



LSE-PKU Summer School 2018

LPS-EC210 | The International Financial System in a Post-Crisis World: New Risks and Challenges for Asia and Beyond

Course Leader

Jeffrey Chwieroth is Professor of International Political Economy in the Department of International Relations, and a Research Associate of the Systemic Risk Centre at the London School of Economics and Political Science. He is the author of *Capital Ideas: The IMF and the Rise of Financial Liberalization* (Princeton University Press, 2010). He has published numerous articles and book chapters on the political economy of international money and finance. His research has been supported by grants from the Australian Research Council, the AXA Research Fund, the British Academy for the Humanities and Social Sciences, and the Economic and Social Research Council. He has held academic positions previously in the Department of Political Science of the Maxwell School of Citizenship and Public Affairs at Syracuse University, and the Robert Schuman Centre for Advanced Studies at the European University Institute.

Course Outline

The world economy has emerged from the most serious crisis it faced since the 1930s, but now faces new risks and challenges that bring into sharp focus the tensions present in the international financial system. Advanced economies struggle to ignite growth and productivity while confronting populist political pressures to roll back globalization. China seeks to manage its on-going credit boom and potential financial fragility, while rebalancing its economy and promoting internationalization of the Yuan. Elsewhere emerging market and developing economies in Asia and beyond face weaknesses in their national economies as well as global shocks associated with volatile capital flows and commodity prices as well as persistent weak global demand and a possible turn away from openness in the West.

This course provides a rigorous analysis of the most critical political, economic, and strategic risks and challenges facing the international financial system after the crisis. It explores how and why these risks and challenges will reshape societies and impact the climate for policymakers and the business community for years to come. It will

investigate these risks and challenges at the global, regional, and national level, with specific reference to the experience of many Asian economies.

The course would be suitable for a wide audience, including advanced undergraduates and postgraduate students as well as business executives, policymakers, and analysts. Among graduate professionals it would be particularly well-suited for financial market practitioners, economic analysts, portfolio managers, financial strategists, and policymakers in national treasuries and central banks as well as international and regional intergovernmental organizations. In addition to marketing the course via normal channels (LSE website, LSE alumnae groups, etc.), this target audience is likely to be reached via advertisements placed in outlets closely related to the content of the course, such as the *Financial Times*, the *Economist*, *International Finance*, *Central Banking* as well as public policy outlets such *Foreign Affairs* and *International Affairs*. The LSE-PKU school could also work with other programs (Summer School, LSE-UCT school, Executive Summer School and the Executive MSc in Finance) to identify past participants in finance and economics courses for whom the course might be of interest.

Learning Outcomes

Key learning outcomes include achieving a deep understanding of the relevant debates and differing perspectives on the key issues below, as well as developing the analytical skills and building in-depth empirical knowledge to formulate independent and coherent views on these issues.

- How has the unprecedented monetary and fiscal response since the crisis impacted advanced economies, China, and emerging market and developing economies in Asia and beyond?
- Has the crisis response sowed the seeds for another financial bubble?
- Can China avoid a financial crisis following its ongoing credit boom?
- How will continued economic weakness and financial fragility in advanced economies affect China and emerging market and developing countries in Asia and beyond?
- How has China and Asia's place in the international financial and monetary systems been transformed since the crisis?
- Why does financial vulnerability persist despite (or because of) new regulatory measures?
- How can emerging and developing economies in Asia and beyond best respond to the perils and opportunities arising from international financial integration?
- Are current global macroeconomic imbalances sustainable and what are the implications for Asia and the international monetary system?
- How has the practice of central banking changed since the crisis?

All of the scheduled teaching sessions will include a mixture of lectures and in-class group work, with substantial time devoted to discussion and other activities designed to enhance the learning process. The concluding session will involve student presentations of case studies analysing current and future risks and challenges facing policymakers and the business community in specific Asian economies of their choice.

Assessment

Essay: 50% (1,500 words)
Final Exam: 50%

Topic Session Titles

Session One: Why is the International Financial System so Crisis-Prone?

Session Two: The Global Financial Crisis: Why did it happen? Where do we stand now?

Session Three: The Aftermath of the Crisis in Advanced Economies – United States, Europe, and Japan

Session Four: Credit Booms and Financial Fragility in China

Session Five: Global Shocks and Domestic Vulnerabilities in Emerging Asia and Beyond

Session Six: International Financial Regulatory Conflict and Cooperation: Globally Systemically Important Financial Institutions

Session Seven: Central Banking after the Crisis

Session Eight: A New Bretton Woods System?: The China-USA Relationship and Global Imbalances

Session Nine: Key Currencies: The Dollar, the Euro, and the Yuan

Session Ten: Conclusion

Main texts/ essential reading

Blinder, Alan S., and Mark Zandi. (2015). The Financial Crisis: Lessons for the Next One: <http://www.cbpp.org/research/economy/the-financial-crisis-lessons-for-the-next-one>

Borst, Nicholas. (2013), [China's Credit Boom: New Risks Require New Reforms](#), Peterson Institute for International Economics Policy Brief 13-24.

Buiter, Willem. (2015). Is China Leading the World into Recession? Citi Research Economics: <http://willembuiter.com/China2015.pdf>

Brender, Anton and Florence Pisani. 2009. [Globalized finance and its collapse](#)

Davies, Howard and David Green. 2008. *Global Financial Regulation: The Essential Guide* (Cambridge: Polity Press).

McKinsey Global Institute. (2015). Debt and (Not Much) Deleveraging: http://www.mckinsey.com/insights/economic_studies/debt_and_not_much_deleveraging

Rey, Hélène.. (2013). Dilemma not Trilemma: The Global Financial Cycle and Monetary Policy Independence, Available at <http://www.voxeu.org/article/dilemma-not-trilemma-global-financial-cycle-and-monetary-policy-independence>.