Course Description

This course analyzes the Politics of Finance, particularly with respect to Banks, Stock Markets, Exchange rates, and Sovereign Debt. While economic fundamentals and business management are important aspects of financial activities, the role of politics is equally important. For example, when banks need a bail-out after a banking crisis, it is politicians that decide which banks are bailed out and to what terms. Political events such as elections can have major implications for the stock market. Currency wars between countries are instigated on behalf of politicians who want to protect the economic interest of their constituency. Lastly, politicians play a big role in a country’s decision to default on its debt. This class provides students with insights into how politics affects finance, and how finance affects politics.

Course Objective

The course objective is to enable graduate students to transition from merely consuming existing academic literature to producing scientific studies themselves. For this reason, the content and teaching of this course are focused on providing students with the opportunities to a) understand and evaluate the choices authors of scholarly work have made in the process of conducting their studies, and b) to design and implement a scientific study themselves.

By the end of this course, students will be able to

- identify an empirical puzzle to motivate their research question
- summarize the existing literature on their research question in the form of competing explanations.
- evaluate the theoretical merit of competing arguments and consequently identify a new (superior) explanation that is currently not represented in the literature.
- create a research design capable of obtaining empirical evidence that allows the student to adjudicate between competing arguments.
- implement the research design to obtain preliminary empirical evidence.
Teaching Method

Issues in political economy often offer no ‘correct’ answer but only a ‘best’ answer that are most appropriate given some criteria by which to evaluate the possible answers. Consequently, this course offers an opportunity to prepare for a career in settings where there are no clear-cut answers either, such as consulting, finance and law. This is also the case if you pursue an academic career where your cutting-edge research will ‘boldly go where no man has gone before.’ I will use teaching methods that will require you to develop skills required to succeed in these settings. For this reason, each class will be divided into two parts. The first part of class will be devoted to a seminar-style discussion of the readings. While I will provide guidance to ensure we get to the main take-away points of this week’s readings, this is a space to explore the arguments presented in the readings as well as the way in which the studies were designed. The second part of class will group involve discussions of your own research. The goal of these discussions is to inform and guide your efforts in creating your own, original scientific work.

I subscribe to these teaching methods not only to prepare you for the workplace, but also from a pedagogical perspective. Research shows that student learning is enhanced by providing active learning opportunities. This implies that you will learn more if I engage you with tasks than if I would simply lecture to you.

Assignments and Academic Calendar

Part 1: Banks

1 (1/18) – no class (SPSA conference)

no readings

2 (1/25) – Banking crises

Required


Recommended


Asli Demirguc-Kunt and E Detragiache. The determinants of banking crises: evidence from industrial and developing countries. IMF Staff Papers, 45(1), 1997.


3 (2/1) – Banking regulations

**Required**


**Recommended**


4 (2/8) – Bank bailouts

⇒ **Paper #1 due**

**Required**


Recommended


Part 2: Stock Markets

5 (2/15) – Stock Market crashes

Required


Recommended


6 (2/22) – Corporate Governance

⇒ Paper #2 due

Required


**Recommended**


**Part 3: Exchange Rates**

7 (3/1) – Currency crises

**Required**


Thomas B Pepinsky. Do Currency Crises Cause Capital Account Liberalization? *International Studies Quarterly*, pages 1–17, April 2012. young democracies exhibit relatively high probabilities of succumbing to speculative attacks, as the political cost of economic adjustment needed for defense is relatively high for these nascent regimes.


**Recommended**


8 (3/8) – Exchange rate regimes

⇒ Paper #3 due

Required


Recommended


9 (3/15) – The value of exchange rates

Required


**Recommended**


10 (3/22) – no class (Spring Break)

**Part 4: Sovereign Debt**

11 (3/29) – Private creditors

**Required**


**Recommended**


12 (4/5) – Bilateral creditors

⇒ Paper #4 due

**Required**


Recommended


13 (4/12) – Multilateral creditors

**Required**


**Recommended**


Paper Workshop

14 (4/19) – Paper workshop 1/3

⇒ Presentation due

no readings
15 (4/26) – Paper workshop 2/3
no readings

16 (5/3) – Paper workshop 3/3
no readings

⇒ Conference Submission due on 5/10
⇒ Paper #5 due on 5/10

Structure of Class

Each class has several components:

1. At the beginning of the semester, the class will be divided into four groups of equal size. Prior to each class, each group is assigned two journal articles from the readings assigned that week. Their task is to prepare two short presentations to be uploaded to eLearning by 11:59pm the day prior to class. There are two types of presentations:

   (a) The first type of presentation introduces the an article. It pays particular attention to a) the motivation for the research question, b) the competing hypotheses examined, c) the choice of, and justification for, the research design, and d) a summary of the findings.

   (b) The second type of presentation discusses the strengths and weaknesses of the article. This presentation should focus on a) whether the research puzzle is well identified, b) if the competing hypotheses are valid, c) if the choice of methodology is appropriate, d) whether the operationalization of variables is acceptable, and e) whether the findings presented by the authors are credible.

2. Your presentations will be used to motivate the discussion of the readings assigned for that week. We will use the first part of the class time for this discussion. Here we will explore the strengths and weaknesses of each article, always with the intention to draw lessons for your own research projects.

3. After a short break we will change gears in the second part of class: We will think about how the insights from our discussion can be applied to your research projects. In other words, we will have a short paper workshop at the end of each class.

4. I will conclude the class by reviewing the key ‘take-away’ points from this class and provide some guidance regarding the readings for the following week.

Grading Policy

This course will use several types of assignments to assess your learning.

- 5 Papers (5 × 30 = 150 points): The short papers have a word limit of 1000 words each. The four papers will have different foci:

   1. Puzzle, Research question, and significance: The first paper will require you to identify an empirical puzzle that you would like to explain. It will also require you to detail why finding an explanation for the research puzzle is of normative significance.
2. Three hypotheses: The second paper will ask you to identify the two most convincing types of explanations for your puzzle that currently already exist in the literature. In addition, you are will introduce an original third hypothesis that has currently not been suggested by anyone.

3. Research Design: In the third paper, you will outline your plan for obtaining evidence capable of adjudicating among the competing hypotheses you introduced in the previous paper. You should justify why a particular type of data and a specific methodology are capable of producing such judgements.

4. Preliminary Analysis: In this paper, you will show your preliminary results. These may be the findings from a statistical analysis, or the empirical results of a structured case study, or the like.

5. Final paper: The final paper consists of the previous four papers. It also incorporates the feedback that you received on each of the previous papers.

- Group Presentations (20 × 10 points) = 200 points: Each group will have to prepare two short group-presentations each week. The first presentation will introduce an article to class while the second will critically evaluate another article.

- Research Presentation (50 points): You will present the preliminary results for the puzzle introduced in Paper 1, adjudicating between the three hypotheses identified in Paper 2, using the research design outlined in Paper 3. While the research does not have to be concluded a this time, the presentation of preliminary empirical evidence is expected.

- Conference abstract (25 points) and submission (25 points): Submission of a proposal based on the research project to an academic conference of your choice. Confirmation of the submission is required.

- Class Attendance and Participation (50 points): Devoted class participation is essential for this course’s success. As such, students' final grades will depend both on the quantity as well as the quality of the contributions during class.

The final course grade calculation therefore consists of the following components:

- Papers: 150 points
- Group presentations: 200 points
- Research presentation: 50 points
- Submitted conference proposal: 50 points
- Class attendance: 50 points
- Total: 500 points

Note: Please consider the course policies on late work, missed exams, and grade disputes at the end of this document.
Expectations

What I expect of my students

- Willingness to work: As a general rule, one credit represents three hours of academic work per week (including lectures, laboratories, recitations, discussion groups, field work, study, and so on), averaged over the semester. In other words, you will need to invest time into this course, otherwise the benefits and the grades you will get might not be what you want.

- Classroom etiquette: You are expected to complete the assigned readings prior to the class session for which they are scheduled. Lectures and discussions will not duplicate, but instead will build on, and hence will assume prior familiarity with, assigned readings. Your active, informed and civil participation in discussion and class activities is expected. You are responsible for remaining attentive in class, arriving prepared to discuss course materials, and respecting other members of the class as you and they participate.

What you can expect from the instructor

- I offer a learning environment that challenges you in order to provide opportunities for growth. I will be prepared to the best of my abilities.

- I encourage you to explore your own ideas in response to the assigned tasks. I will be open-minded in responding to your ideas and suggestions. I will offer constructive feedback.

- I am open to constructive feedback from you on my performance. If you have ideas or suggestions, please do not hesitate to discuss them with me. I am committed to make this the best possible classroom experience.

Course Policies

Late work

- Late papers, projects, homework, and other assignments: With regard to papers, projects and other out-of-class assignments, my late-policy is two-fold. First, due dates are due dates. Late work will be subjected to a penalty in the form of points deducted. This deduction will increase exponentially with lateness. More specifically, I will deduct 20% of the points achieved for a 12 hours delay, 50% for 24 hours, and 100% for more than 48 hours. This policy is justified as all deadlines are announced at the beginning of the semester in the syllabus (and the fact that your future boss will not be impressed if you cannot finish work assignments on time). Please note that it is always possible to hand in an assignment early.

- Incomplete coursework: Incompletes will be granted only in the case of documented long-term illness, and if you and I jointly complete the required paperwork with the Undergraduate Associate Dean of EPPS, which is available here: http://catalog.utdallas.edu/2013/undergraduate/policies/academic#incomplete-grades

- Extra credit: Extra credit activities or coursework resubmission will not be permitted. Do your best the first time around.
Academic Misconduct

Students are expected to do their own assigned work. If it is determined that a student has engaged in any form of Academic Dishonesty, he or she may be given an F or an N for the course, and may face additional sanctions from the University. Academic dishonesty in any portion of the academic work for a course shall be grounds for awarding a grade of F or N for the entire course.

Sexual Harassment

University policy prohibits sexual harassment as defined in the University Policy Statement (http://www.utdallas.edu/legal/title9/contactharass.html and http://www.utdallas.edu/hrm/hr/complaints/harassment.php). This is a serious offense, and I feel strongly about addressing it. Complaints about sexual harassment should be reported to the Dean of Students, Office of Student Life, Student Union Room 1, phone 972-883-6391 or email gene.fitch@utdallas.edu. However, I also want you to know that you can also talk to me as well about any issues that come up.

Accommodations for Students with Disabilities

Participants with special needs are strongly encouraged to talk to me as soon as possible to gain maximum access to course information. It is important to me that everyone who wants to take this class is not prevented from doing so due to special needs. University policy is to provide, on a flexible and individualized basis, reasonable accommodations to students who have documented disability conditions (e.g., physical, learning, psychiatric, vision, hearing, or systemic) that may affect their ability to participate in course activities or to meet course requirements. Students with disabilities are encouraged to contact the Office of Student AccessAbility and their instructors to discuss their individual needs for accommodations. The Office of Student AccessAbility is located in SSB 3.200. Staff can be reached at studentaccess@utdallas.edu or by calling 972-883-2098. For more information see http://www.utdallas.edu/studentaccess/

Please note, however, that if you have any concerns regarding how special needs might affect the assessment of your performance, you have to talk to me prior to the date of the assessment. I cannot make grade adjustments after the fact.

Statement regarding diversity

I strongly believe that diversity is an asset rather than a liability. For one, in a globalized world you will be exposed to people who are different from you. Therefore, it is necessary to recognize that people who are different in almost all cases bring something valuable to the table: Experiences that you can learn from, insights that were not apparent to you, skills that you do not have, or knowledge that you can benefit from. It is my intention to create a learning environment in this class that allows everyone to share their unique strengths. This is not only my personal belief. After all, research shows that the best work is usually produced by groups that combine the different comparative advantages of their group members.

I therefore emphasize that I will welcome anyone to my class, regardless of your sexual orientation, religious observances, political orientation, physical characteristics, cultural background, nationality, or any other characteristic. I recognize that I myself am not perfect, but I promise you to make every effort. If you have any concerns with respect to your acceptance in the classroom I strongly encourage you to talk with me.
Technology in the classroom

Laptops are allowed and even encouraged in the classroom. Bring yours to classes, as we will frequently use it for group activities and short in-class writing assignments. However, I do expect you to use the laptop for activities related to the class only. That is, no gaming, no facebook, no emails, no chatting. I reserve the right to administer sanctions if your behavior does not align with these expectations. However, any other technological items such as cell phones, Ipods, MP3 players, pagers, and PDAs need to be turned OFF during class. That’s right: turn it off, rather than just setting it to vibrate. The purpose for this policy is that I want to minimize distractions during class. I do want you to be focused on the learning activities that will be going on. If I notice that you are not paying attention but instead are focused on your cell phone I reserve the right to do something about it.

Further, you are not allowed to make video- or audio-recordings of the classes without my prior permission. I reserve the right to legal action in case I observe you doing so. The reason why the dialogue between professors and students should stay within the closed community of the classroom is simple. After all, academic freedom and completely honest communication in the classroom requires a certain degree of privacy for all the people in the classroom. Students and teachers alike need to be able to be frank, and they need to express their emotions honestly. A video- or audio recording will seriously impede the willingness of students to come forward and engage in an open and honest discussion.

UT Dallas Syllabus Policies and Procedures

The information contained in the following link constitutes the University’s policies and procedures segment of the course syllabus. Please go to http://go.utdallas.edu/syllabus-policies for these policies.

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.