Course Description

‘Finance’ seems a topic that is purely economics and business. However, that is not quite correct: When banks need a bail-out after a banking crisis, it is politicians that decide which banks are bailed out and to what terms. Furthermore, political events can have major implications for the stock market. Currency wars between countries are instigated on behalf of politicians that want to protect the economic interest of their constituency. Politicians play a big role in a country’s decision to default on its debt. In each of these areas — Banks, Stock Markets, Exchange rates, and Sovereign Debt — politics plays an enormous role. This course analyzes how politics affects finance, and how finance affects politics. Take this class if you want to learn more about the collapse of the Lehman Brothers in 2008, the way politics stabilized the stock market after 9/11, the effect of China’s undervalued currency on the United States, or the Greek debt crisis. This course is particularly suited for students interested in careers in business or government.

Course Objectives and Learning Outcomes

The course objectives are twofold. First, the course provides students with a frame for reference. We all need reference points to properly evaluate the strengths and weaknesses of our own political system, practices, and policies. This course aims to accomplish this by examining the ways in which different countries have responded to similar problems. Developing an analytical framework for new information enables students to better evaluate the world they live in, particularly when faced with new and unfamiliar situations. My goal is that students emerge from this course with better ability to absorb news stories or historical accounts, gauge their importance, and fit them into a coherent framework about how the world works.

Second, as the domestic economies continue to sputter, the Euro is threatened with collapse, and China’s growth rate rapidly transforms the entire global economy, students demand insight and answers. Yet, there are no clear-cut answers regarding what is right and what is wrong. However, this is not to say that all arguments are created equally: Some arguments are clearly better than others if the logic of their causal mechanism is more convincing and the weight of the evidence is in their favor. Yet, learning how to evaluate arguments and empirical information is difficult. This course offers an opportunity to develop such skills. Most Political Science students will pursue careers in settings where there are no clear-cut answers either, and this course aims to provide students with the opportunity to sharpen the skills required for working in such environments.
By the end of this course, students will be able to:

- have a solid understanding of the existing literature.
- be able to derive several competing solutions to public policy problems by applying various schools of thought to the same issue.
- understand how to use empirical evidence to adjudicate between competing arguments.
- suggest policy recommendations for decision makers.

## 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. In addition to the analytical skills, skills such as teamwork, argumentation, writing and independent project management are required as well.

I use teaching methods that offer the opportunity to develop these workplace-related skills while you are investigating Political Economy issues. For example, the class will be divided in teams that work together for the entire semester. During class time I frequently give small in-class assignments that need to be solved by the teams in order to facilitate your ability to work in a team. Further, I require students to produce written output such as short memos. These assignments convey basic writing and argumentation skills, which you need at your workplace later on.

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. In other words, you will learn more if I engage you with tasks than if I would simply lecture to you.

## Course readings

### Required Textbooks and Materials

Considering the cost of most books, I do not require you to purchase a textbook. Instead, the readings primarily consist of excerpts from articles in scientific journals or book chapters. Most readings will be available on eLearning, while others can be downloaded via the library’s website at http://www.utdallas.edu/library/. You are not required to print material made available electronically.

### Technical Equipment

I encourage you to bring your laptop. We will utilize it heavily in class.

## Assignments and Academic Calendar

### Introduction

**Week 1 (8/24) – Introduction**

- Part 1 – Why study the Politics of Finance?
  - no readings
- Part 2 – Types of Statements
Week 2 (8/31) no class (APSA)

Unit 1: Banks

Week 3 (9/7) – What are banks?

- Part 1 – Why are banks important?

- Part 2 – Why do banking crises occur?

Week 4 (9/14) – Banking regulations

- Part 1 – How are banks regulated?

- Part 2 – Why do regulations differ?

Week 5 (9/21) – Politics and Bank Behavior

- Part 1 – Politics and bailing out banks

- Part 2 – Banks and the housing market
Unit 2: Stock Markets

Week 6 (9/28) – What are stock markets?
- Part 1 – Why are stock markets important?
- Part 2 – Politics and the price of stocks

Week 7 (10/5) – Stock market crashes
- **Team Peer Review #1**
- Part 1 and 2 – Why do stock market crashes occur?

Week 8 (10/12) – Regulating Stock Markets
- **Writing Assignment #1 due**
- Part 1 – Stockholders vs. Stakeholders
- Part 2 – Explaining the differences in corporate governance

Unit 3: Exchange rates

Week 9 (10/19) – What are exchange rates?
- **Mid-Semester Evaluation**
- Part 1 – Why are exchange rates important?
- Part 2 – Why do currency crises occur?
Week 10 (10/26) – Types of exchange rates

• Part 1 – Fixed versus floating exchange rates

• Part 2 – Over- versus undervalued exchange rates

Week 11 (11/2) – Midterm

• Midterm exam in class

Week 12 (11/9) – Past and Future of Intl Financial System

• Part 1 International Financial Arrangements

• Part 2 Currency Unions

Unit 4: Debt

Week 13 (11/16) – What is sovereign debt?

• Part 1 – Why do governments borrow?

• Part 2 – Distributional consequences of debt

Week 14 (11/23) – no class (Thanksgiving)

• Official University holiday
Week 15 (11/30) – Debt crises

⇒ **Team Peer Review #2**

- **Part 1 – Why do governments default on their debt?**

- **Part 2 – Politics and Credit ratings**

Week 16 (12/7) – The domestic politics of debt

⇒ **Writing Assignment #2 due**

- **Part 1 – Politics and the price of sovereign debt**

- **Part 2 – Choice of creditor**
  - Bunte, J. (2017) “How Do Developing Countries Decide Between Creditors?” In: Bunte, J. *Raise the Debt: How Developing Countries Choose Their Creditors*

Final Exam (Date to be announced)

- The final exam will take place during exam week. The precise date will be made available as soon as the University posts them.

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**Structure of Class**

Each class has several components:

1. Prior to class, you will need to submit two journal entries, one for each part of the class. Journal entries are short written responses to questions I pose to you about the readings. Their purpose is to ensure that you have completed the readings, and therefore are prepared for discussions and case studies in class.

2. At the beginning of each class, I will review your feedback regarding last week’s class. This aims to clarify any issues that are still unclear before moving on to today’s topic.

3. Since we meet only once a week — but for almost three hours — each class is divided into two parts. The syllabus clearly identifies the topics of both parts. We will have a short break between the two parts.

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.
5. The final activity involves you providing short written feedback on issues that are not clear and questions that you may have. This feedback is anonymous to allow you to be frank and honest. I will use your notes to start off next week’s class.

### Grading Policy

**Assignments in this course** This course will use several types of assignments to assess your learning.

- **24 journal entries (two for each class), lowest 6 scores will be dropped (10 points each = 180 points):**
  
  As noted above, journal entries are short written responses to questions about the readings for a lecture. Their purpose is to ensure that you have completed the readings, and therefore are prepared for the other in-class and team activities. The journals are administered on eLearning, which implies that technical or scheduling difficulties are no valid excuse. Also, there will be no make-up quizzes because I am dropping the a certain number of your lowest quiz scores at the end of the semester. Journal entries have a word limit of 300 words. They are open-book so that you can use all the notes that you have taken when you did the readings. The journal entries have to be submitted by the beginning of each lecture. Each journal entry is graded with either ‘not completed’ (0 points), ‘check minus’ (3 points), ‘check’ (6 points) or ‘check plus’ (10 points). No written feedback will be given, but the TA will be available during office hours to offer verbal feedback.

- **2 Team Peer Reviews (20 points each = 40 points):** Many learning activities will involve permanent teams of 5 students which will be formed at the beginning of the semester. Later in the semester, you will have the opportunity to assess the behavior of your teammates and evaluate how much and how well they have contributed to the work of your team. These assessments of your performance as judged by your teammates will be part of your overall performance evaluation.

- **1 Midterm (50 points):** The midterm will be an in-class exam.

- **2 Writing Assignments (50 points each = 100 points):** Each writing assignment will ask you to evaluate a selection of journal articles in a 5 page paper (double-spaced 12 point font, 1 inch margins).

- **1 Final (50 points):** The final exam during exam week (precise date will be made available as soon as the University posts them).

- **Class Attendance and Participation (30 points):** Class participation includes, but is not limited to, (a) attendance, (b) participation in class, (c) participation in group work, and (d) think-pieces or other short writing assignments.

**‘One off’ Policy** You are allowed to drop one of the following: the midterm or one writing assignment. In other words, you can choose either to write two writing assignments and drop the midterm, or to write the midterm and only one writing assignment. However, you can also complete both writing assignments and take the midterm. In this case I will drop your lowest grade of these three assessments and count only the two highest grades towards your final grade. The final, the reading quizzes, and the peer reviews are required.

The rationale for this policy is two-fold. First, some students are good test takers, others are better writers. This policy therefore allows students to choose the assessment method that they feel most comfortable with. Second, in return for granting this option to students I do not allow for no make-up exams. If you miss an exam or a deadline for an assignment this will count as your ‘one off.’ I do not offer extra credit for the same reason. You can complete all three assignments to then drop your lowest grade (i.e., exchange a ‘bad’ grade with a ‘better’ grade).
Final course grade calculation  In sum, the assessment of your learning will be based on both your individual performance and quality of your group’s output. The individual components will be weighted in the following manner:

- 18 journal entries: 180 points
- 1 first midterm + 1 writing assignment OR 2 writing assignments: 100 points
- 1 final: 50 points
- 2 team peer reviews: 40 points
- attendance and participation: 30 points
- **Total: 400 points**

Your final letter grade will be determined by the percentage of points that you achieve relative to the maximum number of points a student accomplished in the course. The following scale will be used:

- 94% - 100% = A
- 90% - 93% = A-
- 87% = 89% = B+
- 83% - 86% = B
- 80% - 82% = B-
- 77% - 79% = C+
- 73% - 76% = C
- 70% - 72% = C-
- 67% - 69% = D+
- 63% - 66% = D
- 60% - 62% = D-
- 0% - 59% = F

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 need to invest time into this course, otherwise the benefits and the grades you 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 assume prior familiarity with the 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.

• Obligations to other students: You will be assigned to a team of about 5 students that will work together the entire semester. Each team will have the opportunity to agree on how the teamwork should happen. You are expected to work with your teammates in the manner that all team members agreed upon.

• Course policies: Please read the course policies at the end of this syllabus. They facilitate a learning experience that is as efficient and effective as possible. Further, they represent the professional code of conduct in the real world.

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

Attendance, Participation, and Lecture Notes   Regular attendance is essential to your success in this course. Since I will be using interactive elements and group exercises during class time, it is difficult to "make up" for missed classes. We are jointly responsible for maintaining a constructive learning environment in the classroom. Students whose behavior is disruptive either to me or to other students will be asked to refrain from such behavior or, in severe cases, to leave the classroom. Mutual respect is expected of everyone in the classroom, and personal attacks will not be tolerated. Please contact me if you have any concerns in this regard.

Late work and missed exams

• Missed exams: Make-up exams will not be permitted. However, you are allowed to drop the lowest grade on one of either the midterm or one of the writing assignments (see detailed description above). Thus, if you miss an exam this will count as your ‘one off’.

The only exception is if you have an excused absence. This requires that you notify me before the assignment is administered. Coming to me several days after the test with a doctor’s note does not constitute sufficient grounds to let you complete your missed exam. Further, I expect you to present written documentation of the circumstances (e.g. a doctors note). I will accept the following as legitimate circumstances justifying lateness or taking a makeup exam: religious holidays, verifiable illness, serious family emergencies, subpoenas, jury duty, military service, and participation in group activities sponsored by the University. However, in all cases, you must speak to me directly, and not via email, and ahead of the exam date or assignment deadline.
Further, please note that if you arrive late to an exam you will not be given extra time to complete it. You will have to finish by end of the examination period.

If you have a serious problem affecting your studies (e.g. a major illness, family problems, or a death in the family) you must speak to me personally, not via email, and ahead of the exam or assignment deadline about any adjustments needed to complete the course. Telling me after the course has ended that your work suffered because of xyz leaves me with no options to help you. Do come and speak with me in such a situation as soon as possible.

- **Late papers, writing assignments, projects, homework, and other assignments:** Late assignments will not be permitted either since you are allowed to drop the lowest grade on one of either the midterm or one of the writing assignments (see detailed description above). Thus, if you miss an assignment deadline this will count as your ‘one off’.

- **Missed Journal Entry** Only the 18 best journal entries will count towards your final grade, while a number of your lowest journal entries will be dropped. It is therefore not possible to make up a missed journal entry.

- **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:

- **Extra credit:** Extra credit activities or coursework resubmission are not available. See the ‘one off’-policy above that allows you to improve on the previously received grades if you are dissatisfied with your current standing.

**Grade disputes** It is understandable that, at times, you have questions or concerns with regard to a grade you received on one of your assignments or exams. However, in order to turn questions about your grade into a learning experience, your grade dispute will be received in the following way:

1. **Cooling off period:** Neither I nor my TA will consider any grade related inquiries within the first 48 hours after the grades have been handed out. This ‘Cooling off’-period provides the opportunity to let the initial emotions subside and think more clearly about the issue at hand.

2. **Written memo:** Write a short memo explaining why you believe that your answer is correct, and why you therefore should have received full points. It is expected that you address the comments that the grader has given you. Email this note to me or the TA at least 24 hours prior to meeting me or the TA during my office hours. Bring your exam with you to the office hours. This step serves the purpose of encouraging you to critically re-evaluate the answer you gave on the exam. Looking through your notes and developing a case for your answer is an additional learning opportunity.

3. **First TA, then instructor:** If this course has a TA, contact her or him first with your dispute (using the two steps described above). After all, she or he has graded your assignment and therefore knows best how your performance compares to the one of your classmates. However, if your meeting with the TA has not resolved the issue, then you may contact me.

**Academic Misconduct** Students are expected to do their own assigned work. If it is suspected that a student has engaged in any form of Academic Dishonesty, the case will be referred to the Office of Community Standards and Conduct. The students 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.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 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.

Communication

- **E-mail**: E-mail is the most reliable way to get in touch with me outside of class and office hours. While I may sometimes be able to return e-mail more quickly, in general you should expect a response within 48 hours.

  On a more general note, here are some tips for e-mail success (and requirements for success on the job later on):
  
  - Provide a useful and descriptive subject line (ex: Question about my thesis for Essay 1)
  - Begin with a greeting (ex: "Dear Prof. Bunte") and end with a signature (ex: "Sincerely, Student"). Launching straight into the message is bad, but "Hi!" is poor form and "Hey Prof!" is an unmitigated disaster. "Dear" and "Hi" are fine, so long as you follow both by a name or title: "Hi Professor" or "Hi Mr. Bunte".
  - Check to see whether your question is already answered in the syllabus or other course materials before sending an e-mail.
  - Use your official school email address. The email address from high school like "hotmuffin92@hotmail.com" and "mikeyg@gmail.com" are not appropriate.

- **Office Hours**: I will hold regular office hours (see the top of this document). I am committed to being available to you for questions and concerns. However, in return, I ask you to observe some simple guidelines:

  - If you make an appointment to see me at my office, be on time. If you are late and I do not have to be there, I will leave. Do not show up for office hour appointments with me if you are drunk, stoned, or hung-over.
  - If you come to see me at my office and another student is already speaking to me, do not enter my office or stand in the doorway. Please go around the corner and wait your turn. Every student deserves privacy when discussing class issues with me.

Statement on classroom conduct / general etiquette guidelines  The following suggestions embody some general guidelines of courtesy that I strongly recommend.

- Do not carry on side discussions while someone else is speaking.

- Do not begin gathering or packing your belongings until class is dismissed.

- Learn my name and the Teaching Assistants’ names. I have met students who after a term in my class could not name me. As Shania Twain states, that does not impress me much. You should want to know your professors, and you should want them to know you, especially if you will require reference letters from them to go on to graduate school, a professional college, or to get a job.

- The Teaching Assistants and I are happy to help you. But remember that we are not your servants. You are my student, not my client.

- Please do not tell me that you need an A in my class to get into law school/teacher’s college or to remain in the dorms or on a University sports team. As I have laid out above, such things are not part of my formal evaluation process. I can grade only the quality of work that you give to me.
• Please do not tell me that you are getting As in your other classes if you are not doing as well in my class as you would like. I do not grade your other course work.

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.