

American University
SIS 457/657 & ECON-496
Fall 2011, Tuesdays 2:35-5:15PM

INTERNATIONAL ECONOMIC ORGANIZATIONS: PUBLIC AND PRIVATE

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Office hours (SIS #220): Tuesdays 5:30-7:30PM and Thursdays 1:30-5:30PM
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Course description

This class will familiarize you with more than a dozen governmental and private-sector international organizations dealing with cross-border trade and financial issues. We will learn what they do and how they do it; examine how they have become more or less effective and relevant in light of the fast-paced globalization since the 1960s; study the challenges these institutions have faced and face currently; and discuss how they attempt to shape, but are also in turn shaped, by developments outside of their control.

The learning objective of this course, which will be tested in various ways, is to become familiar with the essential facts and institutional features, and economic, political and financial aspects and impacts of a variety of international economic organizations. The expected learning outcomes are the widening of your factual knowledge base; your ability to apply concepts, theories, and empirical methods from international economics, political economy and law to explain some of the workings of international economic organizations; and the sharpening of your mental recall and analytical skills via multiple-choice quizzes and examinations, and of your writing skills through the execution of an original research project.

Course requirements and grading

We will start each class by talking about whatever international economic organizations are in the news, and your participation in this segment is very much welcomed. During most of the remainder, I will cover the main points conveyed by the assigned readings, and then we will have a Q&A and class discussion. In order to reap the benefits from the course, you should plan on attending every class and on doing all of the required readings before coming to class. To encourage reading ahead of class, there will be several "surprise" quizzes handed out during the semester, at the start of some of the classes. There is no need to purchase any books, since all the required readings are posted on Blackboard.

The final grade distribution will be curved to reflect the performance of the class. The top-scoring third of the class will be assigned an “A” or “A-” letter grade; students scoring closer to the mean/median will be assigned a grade in the “B-” to “B+” range; and those scoring substantially below that will get a lesser final grade (e.g., a “C+”).

The course requirements are two multiple-choice exams plus one essay written on the topic specified at the end of this syllabus. The quizzes will contribute to 15% of the final grade; the exams will count for 25% each; and the essay will account for the final 35%.

Standards of academic conduct are set forth in the University's Academic Integrity Code. By registering for this course, you have acknowledged your awareness of the Academic Integrity Code, and you are obliged to become familiar with your rights and responsibilities as defined by the Code. Violations of the Academic Integrity Code will not be treated lightly, and disciplinary actions will be taken should such violations occur. Please see me if you have any questions about the academic violations described in the Code in general or as they relate to particular requirements for this course. I also encourage you to familiarize yourself with the AIC code found at <http://www.american.edu/provost/registrar/regulations/reg80.cfm>, and I urge you to contact me if you witness or hear about any potential violations.

In the event of an emergency, American University will implement a plan for meeting the needs of all members of the university community. Should the university be required to close for a period of time, we are committed to ensuring that all aspects of our educational programs will be delivered to you. These may include altering and extending the duration of the traditional term schedule to complete essential instruction in the traditional format and/or use of distance instructional methods. Specific strategies will vary from class to class, depending on the format of the course and the timing of the emergency. I will communicate class-specific information to you via AU e-mail and Blackboard, while you must inform me immediately of any absence. You are responsible for checking your AU e-mail regularly and keeping yourself informed of emergencies. In the event of an emergency, you should refer to the AU Student Portal, the AU Web site (www.prepared.american.edu) and the AU information line at (202) 885-1100, for general university-wide information, as well as contact me and/or your respective Dean's office for course and school/ college-specific information.

Schedule and readings

August 30: Introduction to International Economic Organizations.

Required readings:

- 1) Marc Levinson, The Box (Princeton, NJ: Princeton Univ. Press, 2006), chapter 1.
- 2) Volker Rittberger and Bernhard Zangl, International Organization: Polity, Politics and Policies (New York: Palgrave MacMillan, 2006), chapters 1-2.
- 3) Deepak Lal, “The Threat to Economic Liberty from International Organizations,” CATO Journal, Fall 2005.

September 6: Bilateral Investment Treaties and the International Center for Settlement of Investment Disputes (ICSID).

Required readings:

- 1) Visit <http://icsid.worldbank.org/ICSID/Index.jsp>
- 2) Martin A. Weiss, "The U.S. Bilateral Investment Treaty Program: An Overview," Congressional Research Service, January 30, 2009.
- 3) Jennifer Tobin and Susan Rose-Ackerman., "When BITs Have Some Bite," Review of International Organizations, March 2011.
- 4) ICSID, Annual Report 2010, 2011 (skim).
- 5) Katia F. Gómez, "Latin America and ICSID: David vs. Goliath?," Law & Business Review of the Americas, Spring 2011.

September 13: The International Finance Corporation (IFC).

Required readings:

- 1) Visit <http://www.ifc.org>
- 2) Standard & Poor's, International Finance Corporation, January 2011.
- 3) IFC, IFC Road Map FY11-13, 2010 (skim).
- 4) World Bank Independent Evaluation Group, Results and Performance of the World Bank Group 2011, excerpt, 2011 (sections dealing with the IFC).
- 5) Bodo Ellmers et al., Development Diverted: How the IFC Fails to Reach the Poor, Eurodad, December 2010.

September 20: The African Development Bank (AfDB).

Required readings:

- 1) Visit <http://www.afdb.org/en/>
- 2) Moody's Investors Service, African Development Bank, September 2010.
- 3) African Development Bank, Annual Report 2010, excerpt, 2011 (skim).
- 4) Karen A. Mingst, Politics and the African Development Bank (Lexington, KY: Univ. Press of Kentucky, 1990), Chapters 1-4.
- 5) Patricia Adams and Andrea Davis, "The African Development Bank Struggles to Stay Afloat," Multinational Monitor, July-August 1996.
- 6) African Development Bank, Annual Development Effectiveness Review-2011, 2011.

September 27: The Paris Club.

Required readings:

- 1) Visit <http://www.clubdeparis.org/>
- 2) Paris Club, Annual Report 2010, 2011 (skim).
- 3) Eurodad, Skeletons in the Cupboard: Illegitimate Debt Claims of the G7, February 2007.

- 4) IMF, "Debt Relief Under the HIPC Initiative," 2011.
- 5) World Bank, "HIPC/MDRI At a Glance," 2011.
- 6) Pernilla Johansson, "Debt Relief, Investment and Growth," World Development, September 2010.

September 29: The Bank for International Settlements (BIS).

Required readings:

- 1) Visit <http://www.bis.org/>
- 2) Leonard Seabrooke, "The Bank for International Settlements," New Political Economy, March 2006.
- 3) Bank for International Settlements, Annual Report 2010-11, excerpt, 2011 (skim).
- 4) William Allen and Richhild Moessner, "Central Bank Cooperation and International Liquidity in the Financial Crisis of 2008-9," excerpt, BIS Working Papers #310, June 2010.

October 4: Exam #1: Multiple-Choice Questions.

October 11: The Organization of the Petroleum Exporting Countries (OPEC).

Required readings:

- 1) Visit http://www.opec.org/opec_web/en/
- 2) OPEC, General Information, 2010.
- 3) OPEC, Annual Report 2010, 2011 (skim).
- 4) OPEC, Long Term Strategy, 2010.
- 5) Vincent Brémond et al., "Does OPEC Still Exist as a Cartel?," Energy Economics, forthcoming in 2011.
- 6) Ying Fan and Jin-Hua Xu, "What Has Driven Oil Prices Since 2000?," Energy Economics, forthcoming in 2011.

October 18: The International Organization for Standardization (ISO).

Required readings:

- 1) Visit <http://www.iso.org/iso/home.html>
- 2) Marcel Heires, "The International Organization for Standardization (ISO)," New Political Economy, September 2008.
- 3) ISO, Annual Report 2010, available at <http://annualreport.iso.org/en>.
- 4) Ann Terlaak and Andrew A. King, "The Effect of Certification with the ISO 9000 Quality Management Standard," Journal of Economic Behavior and Organization, August 2006.
- 5) Joseph A. Clougherty and Michal Grajek, "The Impact of ISO 9000 Diffusion on Trade and FDI," Journal of International Business Studies, June 2008.

- 6) Matthew Potoski and Aseem Prakash, "Information Asymmetries as Trade Barriers: ISO 9000 Increases International Commerce," Journal of Policy Analysis and Management, Spring 2009.

October 25: Credit Rating Agencies.

Required readings:

- 1) Visit <http://www.moody.com/>, <http://www.standardandpoors.com/home/en/us> and http://www.fitchratings.com/index_fitchratings.cfm.
- 2) Lawrence J. White, "The Credit Rating Agencies," Journal of Economic Perspectives, Spring 2010.
- 3) Standard & Poor's, "Sovereign Government Rating Methodology and Assumptions," June 30, 2011.
- 4) Otaviano Canuto et al., "Shadow Sovereign Ratings," World Bank Economic Premise #63, August 2011.
- 5) Laura Jaramillo, "Determinants of Investment Grade Status in Emerging Markets," IMF Working Paper #WP/10/117, May 2010.

November 1: The Basel Committee on Banking Supervision (BCBS), Part 1.

Required readings:

- 1) Visit <http://www.bis.org/bcbs/about.htm>.
- 2) Heidi M. Schooner and Michael W. Taylor, Global Bank Regulation (Burlington, MA: Academic Press, 2010), Introduction and Chapters 5, 8-10, and 12.
- 3) Juliusz Jablęcki and Mateusz Machaj, "The Regulated Meltdown of 2008," Critical Review, June 2009.

November 8: The Basel Committee on Banking Supervision (BCBS), Part 2.

Required readings:

- 1) Peter S. Goodman and Gretchen Morgenson, "Saying Yes, WaMu Built Empire on Shaky Loans," The New York Times, December 2008; Floyd Norris, "Eyes Open, WaMu Still Failed," The New York Times, March 2011.
- 2) Gretchen Morgenson, "How Countrywide Covered the Cracks," The New York Times, October 2010, and Ben Protess "Long After Fall, Countrywide's Mozilo Defended His Legacy," The New York Times Dealbook, February 2011.
- 3) Eric Dash and Julie Creswell, "Citigroup Saw No Red Flags Even as It Made Bolder Bets," The New York Times, November 2008.
- 4) Basel Committee, Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems, June 2011.
- 5) Martin Wolf, "Basel: The Mouse That Did Not Roar," The Financial Times, September 2010.

- 6) Jeffrey Kutler, "Basel III Critique Emerging," Institutional Investor, October 2010, and Steve Rosenbush, "Why Global Banking Reform Is So Difficult," Institutional Investor, March 2011.
- 7) Yalman Onaran, "Global Bank Capital Regime at Risk as Regulators Spar Over Rules," Bloomberg News, August 2011.

November 15: Sophisticated Financial Intermediaries: Investment Banks.

Required readings:

- 1) Visit <http://www2.goldmansachs.com>, <https://www.credit-suisse.com/us/en/> and <http://group.barclays.com/Home>.
- 2) The Economist, "Link by Link: A Short History of Modern Finance," October 2008.
- 4) Andreas Jobst, "What is Securitization?," IMF Finance & Development, September 2008.
- 5) Stephen Labaton, "Agency's '04 Rule Let Banks Pile Up New Debt," The New York Times, October 2008.
- 6) Gretchen Morgenson, "How the Thundering Herd Faltered and Fell," The New York Times, November 8, 2008.
- 7) Peter J. Wallison, "Government Housing Policy and the Financial Crisis," CATO Journal, Spring/Summer 2010.
- 8) Baird Waibel, "The Dodd-Frank Wall Street Reform Act," Congressional Research Service, July 29, 2010.
- 9) Clea Benson and Phil Mattingly, "A Year Later, Dodd-Frank Forces Banks to Shrink," Bloomberg News, July 2011.

November 22: Sophisticated Financial Intermediaries: Hedge Funds and Private Equity Funds.

Required readings:

- 1) Visit <http://www.bwater.com>, <http://www.brevanhoward.com>, and <http://www.deshaw.com>
- 2) Sebastian Mallaby, More Money Than God (New York: Penguin, 2010), Introduction.
- 3) Kathleen A. Ruane and Michael V. Seitzinger, "Hedge Funds: Legal History and the Dodd-Frank Act," Congressional Research Service, July 2010.
- 4) Gregory Zuckerman, "Profiting From the Crash," The Wall Street Journal, October 2009.
- 5) Matt Wirz et al., "Paulson Plays the Lehman Bust," The Wall Street Journal, May 2011.
- 6) Visit <http://www.carlyle.com>, <http://www.kkr.com>, and <http://www.tpg.com>.
- 7) Steven N. Kaplan, "Going Private," Chicago Booth Capital Ideas, April 2010.
- 8) Louise Story, "For Private Equity, A Very Public Disaster," The New York Times, August 2009.

November 29: “The Doctor Is In”: Come to class and ask me any questions you have about your essay assignment – if you wish to do so.

December 6: E-mail Versions of Essay Due by 7AM.

December 13: Exam #2: Multiple-Choice Questions.

Instructions for the Essay:

Background on Greece

In late 2009, the incoming government in Greece shocked investors by announcing that the government’s budget deficit would end up closer to the equivalent of 13% rather than the targeted 6% of GDP, because of an election-related drop in tax revenues and a splurge in fiscal spending. (In the event, the actual figure was closer to 15½% of GDP.) The new prime minister promised to impose austerity measures, but he was short of convincing detail and political support. As a result of growing fears of a likely default, during early 2010 the demand for Greek government bonds evaporated and interest rates skyrocketed, with the authorities having to pay as much as 18% to sell two-year bonds, up sharply from 4% yields before the budget news came out.

The economy has since plunged into a deep recession, with the unemployment rate rising from under 8% to over 16%. The government has been pursuing an impressive fiscal austerity program, approved by its parliament, which aims to achieve a deficit of 7½% of GDP this year (down from almost 10% in 2010), and a deficit below 3% by 2014. The government is implementing various structural revenue-side and spending-side reforms as well as a privatization program to raise funds, open up investment opportunities, and enhance the country’s growth potential. A return to positive economic growth is currently expected for the 2nd half of 2012, depending on the pace of reform implementation, the confidence of local and foreign investors, and the mood in European financial markets.

The assignment

A variety of international economic organizations (IEOs), both public and private, have come to the aid of Greece – its government and its banks – by providing new financing and/or by granting debt relief. These include the European Central Bank, the European Financial Stability Facility, the International Monetary Fund, and numerous European private-sector banks coordinated by the Institute of International Finance.

Pick one of these (or unlisted other) international economic organizations and write a research paper that explains, in connection with the case of Greece:

- 1) What has this IEO done and/or has pledged to do?
- 2) To what extent does this conform with the IEO's formal mandate (charter or mission statement)?
- 3) How does it compare or contrast with past support that this IEO may have provided to other similarly troubled countries, particularly elsewhere in Europe?
- 4) How has the financial support provided by this IEO been received by the leading media outlets, in academic and business circles, and in the blogosphere?
- 5) What is your own evaluation (positive or negative) of this IEO's involvement and support (e.g., nature, timing, scale, targeting)?

As you consult, are inspired by or quote other writings and publications on the role of the international economic organization you picked, please cite them in proper footnotes (author, title, publisher, page number, and URL).

Your paper must have a maximum length of 2,000 words, a ceiling from which any footnotes, tables, charts and/or bibliography are excluded.

It should be written in Word and uploaded to Blackboard by the due date and time (Tuesday, December 6, 2011, by 7AM).