Power, Ideas and Money

International Finance and Development

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Course number: IR 759
Office: 154 BSR
Office hours: Tues and Thurs, 1.45-3.15

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/](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/](http://www.bu.edu/academics/resources/academic-conduct-code/)

**Books**


1. **Finance, economics and development**


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](http://review.chicagobooth.edu/economics/2016/video/are-markets-efficient)

3. **Is debt dangerous?**

   Turner 49-88


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*


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.

Gerald Epstein, “Postwar Experiences with Developmental Central Banks: The Good, the Bad and the Hopeful”


7. Insurgency Finance


8. Finance and growth


9. Financial Crises

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


10. Finance and austerity


11. Islamic finance


12. The end of financial capitalism?


13. How to fix it


Turner, 163-241