

Power, Ideas and Money

International Finance and Development

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Course number: IR 759

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Description and goals

How has the evolving nature of international finance constrained and/or enlarged the possibilities of economic prosperity? Under what conditions does the financial sector contribute to inclusive growth? Given the power of the bond market, what roles can states still play in economic development? How do states finance wars and how do insurgents fund insurgencies? Is the ongoing crisis exceptional and what should one expect to find in its debris? Do Islamic finance or the BRICs challenge the financial status quo? Is microfinance a good answer to the crisis of international development? Is austerity the inevitable outcome of financial crises? How can we fix the problems of contemporary finance?

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 two weeks. To get 20 points one needs to go beyond a mere description of the class material and either (1) make connections to contemporary economic realities or analytical forays not envisaged by the authors or (2) provide careful assessments of the strengths and weaknesses of the readings.

10 points: Presentations. The grading criteria can be found at <https://www.bu.edu/sph/faculty-staff/teaching-and-advising/effective-grading-for-exams-and-assignments/grading-classroom-presentations/> 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.

10 points: 2 unannounced tests (5 points each) on the main question posed by the readings of the day.

30 points: Midterm. This will be a report covering a real-world country with a focus on issues covered in the readings for the first half of the semester. The report should be written as if it were done for *The Economist*.

40 points. Final. This will be a policy paper addressing a TBA question.

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

Turner, Adair. *Between debt and the devil: money, credit, and fixing global finance*. Princeton University Press, 2015.

1. Finance, economics and development

Palley, Thomas I. "Gattopardo economics: The crisis and the mainstream response of change that keeps things the same." *European Journal of Economics and Economic Policies* 2 (2013): 193-206.

Boettke, Peter J. "What should classical liberal political economists do?." *Constitutional Political Economy* 25.1 (2014): 110-124.

2. Is finance for all a good idea? Are financial markets efficient?

Turner, pages 17-49

Watch Eugene Fama on efficient financial markets <http://review.chicagobooth.edu/economics/2016/video/are-markets-efficient>

3. Is debt dangerous?

Turner 49-88

"How much debt is too much?" *The Economist*, <http://www.economist.com/blogs/freeexchange/2015/06/public-debt>

"Big, Bad Actors, A Global View of debt," <https://blog-imfdirect.imf.org/2016/10/05/big-bad-actors-a-global-view-of-debt/>

4. Liberalization, speculation, inequality

Turner, pages 88-131

5. Debt, development and capital flows

Turner, pages 131-163

Tax Justice Network [The Price of Offshore Revisited](#)

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>

6. Financing Development in the Global South: From Development Banks to Microfinance

Justin Lin and Ha Joon Chang "Should Industrial Policy in developing Countries Conform to Comparative Advantage or Defy it?" *Development Policy Review*, 2009.

Penelope Prime "Utilizing FDI to Stay Ahead: The Case of Singapore" *Studies in Comparative International Development* 47, 2, 2012.

Gerald Epstein, "Postwar Experiences with Developmental Central Banks: The Good, the Bad and the Hopeful"
http://unctad.org/en/Docs/gdsmdpg2420091_en.pdf

Sparke, Matthew, "Book Review Symposium." *Antipode* 44.2 (2012): 517-522.

7. 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.

BUESA, MIKEL, and THOMAS BAUMERT. "UNTANGLING ETA'S FINANCE: AN IN-DEPTH ANALYSIS OF THE BASQUE TERRORIST'S ECONOMIC NETWORK AND THE MONEY IT HANDLES." *Defence and Peace Economics* ahead-of-print (2012): 1-22.

8. Finance and growth

Blyth, Mark, and Eric Lonergan. "Print Less but Transfer More: Why Central Banks Should Give Money Directly to the People." *Foreign Aff.* 93 (2014): 98.

Nakamura, Emi, and Jón Steinsson. "Assessing the effects of monetary and fiscal policy." *NBER Reporter* 1 (2015): 22-25.

Blyth, Mark. "Policies to Overcome Stagnation: The Crisis, and the Possible Futures, of all things Euro." *European Journal of Economics and Economic Policies: Intervention* 13.2 (2016): 215-228.

9. Financial Crises

Watch the video of Martin Wolf talking about the European financial crisis:
<https://vimeo.com/album/1942254/video/41782611>

Rana Farouhaar, [The Brutal Battle over the Euro](#)

, New York review of Books, Randall Wray "Minsky, the Global Financial Crisis and the Prospects Before Us" *Development* 52, 2009, pp. 302-307.

Eric Helleiner, "Understanding the 2007-2008 global financial crisis: Lessons for scholars of international political economy." *Annual Review of Political Science* 14 (2011): 67-87.

10. Finance and austerity

Smaghi, Lorenzo Bini. "Europe's Economic Policy Conundrum." *Harvard International Review* 36.3 (2015): 23.

Helgadóttir, Oddný. "The Bocconi Boys go to Brussels: Italian economic ideas, professional networks and European austerity." *Journal of European Public Policy* 23.3 (2016): 392-409.

Simon Wren Lewis, the Austerity Con, *London Review of Books*,
<http://www.lrb.co.uk/v37/n04/simon-wren-lewis/the-austerity-con>

Konzelmann, Suzanne, Mia Gray, and Betsy Donald. "Assessing austerity." *Cambridge Journal of Economics* 38.4 (2016).

11. 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>

IMF dossier on Islamic Finance
<http://www.imf.org/external/themes/islamicfinance/index.htm>

12. The end of financial capitalism?

The Tooze-Streeck debate, *London Review of Books*, 2016

<http://www.lrb.co.uk/v39/n01/adam-tooze/a-general-logic-of-crisis>

13. How to fix it

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>

Turner, 163-241

