

# The IPE of International Finance and Financial Crises

---

**I. International Financial Governance**

**II. Anatomy of a Financial Crisis**

**A. The Prisoners' Dilemma**

**III. Recent Financial Crises**

**A. Mexican Peso Crisis (1994-5)**

**B. Asian Financial Crisis (1997-98)**

**C. Argentinean Crisis (2001-02)**

**IV. A New Monetary Order?**



# I. International Financial Governance

---

- The Internationalization of Finance
- Market-based International Financial Structure
- The Role of the International Monetary Fund (IMF)
  - 184 member states
  - Executive Board
  - \$312 billion (2005)



**The heart of the global economy?  
IMF headquarters in Washington, DC**

## II. Anatomy of a Financial Crisis

---

- Speculation and Expansion
- Boom and Bubble
- Collapse and Crisis
  - The Prisoners' Dilemma
- Contagion?



# The Prisoners' Dilemma

**Prisoner B's** Choices  
(Payoffs)



**Prisoner A's**  
Choices  
(Payoffs)



		<b>B</b>	
		Keep Quiet	Squeal
<b>A</b>	Keep Quiet	(1/2, 1/2)	(3, 0)
	Squeal	(0, 3)	(3, 3)

(Prisoner A's Sentence [Years], **Prisoner B's** Sentence [Years])

## II. Recent Financial Crises

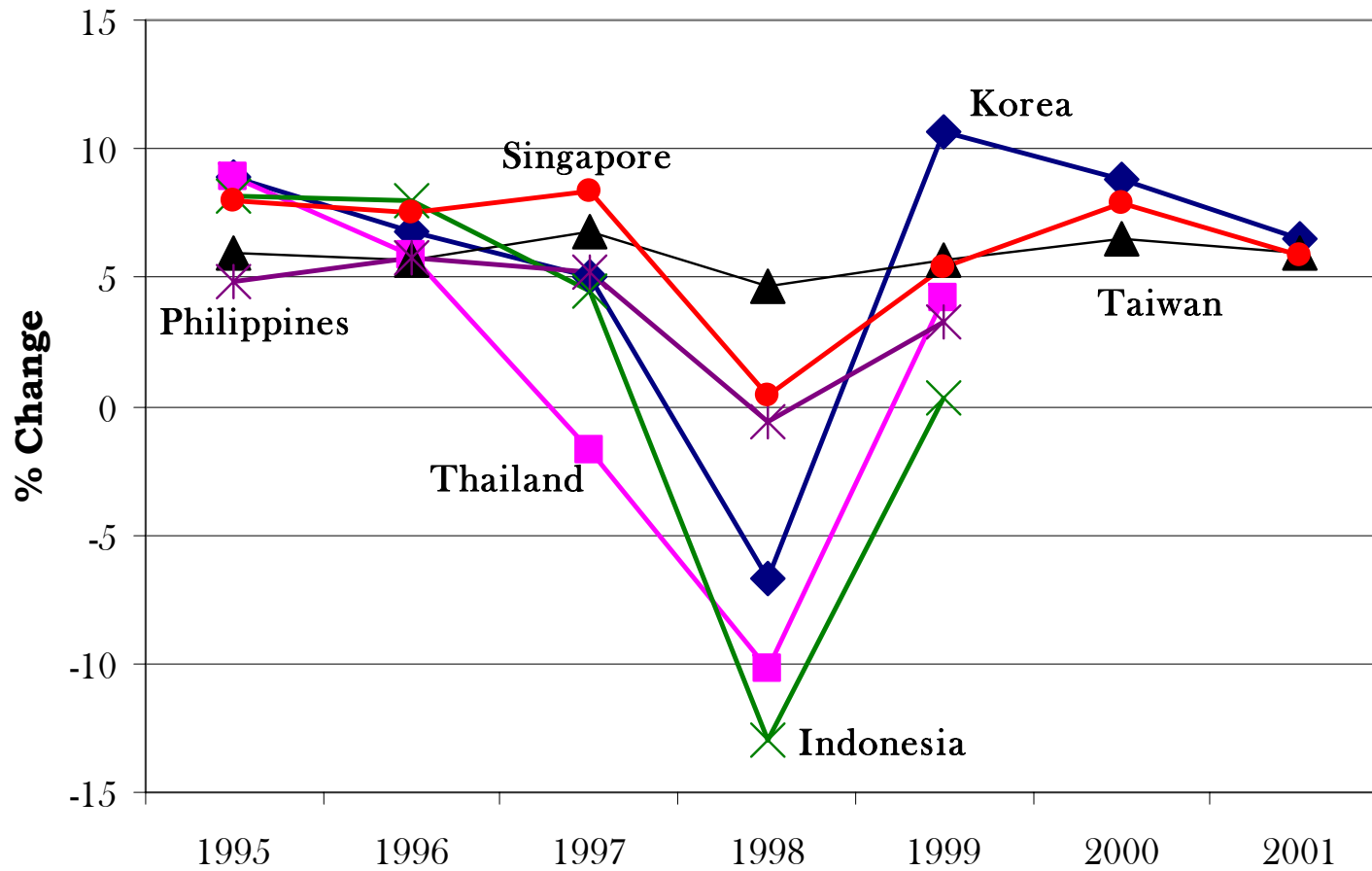
---

- **Mexican Peso Crisis (1994-5)**
- **Asian Financial Crisis (1997-98)**
- **Argentinean Crisis (2001-02)**



The most dangerous  
Asian flu???

## Asian Tiger Economies (Real GDP Growth)



Source: World Bank

◆ Korea   ■ Thailand   ▲ Taiwan   × Indonesia   \* Philippines   ● Singapore