paper that is turned in a full 24 hours after the deadline expires will be marked down by a full grade, from an A to a B, for example).

Course participation accounts for a significant proportion (25%) of the final grade. Your performance on this component will be based on (1) the writing activities that are periodically assigned during the quarter and (2) your contributions to the discussions of the course readings during our seminar meetings. Securing a good participation grade means regular attendance, closely reading the assigned material, and actively contributing to the conversation.

This course is designed to spur discussions about the topics at hand (encompassing the topic-specific content and the techniques and practices followed by good writers in the social sciences). It is not a lecture course (if you want that kind of instruction from me, look at the descriptions for my POL 341 and POL 348 courses), so your success will hinge on your willingness and ability to participate in the conversations.

All students are required to serve as a "resident expert" (5%) in one course meeting. During the meeting in which you have been assigned the role of resident expert, you will be stepping into the shoes of the author of one of the readings assigned for that session; you will be responsible for (briefly) presenting the main arguments and evidence in the reading and will be expected to be well prepared to respond to questions about the readings that are raised by me or the other members of the group.

The final component of the course grade (5%) involves serving as a reader and commentator on sections of the written work prepared by your colleagues in POL 101: Governing Global Finance. Details on the peer feedback assignment will be circulated in the first weeks of the quarter.

Required Books (for purchase)

There are two books that you should purchase for the course:

- Simon Johnson and James Kwak, *13 Bankers: The Wall Street Takeover and the Next Financial Meltdown* (Vintage, 2011).
- Martin Wolf, *The Shifts and the Shocks: What We've Learned – and Have Still to Learn – from the Financial Crisis* (New York: Penguin Press, 2014).

The books can be purchased in the Norris bookstore, and there are copies available from online book vendors. I will also place a library copy of each book on 1-day reserve in the main library (second floor).

I will use some of the lessons delivered in Deirdre McCloskey's short, brilliant *Economical Writing* (Waveland Press, 2000) in this course. I have not assigned McCloskey's book as a required reading but I highly recommend grabbing a copy; her advice will serve you well in any writing-intensive social science coursework here at Northwestern (and I suspect it will continue to be useful after your time at Northwestern ends).

Electronic Reserves

Aside from the two books, all of the required course readings have been forwarded to the library to be placed on electronic reserves. Links – either directly to a PDF of the scanned article/chapter or to the e-journal that contains the reading – will be posted on the course website.

Respect and Discussion Rules

Every participant brings a different perspective to the classroom. Part of my job is to make sure that one viewpoint is not privileged over others. Dialogue in my course is expected to always be respectful. We all reserve the right to respectfully disagree with one another; we do not have the right to intimidate anyone. I will enforce all university policies concerning racial, ethnic, gender, sexual preference, or religious discrimination and harassment.

Academic Integrity

Plagiarism is a serious offense at Northwestern. If I suspect that you have knowingly misrepresented someone else's work as your own, I will report the violation of academic integrity; if the evidence indicates that the student committed an act that violated standards of academic integrity, this constitutes grounds for suspension or even dismissal from the university.

Northwestern's official policy regarding academic integrity is found at:

<http://www.northwestern.edu/provost/students/integrity/>

We will devote some time during the seminar to discussing academic integrity issues and the appropriate (and inappropriate) ways in which others' ideas can be integrated into your own writing.

Accessibility Services

Students that require any special academic accommodations must provide a letter prepared by AccessibleNU detailing the arrangements to me ***no later than the end of the second week of classes***. Please contact AccessibleNU (accessibleNU@northwestern.edu or 847-467-5530) for more information about services offered by Northwestern.

Medical illnesses and other emergencies

Regular attendance is crucial to your success in this course. If you have to miss class due to illness or family emergency, make sure to contact me as soon as you can. I require documentation for illness- and family emergency-related absences.

Reading and Assignment Schedule

Topic 1: introduction to the course; theorizing financial market instability and the enduring debate on the need for market regulation (April 2-14)

Part I: banking regulation in historical perspective (April 2)

Reading

- Simon Johnson and James Kwak, *13 Bankers*, chapter 1 (“Thomas Jefferson and the Financial Aristocracy”): pp. 14-38.

Part II: are financial markets rational? How much regulation is too much? (April 7-14)

Reading

- Robert Skidelsky, *Keynes: Return of the Master* (2009): pp. 55-74, 101-116.
- John Maynard Keynes, “The General Theory of Employment,” *Quarterly Journal of Economics* 51 (1937): pp. 209-23.
- Milton Friedman, *Capitalism and Freedom* (1962): pp. 37-39, 51-55, 67-69, 196-202.
- Charles Kindleberger, “Manias, Panics, and Rationality,” *Eastern Economic Journal* 4 (April 1978): pp. 103-12.
- Martin Wolf, *The Shifts and the Shocks*, chapter 6 (“Orthodoxy Overthrown”): pp. 193-222.

April 16 seminar meeting devoted to discussion of argument and evidence in research papers

Topic 2: globalizing financial markets and the run up to the crisis of 2008 (April 21-23)

Readings

- Martin Wolf, *The Shifts and the Shocks*, chapter 4 (“How Finance Became Fragile”): pp. 117-148.
- Thomas Friedman, *The Lexus and the Olive Tree* (1999): pp. 93-119.
- Simon Johnson and James Kwak, *13 Bankers*, chapter 2 (“Other People’s Oligarchs”): pp. 39-56.
- Jonathan Kirshner, “Keynes, Capital Mobility, and the Crisis of Embedded Liberalism,” *Review of International Political Economy* 6, 3 (1999): pp. 313-37.

*****ANALYTICAL ESSAY DISTRIBUTED ON TUES., APRIL 28 *****

Topic 3: the outbreak of the 2008 American financial crisis (April 28 – May 12)

Part I: antecedents to the Global Financial Crisis (April 28 – April 30)

Readings

- Martin Wolf, *The Shifts and the Shocks*, chapter 5 (“How the World Economy Shifted”): pp. 149-188.
- Simon Johnson and James Kwak, *13 Bankers*, chapters 4 and 5 (“Greed is Good” and “The Best Deal Ever”): pp. 88-152.

Part II: eruption and cleanup (May 5 – May 12)

Readings

- Simon Johnson and James Kwak, *13 Bankers*, chapters 6 and 7 (“Too Big to Fail” and “The American Oligarchy”): pp. 153-222.
- Martin Wolf, *The Shifts and the Shocks*, chapter 1 (“From Crisis to Austerity”): pp. 17-44.
- Marc Flandreau, “The Vanishing Banker,” *Financial History Review* 19, 1 (2012): pp. 1-19.

May 14 seminar meeting devoted to discussion of research papers

Topic 4: the sovereign debt crisis in the Eurozone (May 19-21)

Readings

- Martin Wolf, *The Shifts and the Shocks*, chapters 2 and 9 (“The Crisis in the Eurozone” and “Mending a Bad Marriage”): pp. 45-88, 289-317.

Topic 5: what next? Governance gaps and the lessons from the crises (May 26 – June 2)

Readings

- Martin Wolf, *The Shifts and the Shocks*, chapters 7 and 8 (“Fixing Finance” and “Long Journey Ahead”): pp. 223-288.
- Simon Johnson and James Kwak, *13 Bankers*, chapter 8 (“Epilogue”): pp. 223-231.

WCAS Reading Week begins on June 2
WCAS Exam Week begins on June 8
RESEARCH PAPERS DUE BY 5PM ON MONDAY, JUNE 8
