

## *Money, Development and Conflict in International Relations*

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SED, Wednesdays, 9.00-12.00

Office hours: Wednesdays: 1.00-4.00

How does finance shape economic prosperity at home and abroad? Is modern finance good for human development? Given the power of internationalized private finance, what roles can states still play in economic development? How do states finance inter-state wars and how do insurgents fund insurgencies? Does Islamic finance challenge the financial status quo? Is austerity the inevitable outcome of financial crises and how has it changed security strategies?

This course attempts to address these questions by exploring the patterns of stability and change in the world economy from the perspective of the role of the financial sector. While some of the readings cover historical developments, the main focus remains on developments from the past two decades and the post-Lehman crisis.

The readings used in the class are intended for a general audience, rather than a readership endowed with a specialist training in economics. Therefore no economics prerequisites exist.

### **Course guidelines**

The course format is as follows: (a) the professor will deliver a short lecture, framing the issues of the day in the broader context of the class. (b) next, specific students present the assigned readings and draw the rest of the class into a debate that is germane to the main issues highlighted in the readings (c) after the break, the professor will deliver an interactive lecture focused on relevant aspects not discussed in the readings.

### **Grading policy**

*20 points: Class participation*

To get 10 points, one must attend all classes and have at least one intervention per week. To get 20 points one needs more than one intervention that goes beyond a mere description of the class material and makes connections to contemporary economic realities or analytical forays not envisaged by the authors. Careful assessments of the strengths and weaknesses of the readings

would be highly appreciated. If you do not feel comfortable to speak in class, you can post your interventions on the class blog. (The login is dev11980 and the password is madaminel).

### *10 points presentation*

You've heard about the phenomenon called "death by powerpoint." We want to avoid that tragic fate for the members of this class whenever possible. This means that to get 10 points you need a well-prepared presentation that is captivating rather than dull, analytical rather than descriptive, challenging rather than passive. A 10 points presentation takes the readings as a basis for challenging us to go further and have our own thoughts. A presentation that merely summarizes the material will get 5 points at most.

### *30 points: midterm paper*

This will be the framework for a policy memo covering sections 1-7 and using the format used by the prominent think-tank Brookings. The assignment will emulate the structure of pages 1-13 in the following policy report:

<http://www.brookings.edu/~media/research/files/reports/2014/09/latin%20america%20macroeconomic%20outlook%20talvi/2014%20esplamacro%20web.pdf>

### *40 points: final paper*

The complete policy report at the link specified above.

## **Work and Ethics**

You are responsible to know Boston University's Academic Conduct Code. Link: <http://www.bu.edu/academics/resources/academic-conduct-code/>

## **Books**

John Lanchester, *How to Speak Money*. Faber & Faber, 2014.

Armin Schäfer and Wolfgang Streeck. *Politics in the Age of Austerity*. Polity Press, 2013.

Martin Wolf, *The Shifts and the Shocks: What We've Learned – and Have Still to Learn – from the Financial Crisis*, Penguin Press, 2014

Newspapers: *New York Times*, *Financial Times*.

## Sessions

### 1. Introduction

Michael Sandel, "What Isn't for Sale," *The Atlantic*, April 2012  
<http://www.theatlantic.com/magazine/archive/2012/04/what-isnt-for-sale/308902/>

Robert Kuttner, "The Debt that We Should Not Pay", *New York Review of Books*, May 9, 2013  
<http://www.nybooks.com/articles/archives/2013/may/09/debt-we-shouldnt-pay/?pagination=false>

Harold James, "International Order After the Financial Crisis," *International Affairs* 87:3 (2011), pp. 525-537.

### 2. Fundamentals

Lanchester, first half

### 3. The origins of modern finance

Hansen, Per H. "From Finance Capitalism to Financialization: A Cultural and Narrative Perspective on 150 Years of Financial History." *Enterprise and Society* (2014) online.

Krippner, Greta R. "The political economy of financial exuberance." *Research in the Sociology of Organizations* 30 (2010): 141-173.

Ilene Grabel, "Creating 'Credible' Economic Policy in Developing and Transitional Economies," *Review of Radical Political Economics* 29:3 (Summer 1997), pp. 70-78.

### 5. Finance, globalization and inequality

Crouch, Colin. "Privatised Keynesianism: An unacknowledged policy regime." *The British Journal of Politics & International Relations* 11.3 (2009): 382-399.

Lin, Ken-Hou, and Donald Tomaskovic-Devey. "Financialization and US Income Inequality, 1970-2008." *American Journal of Sociology*, 2013, Available at SSRN 1954129 (2011).

Piketty, Thomas. *Capital in the Twenty-first Century*. Harvard University Press, 2014.  
"Introduction" (scanned copy)

*Recommended:*

*The Economist*, "The Price Isn't Right" September 21, 2012  
<http://www.economist.com/blogs/schumpeter/2012/09/corporate-tax-avoidance>

*The Economist*, The missing 20 trillion, Feb 16, 2013  
<http://www.economist.com/news/leaders/21571873-how-stop-companies-and-people-dodging-tax-delaware-well-grand-cayman-missing-20> -

*The Wall Street Journal*, “Business-Friendly Bureaucrat Helped Build Tax Haven in Luxembourg,” <http://www.wsj.com/articles/luxembourg-tax-deals-under-pressure-1413930593>

## **6. Financiers and innovation**

Janeway, William H. *Doing capitalism in the innovation economy: markets, speculation and the state*. Cambridge University Press, 2012, pages 209-273 (scanned copy)

## **7. Financiers and development**

Hochstetler, Kathryn. "The Brazilian National Development Bank goes International: Innovations and Limitations of BNDES' Internationalization." *Global Policy* 5.3 (2014): 360-365.

Bräutigam, Deborah. "Aid ‘With Chinese Characteristics’: Chinese Foreign Aid and Development Finance Meet the OECD-DAC Aid Regime." *Journal of international development* 23.5 (2011): 752-764.

Jin, Lin, Matthew Preble, and Aldo Sesia. "China Development Bank." *Harvard Business School Finance Case* 212-001 (2011).

Gerald Epstein, “Postwar Experiences with Developmental Central Banks: The Good, the Bad and the Hopeful,” UNCTAD paper  
[http://unctad.org/en/Docs/gdsmdpg2420091\\_en.pdf](http://unctad.org/en/Docs/gdsmdpg2420091_en.pdf)

Patenaude, Bryan N. "Reinventing Development Banking in Frontier Economies: The Case of Romania." (2014), GEGI working paper, [http://37.251.144.181/uploads/files/Romania-Working-Paper\\_Bryan\\_Patenaude.pdf](http://37.251.144.181/uploads/files/Romania-Working-Paper_Bryan_Patenaude.pdf)

## **8. Financial crises (1)**

Wolf, first half

Joe Nocera on value at risk analysis, <http://www.nytimes.com/2009/01/04/magazine/04risk-t.html>

Watch the video of Martin Wolf talking about the European crisis:  
<http://brown.edu/web/livestream/archive/2012-euroconf.html>

## **9. Financial crises (2)**

Wolf, part two (minus conclusions)

## **10. Austerity and ideology**

Mark Blyth, *Austerity. The History of a Dangerous Idea*, Oxford University Press, pages 132-178, available in scanned format

Schaffer and Streeck: part one

## **11. Austerity and conflict**

Schaffer and Streeck: part two (minus conclusions)

Aaron Friedberg, "Implications of the Financial Crisis for the US-China Rivalry," *Survival* 52:4 (2010), pp. 34-51.

## **12. War finance**

Krepinevich Jr, Andrew F. "Strategy in a Time of Austerity." *Foreign Affairs* 91 (2012): 58-69

Kallberg, Jan, and Adam Lowther. "The Return of Dr. Strangelove: How austerity makes us stop worrying and love the bomb... and cyber war." *International Affairs Forum*. 2012.

Smith, Ron P. "The economic costs of military conflict." *Journal of Peace Research* 51.2 (2014): 245-256.

## **13. Insurgency Finance**

Graham Myres, "Investing in the Market of Violence: Toward a Micro-Theory of Terrorist Financing" *Studies in Conflict & Terrorism*, [Volume 35, Issue 10](#), 2012

Michael, Levi, "Threat finance: disconnecting the lifeline of organised crime and terrorism." *Defense & Security Analysis* ahead-of-print (2013): 1-2.

Rudner, Martin. "Hizbullah Terrorism Finance: Fund-Raising and Money-Laundering." *Studies in Conflict & Terrorism* 33.8 (2010): 700-715.

## **14. Islamic Finance**

Lena Rethel, "Whose legitimacy? Islamic finance and the global financial order," *Review of International Political Economy*, 18 (1) 2011.

Thomas B. Pepinsky, "Development, Social Change, and Islamic Finance in Contemporary Indonesia." *World Development* (2012).

Islamic Finance Focus, *The Economist*, April 10, 2012

<http://www.economist.com/blogs/graphicdetail/2012/04/focus-2>

## 15. After the Bust

Reinhart, Carmen, Jacob Kirkegaard, and M. Sbrancia. "Financial repression redux." *Finance and Development* (2011): 22-26.

Paul Volker, "Financial Reform: Unfinished Business," *New York Review of Books*  
<http://www.nybooks.com/articles/archives/2011/nov/24/financial-reform-unfinished-business/?pagination=false>

Crotty, James. "The great austerity war: what caused the US deficit crisis and who should pay to fix it?." *Cambridge Journal of Economics* 36.1 (2012): 79-104.

Wolf, conclusions

Schafer and Streeck, conclusions

### Data Sources on International Finance:

1. The IMF's publication, IMF Survey, is an invaluable resource. The publication is posted on the IMF's website, [www.imf.org](http://www.imf.org). Data on aggregate, regional and countrywide financial sector and macroeconomic performance are presented in International Financial Statistics (IMF/World Bank). This volume is published annually and is kept in the Reference section of Penrose Library (call number is-- HJ8899.W672). The IMF's quarterly publication, World Economic Outlook, provides a survey and analysis of key trends in the global financial system. The IMF's Global Economic Prospects is also a useful publication. IMF publications are available on the institution's website. The IMF's quarterly publication, Finance and Development, is a useful resource on financial policy issues in the developing country context.

2. The IMF's Balance of Payments Statistics Yearbook presents detailed data on the balance of payments. 3. The World Bank's two-volume publication, Global Development Finance, provides comprehensive data on capital flows ([www.worldbank.org](http://www.worldbank.org)).

4. Cross-national macroeconomic data can be found in Main Economic Indicators, published by the Organization for Economic Cooperation and Development [www.oecd.org](http://www.oecd.org) 5. The May issue of the US Commerce Department's Survey of Current Business summarizes US

international transactions for the preceding year (see [www.stat-usa.gov](http://www.stat-usa.gov) or [www.doc.gov](http://www.doc.gov)). 6. The United Nations ([www.un.org](http://www.un.org)) publishes the annual World Economic Survey, which covers major issues facing the world economy.

7. The website [www.cepr.net/](http://www.cepr.net/), <http://www.peri.umass.edu/home/peri/>, <http://www.epi.org/>, <http://www.iie.com/> publishes many useful studies of international financial policy issues and debates.

8. The website <http://www.financialpolicy.org/> is the best source for critical policy analysis of derivatives and hedge funds. 9. Many blogs, e.g., <http://www.project-syndicate.org/>, <http://triplecrisis.com/>, <http://rodrik.typepad.com/>, present useful discussions of international financial issues.