

Princeton University
Woodrow Wilson School of Public and International Affairs

Graduate Program
Spring Term 2008

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Office Hours: Monday 2-4, 113 Fisher

WWS 594a Policy Analysis: The Evolution of the International Monetary System

This course will review the evolution of the international monetary system since the end of the Second World War, with particular attention to the roles of the International Monetary Fund (IMF) and of the United States. It will focus on critical episodes that altered the system, but it will also examine developments in Europe, including the formation of the European Monetary Union (EMU), the crises afflicting the emerging-market countries in the 1980s and 1990s, proposals and progress on reform of the IMF, and the effects of recent financial developments for the international role of the dollar.

Beginning with the fourth week of the course, the lectures and discussion will be supplemented by students' oral reports on key episodes and issues, based on the required and recommended readings. A list of topics for those reports will be distributed at the second meeting of the course, and students will be asked to choose the topics on which they would like to make their own reports.

Grades in the course will be based on the students' participation in classroom discussion, their oral reports, and a written review of one of the books listed at the end of the syllabus. These reviews should not exceed 2000 words and should be submitted no later than 5:00 pm on March 24.

Course Outline and Readings

Required readings are marked with an asterisk; all others are recommended. Readings should be completed by the start of the class sessions for which they are listed.

Week 1: The Origins, Functioning, and Collapse of the Bretton Woods System

- *Harold James, *International Monetary Cooperation Since Bretton Woods*, 1-57
- *Miles Kahler, "Bretton Woods and Its Competitors: The Political Economy of Institutional Choice," David M. Andrews, ed. *Governing the World's Money*, 48-59
- Barry Eichengreen, *Global Imbalances and the Lessons of Bretton Woods*

Week 2: The Advent of Floating Exchange Rates and Efforts at Collective Management

- *Robert D. Putnam and Nicholas Bayne, *Hanging Together: The Seven-Power Summits*, pp. 11-99
- *Yoichi Funabashi, *Managing the Dollar from the Plaza to the Louvre*, chs. 1, 8
- Mark Sobel and Louellen Stedman, "The Evolution of the G-7 and Economic Policy Coordination: Occasional Paper 3, U.S. Treasury

Week 3: The European Quest for Exchange Rate Stability: The European Monetary System (EMS) and European Monetary Union (EMU)

- *Peter B. Kenen, *Economic and Monetary Union in Europe*, chs. 1, 2, 4, 5
- Adam S. Posen, ed., *The Euro at Five: Ready for a Global Role?*, chs. 1, 2, 4, 5, 7, 8
- Susan Schadler et al, *Adopting the Euro in Central Europe*, International Monetary Fund, Occasional Paper 234, 2005

Week 4: The Emerging Market Crises and the Role of the IMF

- *Paul Krugman, "U.S. Policy on Developing Country Debt," in M. Feldstein, ed., *American Economic Policy in the 1980s*, pp. 691-719
- *Peter B. Kenen, *The International Financial Architecture*, chs. 2, 4, 5
- IMF Independent Evaluation Office, *The IMF and Recent Capital Account Crises*, chs. 1-6

Week 5: Global Imbalances and the Threat to the Global Primacy of the Dollar

- *Richard Clarida, ed., *G7 Current Account Imbalances*, chs. 1, 2, 3, 8, 9 [don't struggle with the math but do read the comments on the assigned chapters]
- *Michael Dooley, David Folkerts-Landau, and Peter Garber, "An Essay on the Revived Bretton Woods System," NBER Working Paper 9971
- *Richard N. Cooper, "Living with Global Imbalances: A Contrarian View," *Journal of Policy Modeling* 28, pp. 615-627
- Benjamin J. Cohen, "Global Currency Rivalry: Can the Euro Ever Challenge the Dollar?" *Journal of Common Market Studies*, 2003, pp. 575-95

Week 6: Proposals for Reform of the IMF

- *The Managing Director's Report on Implementing the Fund's Medium-Term Strategy, International Monetary Fund, April 2006.
- *Edward M. Truman, ed., *Reforming the IMF for the 21st Century*, chs. 2, 27, 29
- Peter B. Kenen, *Reform of the International Monetary Fund*, Council Special Report 29, Council on Foreign Relations, 2007.

Book Review Topics:

Write a *critical* review of one of the following works, making comparisons, where appropriate, with views expressed by the authors of the required readings.

- Paul Blustein, *The Chastening*
- Barry Eichengreen, *Toward a New International Financial Architecture*
- José de Gregorio, Barry Eichengreen, Takatoshi Ito, and Charles Wyplosz, *An Independent and Accountable IMF*, Geneva Reports on the World Economy 1. 1999, and Peter B. Kenen, Jeffrey R. Shafer, Nigel L. Wicks, and Charles Wyplosz, *International Economic and Financial Cooperation*, Geneva Reports on the World Economy 6, 2004.