## Power, Ideas and Money

### The Politics of International Finance

**Cornel Ban**

Assistant Professor

The International Relations Department

Boston University

cban@bu.edu

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**

*10 points: Class participation*

*90 points: Response memos*.Each week you owe a one page single-spaced answer to a question about the readings of the week posted on the class blog at the beginning of the semester. The memos cover 90 percent of your grade. Each memo is worth 100 points.

**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**

Eric Helleiner *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*, Cornell University Press, 1996

Mark Blyth, *Austerity: The History of a Dangerous Idea,* Oxford University Press, 2013

**1. Introduction**

*The Meltdown*, PBS Documentary

<http://www.pbs.org/wgbh/pages/frontline/meltdown/view/>

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

**2. Taking Stock**

Richard Deeg and Mary O’Sullivan, “[The Political Economy of Global Finance Capital](http://sfxhosted.exlibrisgroup.com/bosu?frbrVersion=4&ctx_ver=Z39.88-2004&ctx_enc=info:ofi/enc:UTF-8&ctx_tim=2012-09-04T15%3A53%3A16IST&url_ver=Z39.88-2004&url_ctx_fmt=infofi/fmt:kev:mtx:ctx&rfr_id=info:sid/primo.exlibrisgroup.com:primo3-Article-cambridge&rft_val_fmt=info:ofi/fmt:kev:mtx:journal&rft.genre=article&rft.atitle=The%20Political%20Economy%20of%20Global%20Finance%20Capital&rft.jtitle=World%20Politics&rft.btitle=&rft.aulast=Deeg&rft.auinit=&rft.auinit1=&rft.auinitm=&rft.ausuffix=&rft.au=Deeg%2C%20Richard&rft.aucorp=&rft.date=200910&rft.volume=61&rft.issue=4&rft.part=&rft.quarter=&rft.ssn=&rft.spage=731&rft.epage=763&rft.pages=&rft.artnum=&rft.issn=0043-8871&rft.eissn=1086-3338&rft.isbn=&rft.sici=&rft.coden=&rft_id=info:doi/10.1017/S0043887109990116&svc_val_fmt=info:ofi/fmt:kev:mtx:sch_svc&svc.fulltext=yes&rft.eisbn=&rft_dat=%3Ccambridge%3ES0043887109990116%3C/cambridge%3E&rft_id=info:oai/)” *World Politics,* 2009, Vol.61(4), pp.731-763

Andrew Haldane and Robert May, “The birds and the bees, and the big banks” *Financial Times*, February 20, 2011

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

**3. Finance in History 1.0: From 1000 AD to 1944**

Porter, Tony. "Innovation in Global Finance: The Impact on Hegemony and Growth since 1000 AD." *Review (Fernand Braudel Center)* (1995): 387-429.

Eichengreen, *Globalizing Capital*, ch. 1-3

**4. Finance in History 2.0: From 1944 to 1973**

Eric Helleiner *States and the reemergence of global finance,* part 1

**5. The Ascent of Contemporary Finance**

Eric Helleiner *States and the reemergence of global finance,* part. 2

Andrew Haldane, "On being the right size." <http://www.bis.org/review/r121030d.pdf>

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

**6. Finance and equity**

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

Wójcik, Dariusz, and Christopher Boote. "Tax havens: how globalization really works Ronen Palan, Richard Murphy and Christian Chavagneux." *Journal of Economic Geography* 11.4 (2011): 753-756.

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

Tax Justice Network [The Price of Offshore Revisited](http://tjn-usa.org/storage/documents/The_Price_of_Offshore_Revisited_-_22-07-2012.pdf" \o "The Price of Offshore Revisited" \t "_blank)

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>

**7. 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

Kathryn Hochsteter, Brazil and BNDES, *Development Journal*, forthcoming

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

Video: Bill Janeway, Financing innovation in advanced capitalism, <http://youtu.be/urpdNAyrlcc>

## 8. Insurgency Finance

## Graham Myres, “Investing in the Market of Violence: Toward a Micro-Theory of Terrorist Financing” *Studies in Conflict & Terrorim*, [Volume 35](http://www.tandfonline.com/loi/uter20?open=35#vol_35), [Issue 10](http://www.tandfonline.com/toc/uter20/35/10), 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.

**9. Financial crises (1)**

Mark Blyth, *Austerity*, 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>

**10. Financial Crises (2)**

Reinhart and Rogoff “This Time it’s Different” NBER 13882, Available at <http://www.nber.org/papers/w13882>

Philip Arestis and Ajit Singh, “Financial globalisation and crisis, institutional transformation and equity” *Cambridge Journal of Economics, (2010) 34 (2): 225-238.*

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.

**11. Austerity**

Mark Blyth, *Austerity,* all but chapter 4

**12. Finance across Regions: Africa and the Middle East**

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

**13. Finance and Regions: Asia and Latin America**

Fourcade, Marion. "The material and symbolic construction of the BRICs: Reflections inspired by the RIPE Special Issue." *Review of International Political Economy* 20.2 (2013): 256-267.

Injoo Sohn “Toward normative fragmentation: An East Asian Financial Architecture in the post-global crisis world” *Review of International Political Economy*, Oct. 2012

William Grimes, “The Asian Monetary Fund Reborn? Implications of Chiang Mai Initiative Multilateralization,” *Asia Policy,* no. 11, January 2011, pp. 79-104.

*Financial Times:* ”The Future of Development Banks” <http://www.ft.com/intl/reports/development-banks-2012>

**14. Financial Repression, Reform and Status Quo**

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>

Mark Chandler, “Foul Weather Friends”

http://jacobinmag.com/2013/05/foul-weather-friends/

Blyth, *Austerity*, 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. 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).

4. Cross-national macroeconomic data can be found in Main Economic Indicators, published by the Organization for Economic Cooperation and Development 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 or www.doc.gov). 6. The United Nations (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.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.