

Department of Political Science

Political Science 196
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Spring 2009
Tuesday 2:30-5:20
Office hours: Tuesday 10:30-12:30
or by appointment

The International Monetary Fund

Description

Global economic crisis has stimulated new interest in reform of the International Monetary Fund, created some six decades ago to serve as the principal agent of governance for the international monetary system. From all sides come calls for an updating of both the organization's formal mission and its organizational structure, to better deal with today's financial instabilities and world recession. What are the Fund's limitations at the present time and what can be done about them? This seminar will examine both the economic and political issues involved in this critical policy dilemma. Particular emphasis will be placed on the difficulties and complexities of negotiating institutional reform at the global level. The seminar will culminate with a simulated international conference on IMF reform.

Course requirements

Students are required to attend all sessions of the seminar, to write two papers, and to participate in the culminating event of the seminar: the simulated conference on IMF reform. Final grades will be determined jointly by the quality of class participation and the written papers. There will be no mid-term or final examination.

Students will be expected to do all the required reading for each week before the seminar meets and to participate fully and constructively in weekly class discussions. Any unavoidable absences must be cleared with the instructor in advance.

Each of the two papers will be a maximum of ten (10) pages in length. The first paper will be due on **May 5**; the second will be due no later than the last day of spring quarter classes: **June 5**. No delays beyond either date will be permitted.

The simulation

After discussion of various issues on the reform agenda at the IMF, the seminar will culminate with a simulated conference on Fund reform. Each student will be assigned a role, acting as agent for a key actor in reform discussions (a "principal"): either a national government or the IMF Managing Director. Role assignments will be decided after the second session of the seminar on **April 7**. During subsequent weeks, you will prepare to represent the interests and preferences of your principal at the simulated conference. The conference itself will be held in two rounds, on **May 19** and **May 26**. In the simulation, the seminar instructor will act as chair and students will debate alternative reform proposals, engaging in active negotiation of possible compromise solutions. The goal will be to determine whether any mutually acceptable reforms are possible in practical political terms.

The first paper

The first paper will take the form of a memorandum prepared for the international conference to be simulated on May 19 and 26. Imagine that you are the chief advisor on international monetary affairs to a principal – either a national government or the Managing Director of the IMF. As such, you are expected to provide background briefing for the negotiation. The briefing should include: (a) a systematic evaluation of the strengths and weaknesses of the IMF at present (b) a careful assessment of relevant reform alternatives; (c) a clear articulation of the interests and preferences of your principal in relation to the reform proposals; and (d) your policy recommendations.

The assignment requires you to gain sufficient mastery of the content of the course to be able to step back and look at it as a whole, rethinking and reorganizing the material for the purposes of your memorandum. Toward this end you will need to begin the assigned readings early and to complete as much of them as you can as early as you can. Do not wait, however, until you complete all your reading to begin the process of organizing your paper. The challenge posed by this assignment lies not merely in demonstrating that you understand the material assigned or that you are informed about the various topics you address. Even more importantly, the challenge lies in the effectiveness of your analysis and the imagination of your recommendations.

The second paper

The second paper will also take the form of a memorandum from you in your role as advisor to your principal. In this paper, you will be expected to provide a post mortem on the outcome of the conference held on May 19 and 26 – a brief but comprehensive evaluation of the results of the negotiations. Building on your understanding of the interests and preferences of your principal, your papers should include: (a) a brief summary of the results of the negotiation; (b) a systematic evaluation of the implications of these results for your principal; (c) a critical assessment of the negotiating strategy and tactics that you used in the negotiation (Could you have done better? If not, why? If so, how?); and (d) your recommendations of how your principal should now respond to best protect the principal's interests and preferences.

You will have the last week and a half of the term to complete the second paper. There will be no class sessions after the second round of the simulated conference on May 26.

Readings

All readings for the seminar are included in a course pack available from Associated Students Publications Service, UCSB University Center (phone: 893-4471). The course pack is also available from the reserve desk at the UCSB library.

All readings are required. They are intended provide a balanced introduction to the major issues confronting the IMF today, which we will discuss in the weekly sessions of the seminar. However, they alone cannot provide all the detail and insight you will need to prepare adequately for your assigned role in the simulated conference. For that you will need to do much further research on your own, using both print and electronic sources. To begin, you might consult relevant books, articles, etc. cited in the footnotes and bibliographies of the required readings. Electronic sources are also plentiful, including of course Google. Useful websites are maintained by individual governments, by the International Monetary Fund (www.imf.org), and by various newspapers and magazines with a special interest in international monetary affairs, such as the *Financial Times* (www.ft.com), *Wall Street Journal* (www.wsj.com), and *The Economist* (www.economist.com). Once you get started, of course, you will find many other sites on your own.

Schedule

March 31	Introduction
April 7	The reform agenda
April 14	Governance
April 21	Surveillance
April 28	Lending and resources
May 5	Negotiating strategies and tactics - I
May 12	Negotiating strategies and tactics: - II
May 19	Simulation - Round 1
May 26	Simulation - Round 2

Required Reading

April 7: The reform agenda

Edwin Truman (2006), *A Strategy for IMF Reform*, chs. 1-2.

International Monetary Fund (2008), “IMF Reform Secures Backing by Wide Margin,” April 29.

International Monetary Fund (2008), “Directors Back Reforms to Overhaul IMF Quotas and Voice,” March 28.

International Monetary Fund (2008), “Board Backs Plan to Adopt New Income Model for IMF,” April 7.

International Monetary Fund (2008), “Managing Director Strauss-Kahn Appoints Committee on IMF Governance Reform,” September 4.

International Monetary Fund (2008), “IMF Executive Board Adopts Surveillance Priorities for 2008-2001,” October 8.

International Monetary Fund (2008), “World leaders Launch Action Plan to Combat Financial Crisis,” November 15.

Edwin Truman (2008), “On What Terms is the IMF Worth Funding?,” pp. 1-5, 35-51 only.

April 14: Governance

Ariel Buira (2005), “The Bretton Woods Institutions: Governance Without Legitimacy?,” in Ariel Buira, ed., *Reforming the Governance of the IMF and the World Bank*, ch. 2.

Jack Boorman (2007), “IMF Reform: Congruence with Global Governance Reform,” in Colin I. Bradford and Johannes F. Linn, eds., *Global Governance Reform*, ch. 1.

James M. Boughton (2007), “Strengthening the IMF: Lessons from History,” in Colin I. Bradford and Johannes F. Linn, eds., *Global Governance Reform*, ch. 2.

Ngairé Woods and Domenico Lombardi (2006), “Uneven Patterns of Governance: How Developing Countries are Represented in the IMF,” *Review of International Political Economy* 13: 3 (August), 480-515.

April 21: Surveillance

Morris Goldstein (2006), "Currency Manipulation and Enforcing the Rules of the International Monetary System," in E.M. Truman, ed., *Reforming the IMF for the 21st Century*, ch. 5.

International Monetary Fund, "IMF Surveillance – The 2007 Decision on Bilateral Surveillance," IMF Fact Sheet (June 2007).

Edwin Truman (2008), "On What Terms is the IMF Worth Funding?," pp. 13-27 only.

April 28: Lending and resources

William R. Cline (2006), "The Case for a Lender-of-Last-Resort Role for the IMF," in E.M. Truman, ed., *Reforming the IMF for the 21st Century*, ch. 14.

Ariel Buira (2006), "Does the IMF Need More Financial Resources?," in E.M. Truman, ed., *Reforming the IMF for the 21st Century*, ch. 22.

Desmond Lachman (2006), "How Should IMF Resources Be Expanded?," in E.M. Truman, ed., *Reforming the IMF for the 21st Century*, ch. 23.

Committee to Study Sustainable Long-Term Financing of the IMF, *Final Report* (January 31, 2007), 1-15 and appendix 1.

May 5: Negotiating Strategies and Tactics - I

Roger Fisher and William Ury (1991), *Getting to Yes: Negotiating Agreement Without Giving In*, second edition, chs. 1-5.

May 12: Negotiating Strategies and Tactics - II

John Odell (2000), *Negotiating the World Economy*, chs. 2-4.

James Sebenius (1996), "Sequencing to Build Coalitions: With Whom Should I Talk First?," in R. Zeckhauser et al., eds., *Wise Choices; Decisions, Games, and Negotiations*, ch. 18.