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Spring 2012

International Financial Institutions

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**JOHN C. WHITEHEAD SCHOOL OF DIPLOMACY AND
INTERNATIONAL RELATIONS
Seton Hall University**

**DIPL 6113 AA: International Financial Institutions, Spring 2012
Thursday: 4-6:10 pm**

Professor Roger M. Scher

E-mail: roger.scher@shu.edu

Office Hours: By Appointment (email) on Tue. and Thurs. (hours vary)

This course has been designed to provide a better understanding of international financial institutions (IFIs), specifically, the International Monetary Fund and the World Bank. Prior to the Great Recession of 2008-09, serious questions were raised about the relevance of the IMF and the need for its traditional activity, assisting countries experiencing financial problems. The global financial crisis and subsequent sovereign debt crisis breathed new life into the IMF's, if not the World Bank's, role in the international financial system.

The background and activities of the Fund and the World Bank will be examined with emphasis on arguments about their relevance and proposals for reform. Discussion of reform of the "international financial architecture" will be addressed. We will also learn how to analyze "sovereign risk," the risk that a sovereign government will default on its financial obligations, a major preoccupation of the IFIs, as well as of private sector creditors. Finally, we will learn how to utilize IMF, World Bank and other publications and data in our analysis.

Textbook:

Woods, Ngaire: "THE GLOBALIZERS: The IMF, The World Bank, and Their Borrowers". This book is available in paperback format and has been ordered by the bookstore. Referred to in this syllabus as "Woods".

Except for the Woods book, most of the articles assigned for the course should be available free of charge online, and students are expected to be diligent in their reading. Where web addresses are not provided, articles can be located through author's name or title of article, or they will appear in the Course Documents page of Blackboard for the course and/or distributed via email or in class. Students should expect to spend some time navigating the Fund and World Bank web sites.

This syllabus is subject to change, which will be announced in class by the instructor.

Student Responsibilities

Students are expected to attend all lectures. Requirements include: a take-home mid-term which will be worth 30% of the final grade, to be distributed at the end of class on March 1, due at the beginning of class on March 8; a group presentation on "sovereign risk," an analysis of the political economy of specific nations, worth 20% of the final grade, utilizing IMF Article IV Staff Reports; and, an in-class final exam, which will be worth 40% of the final grade; the remaining 10% of the grade will reflect class participation, including an understanding of the weekly readings. Attendance is likewise important, including at the guest lecture on April 12 (subject to change).

Course Procedures

Although a good deal of class time will consist of lectures, questions and discussion will be encouraged. Students should feel free to ask for clarification or elaboration of any of the material covered in the general lectures. Students should also feel free to offer their own opinions or comments regarding the views expressed by the instructor.

In addition, an effort will be made to integrate current events into the content of the course. Students are encouraged to keep abreast of relevant developments by reading *The New York Times*, *The Financial Times*, *the Economist*, and/or *Foreign Affairs* on a regular basis. Again, spend time on the IMF and World Bank web sites.

All work must be handed in on time. Late work will be docked a third of a letter grade each day it is late. No exceptions will be made to this rule. Make-up exams will not be allowed, except in emergencies, requiring the requisite documentation (e.g. a doctor's note).

In this course, academic integrity is of highest importance. Consequently, any form of plagiarism will not be tolerated and will result in a failing grade, potential damage to your academic standing, and possible expulsion from the Whitehead School and the University.

Under the Americans with Disabilities Act and §504 of the Civil Rights Restoration Act, students who have a disability may be eligible for accommodations in this course. Should a student require such accommodations, he or she must self-identify at the Office for Disability Support Services (DSS), Room 67, Duffy Hall and work with DSS to develop a plan for accommodations. The contact person is Mrs. Linda Walter at 973-313-6003.

Class 1, January 19: Introduction

Discussion of the course outline, the contents and format and the rules of the game. We will also discuss briefly the nature of an international financial institution and the general scope of its operations.

Class 2, January 26: IMF/World Bank – A Primer

Woods, Intro and chapter 1, pp. 1-38,

Read IMF and World Bank websites: www.imf.org/external - about, overview, organization & finances, history, governance, our work, on the agenda; www.worldbank.org/about - challenges, organization, members, operations, projects, history, World Bank group branches

Class 3, February 2: IMF/WB – Missions

Goddard, “The International Monetary Fund,” chapter 16 in C. Roe Goddard, Patrick Cronin and Kishore C. Dash, *International Political Economy*, second edition (2003). On Blackboard or to be distributed.

Woods, chapter 2, pp. 39-64

Class 4, February 9: IMF/WB – Missions

Woods, chapter 3, pp. 65-83

2009 Annual Reports of the IMF and the World Bank (see IMF and WB web sites). Students should read descriptions of the activities of these institutions and examine their financial statements to get an idea of the size of them.

Weiss, Martin, “The World Bank’s International Development Association (IDA)”, CRS Report for Congress, April 2007.
www.fpc.state.gov/documents/organization/84308.pdf

Classes 5 & 6, Feb 16 & 23: the IMF

Boughton, James, *The IMF and the Force of History: Ten Events and Ten Ideas that Have Shaped the Institution*, Revised September 2006; on Blackboard.

Reports of the IMF’s Independent Evaluation Office (IEO):

- Relevance of IMF Research (http://www.imo-imf.org/eval/ongoing/RES_Final_Issues_Paper.pdf)
- IMF Performance in the run-up to the crisis (http://www.imo-imf.org/eval/ongoing/Crisis_Final_Issues_Paper_Web.pdf)
- IMF's interaction with member countries (<http://www.imo-imf.org/eval/ongoing/051508.pdf>)

E. Truman, "Strengthening IMF Surveillance: A Comprehensive Approach," Peterson Institute, December 2010, (<http://www.iie.com/publications/pb/pb10-29.pdf>)

Class 7, March 1: the IMF – Reform

P.B. Kenen, Reform of the IMF, Council on Foreign Relations, May 2007 (http://www.cfr.org/publication/13276/reform_of_the_international_monetary_fund.html)

Take-home midterm distributed on March 1, due back at the beginning of class on March 8.

Class 8, March 8: Sovereign Credit Risk Case Study I (IMF Article IV project): Mexico (full case study)

Take-home midterm due on March 8.

IMF Article IV Consultation-Staff Report: Mexico (to be discussed)

Woods, Chapter 4, Mexico, pp. 84-103

Fitch Ratings, Sovereign Data Comparator, on Blackboard

Class 9, March 15: NO CLASS: Spring Break

Class 10, March 22: Sovereign Credit Risk Case Study II (IMF Article IV project): Russia (full case study)

IMF Article IV Consultation-Staff Report: Russia (to be discussed)

Woods, Chapter 5, Russia, pp. 104-140

Fitch Ratings, Sovereign Data Comparator, on Blackboard

Class 11, March 29: Africa/European Union

Woods, Chapter 6, Africa, pp. 141-178

Paul Krugman, "Can Europe Be Saved?" New York Times Magazine, January 16, 2011

Class 12, April 5: **NO CLASS**

Class 13, April 12: Sovereign Risk Presentation: Guest Lecture (subject to change)

Guest Lecturer: To be announced.

Class 14, April 19: Future of IMF/WB and Final Exam Review

Woods, Chapter 7, pp. 179-214

Eichengreen, B. "Out of the Box Thoughts About the International Financial Architecture," IMF Working Paper May 2009
<http://www.imf.org/external/pubs/ft/wp/2009/wp09116.pdf>

G-20 Communique on coordinated action to confront the financial crisis, March 14, 2009, (http://www.g20.org/Documents/2009_communique_horsham_uk.pdf)

Class 15, April 26: Student Presentations: Sovereign Credit Risk Analysis

No readings.

Class 16, May 3: **FINAL EXAM IN-CLASS, 4-6:10 PM.**