

American University
SIS 496/619-014 & ECON-396/696-001/02 Fall 2008
Tuesdays 2:10-4:50PM

INTERNATIONAL ECONOMIC ORGANIZATIONS: PUBLIC AND PRIVATE

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Course description

A study of the entrepreneurial, corporate, and governmental forces and organizations that have shaped international commerce and cross-border finance. The class examines how official and private-sector institutions, in particular, have become more or less relevant in light of fast-paced globalization since the 1960s; the challenges these institutions currently face; and how these institutions interact with, and react to, developments in commodity and financial markets.

Course requirements and grading

During most of each class, Prof. Porzecanski will lecture on the main ideas conveyed (or not) by the assigned readings, and during the remainder he will guide a class discussion of the topic at hand. In order to reap the benefits from the course, students should plan on attending every class and on doing all of the required readings *before coming to class*, because credit will be given for class participation – especially to students who answer the questions raised in class by other students or the professor. All the required readings are posted on Blackboard.

Students compete for grades with their classmates, subject to the binding constraint that no more than one-third (1/3) of the class will receive an “A” or “A-” letter grade.

The course requirements are two multiple-choice exams to take place on Tuesday, October 7th and December 2nd, respectively; and one essay *of a maximum length of 2,000 words*, excluding the bibliography and footnotes, written on one of three topics *specified at the end of this syllabus*, to be delivered via e-mail by 6AM on Wednesday, December 10th at the latest. The quantity and quality of class participation will contribute to 10% of the final grade; the exams will count for 25% each; and the essay will account for the final 40%.

Being a member of the AU academic community entitles each of us to a wide degree of freedom and the pursuit of scholarly interests; with that freedom, however, comes a responsibility to uphold the high ethical standards of scholarly conduct. By registering in this course, students acknowledge their awareness of the Academic Integrity Code, and are obliged to become familiar with their rights and responsibilities therein. All work done in class or outside of class, whether oral or written, is governed by its provisions. Academic violations include, but are not limited to, plagiarism, inappropriate collaboration, dishonesty in examinations whether in class or take-home, dishonesty in papers, work done for one course and submitted for another, deliberate falsification of data, interference with other students' work, and copyright violations. The adjudication process and possible penalties are listed in AU's Academic Integrity Code booklet, available on the AU website (at <http://www.american.edu/academics/integrity/code.htm>).

Schedule and readings

August 26: 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 2: Bilateral Investment Treaties and the International Center for Settlement of Investment Disputes (ICSID)

Required readings:

- 1) Martin A. Weiss, "The U.S. Bilateral Investment Treaty Program: An Overview," Congressional Research Service Report RL33978, April 24, 2007.
- 2) Zachary Elkins et al., "Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960-2000," International Organization, Fall 2006.
- 3) Stanimir Alexandrov and Marinn Carlson, "ICSID," Sidley Austin Arbitration 2007.
- 4) ICSID, Annual Report 2007.

September 9: The International Finance Corporation (IFC)

Required readings:

- 1) IFC, Integrated Annual Report 2007, excerpt, 2007.
- 2) IFC, "IFC Road Map FY2009-11: Creating Opportunity," March 27, 2008.
- 3) IFC, FY 2008-10 Business Plan and Budget, 2007.
- 4) World Bank Independent Evaluation Office, IFC's Financing of Micro, Small and Medium Enterprises, excerpt, 2008.

September 16: The African Development Bank (AfDB)

Required readings:

- 1) Karen A. Mingst, Politics and the African Development Bank (Lexington, KY: Univ. Press of Kentucky, 1990), chapters 1-4.
- 2) Patricia Adams and Andrea Davis, "The African Development Bank Struggles to Stay Afloat," Multinational Monitor, July-August 1996.
- 3) African Development Bank, Annual Report 2007, excerpt, 2008.
- 4) Standard & Poor's, "African Development Bank Credit Research Report," October 16, 2007.
- 5) Center for Global Development, "Building Africa's Development Bank: Six Recommendations," August 2006.

September 23: The Paris Club

Required readings:

- 1) Paris Club, Annual Report 2007, excerpt, 2008.
- 2) Eurodad, Skeletons in the Cupboard: Illegitimate Debt Claims of the G7, February 2007.
- 3) World Bank, "Roundtable on Conceptual and Operational Issues of Lender Responsibility for Sovereign Debt," April 14, 2008.
- 4) Serkan Arslanap and Peter Blair Henry, "Debt Relief," Journal of Economic Perspectives, Winter 2006.
- 5) Arturo C. Porzecanski, "Debt Relief by Private and Official Creditors: The Record Speaks," International Finance, Summer 2007.

September 30: The Bank for International Settlements (BIS)

Required readings:

- 1) BIS, Annual Report 2007-08, excerpt, 2008.
- 2) Leonard Seabrooke, "The Bank for International Settlements," New Political Economy, March 2006.
- 3) Claudio Borio and Gianni Toniolo, "130 Years of Central Bank Cooperation: A BIS Perspective," BIS Working Papers 129, February 2006.

October 7: Exam #1: Multiple-Choice Questions

October 14: The Organization of the Petroleum Exporting Countries (OPEC)

Required readings:

- 1) OPEC, Annual Report 2007, excerpt, 2008.
- 2) OPEC, OPEC Long-Term Strategy (Vienna: OPEC, undated).

- 3) James L. Smith, "Inscrutable OPEC? Behavioral Tests of the Cartel Hypothesis," Energy Journal, vol. 1, 2005.
- 4) Cyrus Bina and Minh Vo, "OPEC in the Epoch of Globalization: An Event Study of Global Oil Prices," Global Economy Journal, issue 1, 2007.

October 21: The International Organization for Standardization (ISO)

Required readings:

- 1) ISO, Annual Report 2007, 2008.
- 2) ISO, Strategic Plan 2005-2010, 2004.
- 3) Ann Teerlak and Andrew A. King, "The Effect of Certification with the ISO 9000 Quality Management Standard," Journal of Economic Behavior and Organization, August 2006.
- 4) Joseph A. Clougherty and Michal Grajek, "The Impact of ISO 9000 Diffusion on Trade and FDI," CEPR Discussion Paper #6026, January 2007.
- 5) Matthew Potoski and Aseem Prakash, "Green Clubs and Voluntary Compliance: ISO 14001 and Firms' Regulatory Compliance," American Journal of Political Science, April 2005.

October 28: Credit Rating Agencies

Required reading:

- 1) Moody's, Annual Report 2007, excerpt, 2008.
- 2) Financial Stability Forum, Report on Enhancing Market and Institutional Resilience, excerpt, April 7, 2008.
- 3) Claire Robinson, Moody's Testimony Before the U.S. Senate Committee on Banking, April 22, 2008.
- 4) Standard & Poor's, "Sovereign Credit Ratings: A Primer," May 19, 2008.
- 5) Standard & Poor's, "Introduction of Sovereign Recovery Ratings," June 12, 2007.
- 6) Alexander W. Butler and Larry Fauver, "Institutional Environment and Sovereign Credit Ratings," Financial Management, Autumn 2006.
- 7) Nada Mora, "Sovereign Credit Ratings: Guilty Beyond Reasonable Doubt?," Journal of Banking and Finance, July 2006.

November 4: The Basel Committee on Banking Supervision (BCBS)

Required readings:

- 1) Kern Alexander et al., Global Governance of Financial Systems (New York: Oxford Univ. Press, 2006), chapters 1-2 and 10.
- 2) Financial Stability Institute, "Implementation of the New Capital Adequacy Framework in Non-Basel Committee Member Countries," Occasional Paper #6, September 2006.
- 3) Andrew Palmer, "Paradise Lost," The Economist, May 15, 2008.

- 4) Basel Committee on Banking Supervision, "Principles for Sound Liquidity Risk Management and Supervision," Press Release, June 17, 2008.
- 5) Richard Podpiera, "Does Compliance with Basel Core Principles Bring Any Measurable Benefits?," IMF Staff Papers, issue 2, 2006.

November 11: Sophisticated Financial Intermediaries (investment banks, hedge funds, and private equity funds)

Required reading:

- 1) K. Thomas Liaw, The Business of Investment Banking, 2nd edition (Hoboken, NJ: Wiley, 2005), chapters 1-2 and 5, pp. 1-24 and 65-85.
- 2) Roddy Boyd, "Last Days of Bear Stearns," Fortune, April 14, 2008.
- 3) Michael Santoli, "Future of the Street," Barron's, June 30, 2008.
- 4) René M. Stulz, "Hedge Funds: Past, Present and Future," Journal of Economic Perspectives, Spring 2007, pp. 175-194.
- 5) Sebastian Mallaby, "Blame the Banks," foreignaffairs.org, April 9, 2008.
- 6) Geoffrey Colvin and Ram Charam, "Private Equity, Private Lives," Fortune, November 27, 2006.
- 7) Adrian Blundell-Wignall, "The Private Equity Boom: Causes and Policy Issues," OECD Financial Market Trends, June 2007.

November 18: Discussion of Final Essay and Exam

November 25: No Class Meeting: Thanksgiving

December 2: Exam #2: Multiple-Choice Questions

December 10: E-mail Versions of Essay Due by 6AM

Instructions for Essay:

Choose one (1) from among the following three (3) topics for your *maximum 2,000-word paper* excluding footnotes and a bibliography, which should include citations to *at least five (5) academic or official sources* beyond any listed in this syllabus.

1. Your boss, a Senator with considerable international economic expertise, has been invited by multinational business executives to give a speech entitled "The IMF: Time to Reform It or Time to Abolish It?" Write a memorandum explaining to her in what ways the IMF has been or is being reformed already; what are the main reasons why the Fund should be reformed further OR what are the main reasons why the Fund should be closed down; and if the former, in what ways it should be reformed.

2. Your boss, a multinational business executive, has been invited by the Joint Economic Committee of the U.S. Congress to testify on the question “The World Bank: Time to Reform It or Time to Abolish It?” Write a memorandum explaining to him in what ways the Bank has been or is being reformed already; what are the main reasons why the Bank should be reformed further OR what are the main reasons why the Bank should be closed down; and if the former, in what ways it should be reformed.

3. Your boss, a senior lawyer with considerable international expertise, has been invited by the U.S. Chamber of Commerce to give a speech entitled “The WTO: Time to Reform It or Time to Abolish It?” Write a memorandum explaining to her in what ways the WTO has been or is being reformed already; what are the main reasons why the WTO should be reformed further OR what are the main reasons why the WTO should be closed down; and if the former, in what ways it should be reformed.