Politics of Finance  
PPPE 6368  
Spring 2017  T 7:00pm - 9:45pm  CB 1.219

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Office Hours: Thu 4:00pm-5:00pm

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

Discussions concerning topics in political economy are typically both interesting and heated. For any given topic, several legitimate positions can typically be adopted – even though they might contradict each other. Which of these positions is the ‘best’ position often depends on the criteria used to evaluate the problem: Is it about reducing costs or upholding ethical standards? Is it about benefiting consumers or favoring producers? In other words, there might not be a ‘correct’ answer, but there might be a ‘best’ answer given the criteria by which you judge what is most appropriate in a certain situation.

The objective of this course is to enable you to evaluate the validity of competing arguments in order to identify the ‘best’ answer. To achieve this, the course offers the opportunity to sharpen your analytical skills. We will focus on a) how to evaluate the theoretical merit of competing arguments, and b) how to obtain and understand empirical evidence to adjudicate between competing arguments. In sum, you will learn how to make sense of messy real-world situations by examining competing arguments in a theoretically-informed and evidence-based way.

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. The second part of class will involve case studies using real world data and situations. Each team will develop answers to the problems posed in the case study using the theories discussed in today’s class. We subsequently will compare and contrast the different solutions of all teams.

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

**Introduction**

1 (1/10) – Introduction

no readings

**Part 1: Banks**

2 (1/17) – Banking crises

**Required**


**Recommended**


3 (1/24) – Banking regulations

Required


Recommended


4 (1/31) – Bank bailouts

Required


Recommended


Part 2: Stock Markets

5 (2/7) – Stock Market crashes

⇒ Paper #1 due
Required


Recommended


6 (2/14) – Corporate Governance

Required


Recommended


Part 3: Exchange Rates

7 (2/21) – Exchange rate regimes

⇒ Paper #2 due

Required


Recommended


**8 (2/28) – The value of exchange rates**

**Required**


**Recommended**


9 (3/7) – Currency crises

Required


Recommended


Spring Break

(3/14) No class

Part 4: Sovereign Debt

10 (3/21) – Private creditors

⇒ Paper #3 due

Required


Recommended


Jeromin Zettelmeyer and Federico Sturzenegger. The Economics of Sovereign Debt and Debt Crises: A Primer. pages 1–8, July 2015. [pages: 31-38]


11 (3/28) – Bilateral creditors

Required


Recommended


12 (4/4) – Multilateral creditors

Required


Recommended


Required


13 (4/11) – Sovereign Default

**Required**

**Recommended**

14 (4/18) – Sovereign credit ratings

**Required**


**Recommended**


**Outro**


⇒ Poster due
⇒ Conference Submission due
no readings

**Structure of Class**

Each class has several components:

1. Each week, prior to class, you will need to submit several items on eLearning.
   - You will need to submit two “why” questions about the readings. These questions should be pretty specific, and they should focus on the theory proposed (not the personal background of the author, etc.). For example, “I don’t understand why the author argues that A follows B - could we clarify this issue?”, “Why does the author think that X is going to happen, because
from my understanding Y is much more likely?”, or “Why does B follow from A for author X while author Y apparently has a very different take on this?”. You don’t need to know the answers, but you should expect that I will ask you to clarify your questions.

• In addition, you will need to find a recent newspaper article (within the past two years) that is related to the readings. You will need to provide a short paragraph explaining how the newspaper article is relevant for this week’s topic (Is it an example for article X? Does it contradict the predictions of article Y? etc.).

• Lastly, please upload a .pdf file of the article to eLearning.

The deadline for the two questions, the newspaper illustration, and the newspaper article is 11:59pm the day prior to class.

2. Your questions and the newspaper article will be used to create an agenda for a 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.

3. After a short break we will change gears in the second part of class: Using case-studies, we will think about how the insights from our discussion can be applied to real world scenarios. Sometimes we will use the time instead to discuss your research project for this 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.

• 3 Short Papers (3 × 50 = 150 points): The short papers have a word limit of 1000 words each. The three papers will have different foci:
  – 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.
  – 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.
  – 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.

• Poster, two Poster Reviews, and Presentation (15, 10, 10, and 15 points respectively = 50 points): Using a poster, 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 (100 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:

• 3 Short papers: 150 points
• Poster presentation: 50 points
• Submitted conference proposal: 50 points
• Class attendance: 100 points
• Total: 350 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/er/complaints/harassment.php5). 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.