

PSCI 4604
Selected Problems in IPE: The Global Economic Crisis
Monday 14:45-17:25
Please confirm location on Carleton Central

Instructor: Dr. Stephen L. Harris

Office Hours: Loeb B647 6:00-7:00 p.m. or by Appointment

Remote Hours: Wednesdays 10:00 to 12:00 (telephone or email – co-ordinates below)

Email: stephen_harris@carleton.ca

Office: 613 258 2696

Overview

The global political economy is in a mess! A number of factors contributed to this state of affairs: (i) poor regulatory oversight of national financial systems in the “great” democracies as a consequence of shirking by both state regulators and non-state actors and by management with oversight responsibilities for “private” financial institutions; (ii) inadequate monitoring of risk and disclosure by international organizations -- the BIS, IMF and OECD -- brought on by institutional group think and the inability of international civil servants to speak truth to power; and, (iii) interest conflicts of those designated to assess and rate risk. These factors combined to precipitate the worst systemic economic and financial crisis since the Great Depression.

Imprudent fiscal management in North America and Europe compounded this mess as politicians and bureaucrats failed ensure that their governments’ accumulated debt and emerging deficits were sustainable. Many “sovereign” countries (especially Iceland, Greece, Ireland, Portugal, the US, Spain and Italy) have experienced debt sustainability issues and/or questions. The fiscal capacity of these sovereigns has been compromised and thus they are limited in their ability to use fiscal policy to alleviate gaps in private demand. Monetary policy appears to have used virtually all of its capacity to the same end. And the “poor” countries are financing the “rich” countries.

The percolating financial crisis and imprudent fiscal management exacerbated the rising income inequality evidenced globally. And as well, these events have contributed the crisis of the Eurozone and the European political project/

This seminar, located at the intersection of the aforementioned events will explore both their causes and interconnectedness.

Objectives

The course is designed to introduce students to the issues relevant to understanding the evolution of the financial and fiscal crises that emerged early in the new millennium and its consequences. We will open the black box and explore the actions of the key actors in the public and private sectors that gave rise to the systemic crises. Students will see that the crises moved from the domestic to the international spheres and back to the domestic and that these events impinge on both the social relations and on state society relations. The linkages between the financial and the fiscal will be clear.

Readings

There are *five required texts* for the course and *a course pack* -- all available at **Haven Books on Sunnyside:**

1. Gary B. Gorton, *Misunderstanding Financial Crises: Why We Don't See them Coming* (Oxford, 2012)
2. James Barth, Gerard Caprio, Ross Levine, *Guardians of Finance: Making Regulations Work for Us* (MIT, 2012)
3. Mark Blyth, *Austerity: The History of A Dangerous Idea* (Oxford 2013)
4. Jurgen Habermas, *The Crisis of the European Union: A Response* (Polity 2012)
5. James Angelos, *The Full Catastrophe: Travels Among the New Greek Ruins* (Crown, 2015)
6. **OPTIONAL if you have not taken a macroeconomics course:** David A. Moss, *A concise Guide to Macro Economics* (2014)

Student Evaluation

There will be **four components considered for the final grade:**

- (i) **Class participation:** Each student is expected to actively participate in the discussions for every class. An important part of the learning process is to **critically evaluate** the readings and bring your ideas to the seminar. **Critical evaluation is the operative term.** Question what the authors write – you can disagree with them. There is no right answer in this business. We all see the world through different lenses. Using real examples from the daily press (e.g., *Globe & Mail*, *Financial*

Times, UK Guardian, New York Times), weekly/monthly news periodicals (e.g., *Economist, Foreign Policy, Foreign Affairs*) will help you make the readings relevant. There is also a wealth of analysis on the web sites of the OECD, BIS, IMF, ECB, Federal Reserve, and Bank of Canada. To get the most out of this course it is important to be on top of the IPE conjuncture. **This component of the course will be worth 20 per cent of the final grade. [As a guide – if you come to every class and say nothing your participation grade will be C]**

- (ii) **Three 2 page (single spaced) essays** that critically analyze the readings for one or more weeks in conjunction with a real event or issue in the IPE. You are required to use the readings to inform your understanding and analysis of the issue. There is lots of flexibility here – just choose topics that interest you. **Due Dates: First paper January 25th; second February 8th and the third on March 7th. All late submissions will be penalized one full grade for each day following the deadline. (So, after one day an “A” paper becomes a “B” paper.)**

The three papers will account for 30 percent of the final grade.

- (iii) **Seminar Presentation - 20 percent:** Each student will make one seminar presentation on the assigned readings for the week. It is anticipated that there will be two presentations per class in addition to the lecturer’s remarks. Each presentation should be about 30 minutes. Students should not simply summarize the readings but *shall* provide a critical evaluation of the readings. This will require additional research beyond the assigned reading – chosen by the student. The two students presenting each week shall decide among themselves how the weekly readings will be apportioned for the seminar presentations. A signup sheet will be circulated during the second class. Presentations will start on January 18th (third class).
- (iv) **Research Paper:** This will be a 20 page paper (double spaced) on a topic relevant to the course: (i) some aspect of the financial crisis generally; (ii) a focus on one country; (iii) fiscal response to the crisis in general (G-20 coordination) or a single country; (iv) regulatory response to the crisis; (v) inequality and the recovery from the crisis; (vi) you can use one of the themes from the syllabus to guide this research effort. You must get approval from the instructor for the topic by **January 25th (submit via email)**. There is lots of flexibility to undertake a project that is of interest to you. In addition, as part of this case study you must submit a 1- page research proposal by **February 8th in point form (submit via email)**. **This paper will account for 30**

percent of the final grade. The paper is to be submitted at the last class on April 4th. No electronic submissions. All late submissions will be penalized one full grade for each day following the deadline. (So, after one day an "A" paper becomes a "B" paper.)

All papers should be double spaced, 12 point font, 1 inch borders. Please staple in upper left corner – no paper clips and no "fancy" covers. Ensure citations are accurate and grammar and spelling have been thoroughly checked. Plagiarism will be penalized according to University regulations.

Summary of Evaluation

- Class Attendance & Participation 20 percent
 - Three Short Essays (2 single spaced pages) 30
 - Seminar Presentation 20
 - Research paper 30 percent
- 100

The Class Participation Component:

Students are required to complete all the readings each week prior to each class and to come to the class **prepared** to discuss them. This means being able to present your assessment of the readings, responding to questions, asking questions and **participating fully** in each week's discussion. Attendance is mandatory. Grading will be based on the quality of student interventions not on the quantity of interventions.

The use of laptops and smartphones is not permitted during the class.

Weekly Readings

January 4

Introduction and Overview (Part One):

Instructor will introduce the course and talk about how to write a paper.

Since there are no exams in this seminar success in this course will be determined by students' participation in discussions, presentation quality and very importantly the ability to write essays that are robustly argued and well written.

Some Economics Essentials (Part Two):

Niall Ferguson, *The Great Degeneration: How Institutions Decay and Economies Die*, (Penguin 2013)

Introduction, 1-20 (CP)

David A. Moss: *A Concise Guide to Macroeconomics*

Chapter 1: **Output**, 7-32

Chapter 5: **Fundamentals of GDP Accounting**, 99- 114

January 11

Some Economics Essentials (Continued)

David A. Moss: *A Concise Guide to Macroeconomics*

Chapter 2: **Money**, 33-66

Chapter 3: **Expectations**, 67-84

Chapter 6: **Reading a Balance of Payments Statement**, 115-114

Chapter 7: **Understanding Exchange Rates**, 125-133

The Moss Textbook is recommended. However, if you are comfortable with macroeconomics you can use the text from an earlier course as a companion. The lecture notes will be posted on the cuLearn course website.

January 18

Economists, Political Scientists and the Problems of Capitalism

Susan Strange, *Casino Capitalism* (Manchester, 1997)

Chapter 1: **Casino Capitalism**, 1-24 (CP)

Anthony B. Atkinson, *Inequality: What Can Be Done?*

(Harvard, 2015), Chapter 1, **Setting the Scene**, 9-44 (CP)

Jonathan Schlefer, *Assumptions Economists Make* (Harvard, 2012)

Chapter 10: **Understanding an Uncertain World**, 136-164 (CP)

Wayne Leighton & Edward Lopez, *Madmen, Intellectuals and Academic Scribblers* (Stanford 2013)

Chapter 4: **Public Choice: How We Choose Bad Policies and Get Stuck with Them, or Not, 79-107 (CP)**

January 25

Globalization

Leo Panitch and Sam Gindin, *The Making of the Global Capitalism: The Making of Global Capitalism* (Verso 2102),
Introduction 1-21 (CP)

Dani Rodrik: *The Globalization Paradox: Democracy and the Future of the World Economy* (Norton, 2011)

Chapter 5: **Financial Globalization Follies, 89-111 (CP)**

Chapter 6: **The Foxes and Hedgehogs of Finance, 112-134 (CP)**

Joseph Stiglitz, *The Great Divide: Unequal Societies and What we Can Do About Them* (Norton, 2015) 69-131 **(CP)**

February 1

The Global Financial Meltdown: How it Unfolded

Gary B. Gorton, *Misunderstanding Financial Crises: Why We Don't See them Coming* (Oxford, 2012)

Chapters 1 to 7, 3-98

February 8

Chapters 8 to 14, 99-200

Feb 15 Reading Week -- No class

February 22

The Global Financial Meltdown: Regulatory Response

James Barth, Gerard Caprio, Ross Levine, *Guardians of Finance: Making Regulations work for Us* (MIT, 2012)

Chapters 1 to 4, 1-120

Feb 29

Chapters 5 to 8, 121-232

March 7	<p><u>The Economics of Climbing out of Crisis</u></p> <p>Mark Blyth, <i>Austerity: The History of A Dangerous Idea</i> (Oxford 2013)</p> <p>Chapters 1 to 4, 1-130</p>
March 14	Chapters 5 to 7, 132-245
March 21	<p><u>Europe: The Financial, Fiscal and Political Crisis,</u></p> <p>James Angelos, <i>The Full Catastrophe: Travels Among the New Greek Ruins</i> (Crown, 2015)</p> <p>Introduction and Chapters: 1 - 3, 1- 119</p>
March 28	Chapters 4, 6-7, Epilogue, 119 - 158, 189 - 280
April 4	<p>Jurgen Habermas: <i>The Crisis of the European Union: A Response</i> (Polity 2012)</p> <p>David Howarth and Lucia Quaglia, "The political economy of the euro area's sovereign debt crisis: introduction to the special issue of the Review of International Political Economy," <i>Review of International Political Economy</i> (2015) Vol. 22, No. 3, (Electronic Library)</p> <p>Shawn Donnelly, "Power Politics and the Undersupply of Financial Stability in Europe," <i>Review of International Political Economy</i> (2015) Vol. 22, No. 3, (Electronic Library)</p>

Academic Accommodations

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC

coordinator to send me your Letter of Accommodation at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam (if applicable).

For Religious Observance: Students requesting accommodation for religious observances should apply in writing to their instructor for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student. Instructors and students may contact an Equity Services Advisor for assistance (www.carleton.ca/equity).

For Pregnancy: Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. Then, make an appointment to discuss your needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Plagiarism: The University Senate defines plagiarism as “presenting, whether intentional or not, the ideas, expression of ideas or work of others as one’s own.” This can include:

- **reproducing or paraphrasing portions of someone else’s published or unpublished material, regardless of the source, and presenting these as one’s own without proper citation or reference to the original source;**
- **submitting a take-home examination, essay, laboratory report or other assignment written, in whole or in part, by someone else;**
- **using ideas or direct, verbatim quotations, or paraphrased material, concepts, or ideas without appropriate acknowledgment in any academic assignment;**
- **using another’s data or research findings;**
- **failing to acknowledge sources through the use of proper citations when using another’s works and/or failing to use quotation marks;**
- **handing in "substantially the same piece of work for academic credit more than once without prior written permission of the course instructor in which the submission occurs.**

Plagiarism is a serious offence which cannot be resolved directly with the course's instructor. The Associate Deans of the Faculty conduct a rigorous investigation, including an interview with the student, when an instructor suspects a piece of work has been plagiarized. Penalties are not trivial. They include a mark of zero for the plagiarized work or a final grade of "F" for the course.

Oral Examination: At the discretion of the instructor, students may be required to pass a brief oral examination on research papers and essays.

Submission and Return of Term Work: Papers must be handed directly to the instructor and will not be date-stamped in the departmental office. Late assignments may be submitted to the drop box in the corridor outside B640 Loeb. Assignments will be retrieved every business day at 4 p.m., stamped with that day's date, and then distributed to the instructor. For essays not returned in class please attach a stamped, self-addressed envelope if you wish to have your assignment returned by mail. Please note that assignments sent via fax or email will not be accepted. Final exams are intended solely for the purpose of evaluation and will not be returned.

Grading: Assignments and exams will be graded with a percentage grade. To convert this to a letter grade or to the university 12-point system, please refer to the following table.

Percentage	Letter grade	12-point scale	Percentage	Letter grade	12-point scale
90-100	A+	12	67-69	C+	6
85-89	A	11	63-66	C	5
80-84	A-	10	60-62	C-	4
77-79	B+	9	57-59	D+	3
73-76	B	8	53-56	D	2
70-72	B-	7	50-52	D-	1

Grades: Final grades are derived from the completion of course assignments. Failure to write the final exam will result in the grade ABS. Deferred final exams are available ONLY if the student is in good standing in the course.

Approval of final grades: Standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by an instructor may be subject to revision. No grades are final until they have been approved by the Dean.

Carleton E-mail Accounts: All email communication to students from the Department of Political Science will be via official Carleton university e-mail accounts and/or cuLearn. As important course and University information is distributed this way, it is the student's responsibility to monitor their Carleton and cuLearn accounts.

Carleton Political Science Society: The Carleton Political Science Society (CPSS) has made its mission to provide a social environment for politically inclined students and faculty. Holding social events, debates, and panel discussions, CPSS aims to involve all political science students at Carleton University. Our mandate is to arrange social and academic activities in order to instill a sense of belonging within the Department and the larger University community. Members can benefit through numerous opportunities which will complement both academic and social life at Carleton University. To find out more, visit <http://facebook.com/CarletonPoliticalScienceSociety> or come to our office in Loeb D688.

Official Course Outline: The course outline posted to the Political Science website is the official course outline.