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INTS 4355
SEMINAR: FINANCIAL SYSTEMS AND ECONOMIC DEVELOPMENT

Course meets via Zoom, Tuesdays, 9-1150am
Zoom course meeting code 870 5780 3784

Seminar Description:

This is a seminar on financial systems in countries of the global south and global east. The seminar addresses the relationship between the organization of national financial systems and overall economic performance. We will study the organization of national financial systems in a range of Latin American, Asian, African and former communist nations, and to the extent that the experiences of OECD nations' financial organization bear on financial policy in countries of the global south and global east, we will consider these experiences as well. We will also examine a range of cutting edge issues relating to monetary and financial policies (and the political economy thereof), currencies and exchange rates, financial flows, resource mobilization, and financial institutions.

Our study will be motivated by the following four concerns: 1) In what important ways do the national financial systems of countries in the global south and global east differ in terms of depth, regulation, operation and patterns of state-finance-industry relationships; 2) How do theories of the role of finance in economic development—ranging from neoclassical, post-Keynesian, neo-structuralist, and institutionalist—link macroeconomic and sectoral outcomes to differential patterns of financial system organization; and 3) What are the lessons of comparative theoretical and institutional study and the current turbulence in global financial system for debates over financial reform in countries of the global south and global east; 4) Which financial institutions, arrangements, instruments, regulations, and markets can best address particular development challenges, including the challenges associated with the UN's Sustainable Development Goals (SDGs), poverty alleviation and the reduction of inequalities, resilience, and the public health, economic, and social fallout of the Covid-19 crisis.

In the course of our study we will bring a variety of theoretical perspectives to bear on several contemporary policy debates in finance and economic development. These include the

¹ To set an appointment to see me during office hours please click on this link: <https://calendly.com/appt-with-ilene-grabel/office-hours-ilene-grabel> . Once you make an appointment the Calendly app will generate a Zoom code for the meeting. Be in touch with me via email if you would like to meet with me at a time other than my office hours.

following issues: (1) domestic financial liberalization and regulation (with special reference to the domestic banking system); (2) capital account (external) liberalization, regulation, and measures to reduce capital flight and illicit financial flows; (3) monetary policy, central bank governance, inflation targeting, and “green” central banking; (4) currency boards, currency substitution (i.e., “dollarization”), and exchange rate regimes; (5) the role of foreign direct investment in development; (6) the creation and expansion of stock markets and the role of portfolio investment in development; (7) (private) multinational banks and financial development; (8) sub-regional, regional, trans-regional, and multilateral (countercyclical) liquidity support arrangements and currency swaps; (9) national, sub-regional, regional, trans-regional, and multilateral development banks; patient capital; and finance for sustainable infrastructure; (10) innovative sources of finance for development (in reference to the SDGs, peacebuilding, fragile states, and pandemics); (11) public-private partnerships in development finance; (12) micro lending, informal financial institutions, and group lending; (13) the role of remittances and other diaspora-related international financial flows in development; and (14) financial inclusion and “fintech.”

Webster's dictionary defines a seminar as a "group of advanced students studying under a professor with each doing research and all exchanging results through reports and discussions." What you put in is what you get out, and the key to a seminar is your preparation, thought and participation. You will be required to read approximately 200 pages a week. You need to read the assignments far enough ahead to think, write and communicate about them with the class. A tool towards these goals is the weekly discussion paper (described below).

Students who apply themselves to the materials in this seminar should acquire a capacity to understand the historical evolution; key operational issues; institutional and regulatory structures; financial instruments, flows, and markets; and the challenges confronting policymakers working with financial systems in the global south and global east. Students should attain an understanding of the tradeoffs associated with particular policy and institutional legacies and choices. Students should be able to understand the economic and political logic of diverse positions taken in contemporary debates concerning finance and development. Students will also become familiar with salient data sources and assessment metrics (both qualitative and quantitative) through the production of a country financial system profile. (Each student will select and follow a country in the global south or global east). My hope is that upon completing the seminar students will be able to participate intelligently in discussions of current and future policy challenges in the area of finance and development.

Student Submissions and Expectations:

Quizzes

There will be quizzes on the required readings during weeks 2, 3, and 4. These will be due by 9am on Monday, January 18; Monday, January 25; and Monday, February 1. The quizzes will provide you with the opportunity to synthesize, assess, and explore the relevance of the required readings. Instructions and prompts for the quizzes will be in Canvas in the “Quizzes” section and should be submitted to me there as well.

Please download a copy of your quiz before you submit it and keep it handy for our seminar meeting. It will be a helpful resource in connection with discussion the next day.

Discussion Papers

It will be the responsibility of all seminar participants to prepare three short (2 page) “discussion papers” on the required readings for meetings in part III of the seminar.² Your discussion paper should also include a brief reflection on how the topic this week relates to the country on which you are writing your financial system profile.³ These papers are due by 9 am on Monday. You should post your paper to the “Assignments” section of Canvas by the Monday, 9 am deadline.

Note that Part III of the seminar begins the week of February 15. Thus, discussion papers should be submitted by 9am on three of the following five Mondays--Monday, February 15; Monday, February 22; Monday, March 1; Monday, March 8; and Monday, March 15.) Plan your work accordingly so that you can meet the deadline. There will be no exceptions.

Please download a copy of your discussion paper before you submit it and keep it handy for our seminar meeting. It will be a helpful resource in connection with discussion the next day. Parameters for the discussion papers appear below.

Discussion Questions

Each week (with the exception of Monday, February 8) seminar participants should submit one discussion question on the required readings through Canvas by 9 am on Monday. The discussion question should be posted to the folder in the “Discussion” section of Canvas. Please keep your question concise, clear, and related to the required readings. Your question could focus on something that you do not understand, a lingering question, *or* a question that you think would spark an interesting discussion.

Each week I will select approximately 6-8 discussion questions from among those submitted, and I will use those questions as the basis for organizing our seminar discussion.

Country Financial System Profile

Each seminar participant will prepare a detailed analysis of a country’s financial system using publicly available data, qualitative information, and studies (from academics, think tanks, international organizations, government agencies, and/or reputable blogs). The country selected should be in the global south or global east. A preliminary (incomplete) draft will be due on Monday, Feb. 8 at 9am and should be submitted to Canvas in the “Assignments” section. I will provide feedback on your preliminary drafts, but I will not assign grades to them. Please note

² You may opt to submit a fourth discussion paper (due at the usual date/time in the week that a particular topic is to be discussed). If you do so, I will drop the lowest single grade in calculating your discussion paper average.

³ For example, if we are discussing central banks in a particular week you should include a few sentences (no more than a paragraph) in your discussion paper where you discuss whether the central bank in the country you are following for your profile is independent or dependent of the government, utilizes inflation targeting (and, if so, what is the inflation target), and targets any other considerations (such as asset price volatility, employment). If we are discussing exchange rate choices, your discussion paper should include a few sentences where you discuss whether the currency is floating, pegged, fixed; is a currency board in place; and is there formal or informal currency substitution.

that we will begin class on Tuesday, Feb. 9 at 8am so that each participant can brief the group on key findings, raise questions, and share resources that will be of use to others. The final country financial system profile is due on Friday, March 19 at 5pm. It should be submitted to Canvas in the “Assignments” section.

Parameters for the country financial system profile appear below.

Seminar Participation, Community, and Readings

I expect active, regular participation in the seminar. It will be fun. We will learn a lot from one another. This is a great chance to work on your ability to speak in groups in a supportive environment. Please keep your screens on so that we maximize community.

There is a folder in the “Discussion” section of Canvas where you should place links to any general data source (qualitative or quantitative) that would be useful to others as they prepare their country financial systems profiles. Everyone should submit at least one source over the course of the quarter.

Please be sure that you complete the required reading in the week(s) when you are not turning in a discussion paper. That week you should be prepared to share (orally, not in writing) a few quick facts about the topic in relation to the country that you are profiling.

Discussion Paper (Parameters):

You are required to submit three discussion papers in connection with part III of the course (see fn2 above). Due dates and submission information appear above (see section on Student Submissions and Expectations). Discussion papers should be submitted to Canvas in the “Assignments” section.

Discussion papers should be kept to two pages (and should have reasonable margins, *at least 1.5 spaces between each line, and a 12 point font*).

Discussion papers should employ in-text references. The guidelines for in-text references can be found in the same Module where the syllabus is stored. (Note that I will deduct one point from any paper where in-text references are not used correctly.)

The discussion paper should have three components:

1) A very brief and concise summary of the central points or arguments the authors present in all of the required readings.

2) A brief assessment of the strengths and weaknesses of the authors' central arguments. Without being authoritative, comment here on whether the authors' evidence really supports what they set out to do and their conclusions. Think about what their qualitative and/or quantitative data say and do not say.

3) A brief reflection on how the topic this week relates to the country on which you are writing your financial system profile (see fn3 above).⁴

⁴ Recall that in the week(s) when you are not submitting a discussion paper you should be prepared to share (orally, not in writing) a few quick facts about the topic in relation to the country that you are profiling.

Discussion papers are graded on a check, check minus, or check plus system. A check minus indicates that the paper is relatively thoughtless, poorly written, and/or does not critically engage the literature to a sufficient degree (check minus = 6 points out of a possible 10). A check means an adequate job (check = 8 points out of a possible 10). A check plus means the paper is very well written and critically engages the major theoretical or policy issues of the seminar, as understood so far (check plus = 10 points).

Country Financial System Profile (Parameters):

You are required to prepare a country financial system profile over the course of the seminar. A preliminary (incomplete) draft of the profile is due in week 5. The draft should be posted to Canvas (in the “Assignments” section) by 9 am on Monday, February 8. The February 8 draft need not be longer than 4 double-spaced pages. The draft paper should assess the current state of a country’s financial system in light of the criteria listed in italics on section II.A of the syllabus. See the document “preparing a financial system profile” (in Canvas Modules, in the same Module with the syllabus) for further guidance on this project. The draft should include a bibliography of at least 5 sources and ideally more. As usual, you should use in-text references in your paper.

A final version of the profile should be submitted to Canvas “Assignments” on Friday, March 19 at 5pm. The final version should be no longer than 15 pages (plus a bibliography and any tables/charts). Your paper should provide an in-depth (and data rich) profile of a country’s financial system, paying particular attention to the matters listed on the document “preparing a financial system profile” (in Canvas). Be sure to reflect on the financial system in light of the policy dilemmas discussed in part III of the seminar and highlight any looming challenges facing policymakers in the conclusion of your paper.

Book:

The following book will be used extensively in the seminar and should be purchased by all students (or borrowed from the library):

Ha-Joon Chang and Ilene Grabel, *Reclaiming Development: An Alternative Economic Policy Manual*, London and NY: Zed Books, 2005 or 2015 edition.

Weekly Readings:

Readings for the course are of two types—required and optional. Each week you must read all of the required reading. Try to read the required readings in the order that they appear on the course outline. Recall that you must also post a discussion question on the required readings each week (to the “Discussion” section of Canvas, except for in connection with our meeting on Tuesday, February 9).

Discussion papers must reflect on all of the required readings. You must also locate, read, and report (in writing or orally) on information that relates to your country financial system profile.

The optional readings are not required under any circumstances; they are there for those of you who may be interested in reading beyond the seminar or in pursuing future research on a particular topic.

How to Obtain Readings for the Course:

Aside from the material in the book that you will be purchasing, you can obtain the required readings from Canvas (these are in the “Modules” tab in Canvas—these items are marked with C on the course outline). Please note that you can also find many of the readings on your own by using Jstor, Goldrush or Article Finder (on the Anderson website), Google, or Google Scholar. Please plan for problems with Canvas—this means that you should obtain course materials well in advance of the time that a particular reading has been assigned. *If a persistent link/Canvas is not functioning or if you have trouble downloading an item from Canvas, please first try to obtain the reading on your own using Google/Google Scholar/Goldrush/Jstor/Article Finder or other resources available through the Anderson Academic Commons website.*

Note that with only a few exceptions optional readings are not available through Canvas (but you may find many of them on your own).

Also, please plan your time so that you can locate material for the country-specific portion of your discussion paper (or your comments in class). See the syllabus supplement for ideas on sources, though you are not limited to these sources. You can find the syllabus supplement in Canvas Modules in the same Module with the syllabus.

Grading:

Course grades will be determined by four factors: three quizzes (together they account for 15% of grade, each quiz accounts for 5%); three discussion papers, graded as described above (together they account for 30% of grade, each discussion paper accounts for 10% of grade); seminar participation (15% of grade); and a country financial system profile (draft submitted on Monday, February 8 at 9am, final version submitted on Friday, March 19 at 5pm; 40% of grade).

In order to avoid confusion about final grades, please note the obvious: if you choose NOT to participate in seminar discussions (or do so only on the RAREST of occasions) a grade of zero for seminar participation will figure into your weighted average. And, needless to say, completing the readings each week is essential to effective participation.

Data Sources on Finance and Economic Development:

1. The IMF's publications, [Finance and Development \(library access\)](#), [IMF Survey \(library access and IMF Survey archive, 1996-2008\)](#), and IMF Working Papers are invaluable resources. These publications are available on the IMF's website, www.imf.org.
2. 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 Anderson Library (call number is HJ8899.W672). It is available online via a [Anderson subscription](#). Selections from the volume are also on the IMF's website.
3. The World Bank's two-volume publication, [Global Development Finance](#), provides comprehensive data on capital flows. The World Bank also publishes [World Development Indicators](#), which is invaluable as well (and the database can be accessed on line through Anderson library).
4. Standard and Poor's publishes the annual volume, [Emerging Stock Markets Factbook](#). The Factbook is the single best source of information on stock markets in developing economies. You will find that older editions of this volume were published by the International Finance Corporation.
5. The IMF's annual publication, [Annual Report on Exchange Arrangements and Exchange Restrictions](#), presents data on capital account regulations (capital controls, investment policies, exchange rate regimes).
6. The United Nations publishes the annual [World Economic Survey](#), which covers major issues facing the world economy. The [Human Development Report](#) (also an annual publication of the United Nations Development Program) contains useful socioeconomic data.
7. Please see the folder in Canvas ("Discussion" section) on data sources and please add at least one resource to it during the course of the seminar.

COURSE OUTLINE

INTRODUCTION (1 session)

Session 1 (January 12). OVERVIEW OF THE FIELD OF FINANCE AND ECONOMIC DEVELOPMENT: THEORETICAL PERSPECTIVES, DEBATES, AND POLICY CHALLENGES

What are the intellectual antecedents of the field of finance and development? What are the key theories, debates, and policy challenges in the field? What issues are you most likely to confront as finance and development professionals in the next few years? And what we will do in this seminar?

--Prior to our first meeting, please review some of the items in "News Stories/Opinion Essays on Finance and Development Related Matters." The folder can be found in Canvas, "Modules" section.

--You will also find in Canvas optional readings that serve as good background to the seminar. Some broadly deal with development economics and others with the substance of the seminar more directly. All of these readings can be found in Canvas Modules, "Introduction to the Course." A few comments on these optional readings follow.

Broad examinations of development, development theory, and development policy

Intellectual histories of development economics--Globalization and development,” in John Ravenhill editor, *Global Political Economy*, 3rd edition, Oxford University Press, 2011; and Michael Alacevich and Mauro Boianovsky, “Writing the History of Development Economics, *History of Political Economy* 50 (annual suppl.). An overview of macroeconomic theory for development--Deepak Nayyar, “Macroeconomics in developing countries,” *BNL Quarterly Review*, September 2007, LIX(242), pp. 249-69. You will find much of interest in Ha-Joon Chang’s, *23 Things They Don’t Tell You About Capitalism*, London/NY: Allen Lane/Penguin, 2010, particularly relevant are “things 6, 8, 11, 15, 22, 23,” and conclusion. Two of my favorite essays--Albert O. Hirschman, “Obstacles to development: A classification and a quasi-vanishing act,” *Economic Development and Cultural Change*, 1965, 13, pp. 385-93; Albert O. Hirschman, 2013[1971], “Political Economics and Possibilism,” in *The Essential Hirschman*, edited by Jeremy Adelman, Princeton: Princeton University Press, 1-34. The Hirschman essays are development classics. Hirschman takes on (respectively) the misguided tendency to search for panaceas and the dominant “futilism” (as he termed it) in the field. There are a few other interesting readings in this Module.

Broad examinations of matters relating to finance and development

We will use these World Bank reports on many occasions. They contain a lot of data that will be useful for your Country Financial System Profile (updated data are available on line). World Bank, *Global Development Financial Report 2013*, “Rethinking the Role of the State in Finance,” *Global Development Financial Report 2014*, “Financial Inclusion,” and *Global Financial Development Report 2015*, “Long-term Finance.” You should become a regular reader of the IMF’s (free) magazine, [Finance and Development](#). An interesting recent treatment of finance and development in connection with Covid-19--Bodo Ellmers, “Financing for Development in the Era of Covid-19 and Beyond,” Briefing, August 2020. A concise, popular overview of key issues: Jomo Kwame Sundaram and Anis Chowdhury, *Finance Following Growth*, IPS, 2017.

I. THEORIES OF FINANCE AND DEVELOPMENT (2 sessions)

I.A. Session 2 (January 19). THEORIES, PART 1: NEOCLASSICAL THEORIES OF FINANCE AND DEVELOPMENT

What is the role of the financial system in the development process (e.g., does finance lead or follow industrialization and development)? How has the neoclassical approach to finance and development evolved since the 1970s? What role does the state play in this analysis? What role do domestic versus international sources of finance play in the development process? What role do public versus private sources of finance play in the development process? What are the policy implications of this approach? Do banks and capital markets play distinct roles in development? Have the global financial and the Covid-19 crises played any role in shaping the debate over the liberalization of domestic and international financial flows?

A quiz on this topic is due at 9am on Monday, January 18. Instructions and prompts will be in Canvas in the “Quizzes” section and should be submitted there as well. Remember to download a copy of your quiz before you submit it and keep it handy for our seminar meeting.

Required:

- World Bank, "Rethinking the Role of the State in Finance," Global Development Financial Report 2013, Washington DC, World Bank, read chapters 1 and 5. [C]
- Grabel, I., "Financial Markets, the State and Economic Development: Controversies within Theory and Policy," International Papers in Political Economy, 1996, 3(1), read only p. 1 - middle of p. 12. [C]
- Chang, H.-J. and I. Grabel, Ch. 10, section entitled "The Neo-Liberal View," Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2005 or 2015. [Purchase this book]
- Ang, James, A Survey of Recent Developments of the Literature of Finance and Growth, Journal of Economic Surveys, 2008, Vol. 22, No. 3, pp. 536–576, read only section 4 and section 6.2 - 6.3.2. [C]
- Cull, Robert, Asli Demirgüç-Kunt, and Justin Yifu Lin. "Financial Structure and Economic Development: A Reassessment." *The World Bank Economic Review* 27, no. 3 (2013), 470-475 [C]

Optional:

- Fry, M. J., Chs. 2-3, pp. 20-59, Money, Interest, and Banking in Economic Development. Baltimore: Johns Hopkins University, 1995.
- Mishkin, F., The Next Great Globalization: How Disadvantaged Nations Can Harness Their Financial Systems to Get Rich, Princeton University Press, 2006.
- Patrick, H. T., "Financial Development and Economic Growth in Underdeveloped Countries." Economic Development and Cultural Change, 1965 October, XIV(1), pp. 174-189.
- Goldsmith, R., pp., 44-48, Financial structure and development, New Haven: Yale University Press, 1969.
- Fry, M. J., "Saving, Investment, Growth and the Cost of Financial Repression." World Development, 1980, 8:317-327.
- Gurley, J. G. and E. S. Shaw, "Financial Structure and Economic Development." Economic Development and Cultural Change, 1967, 15(3), pp. 257-268;
- Gurley, J. G. and E. S. Shaw, "Financial Aspects of Economic Development." American Economics Review, 1955, 45(4), pp. 515-538; Gurley, J. G. and E. S. Shaw. Money in a Theory of Finance. Washington, DC: Brookings Institution, 1960.
- Shaw, E. S., Financial Deepening in Economic Development. New York: Oxford University, 1973; Shaw, E. S., Money and Capital in Economic Development, Washington, DC: Brookings Institution, 1973.
- McKinnon, R., The Order of Economic Liberalization: Financial Control in the Transition to a Market Economy. Baltimore: Johns Hopkins University, 1991.
- McKinnon, R. I. and D. J. Mathieson, "How to Manage a Repressed Economy." Princeton Studies in International Finance No. 145, 1981.

I.B. Session 3 (January 26). THEORIES, PART 2: CRITIQUES OF NEOCLASSICAL THEORY AND NON-NEOCLASSICAL THEORIES OF FINANCE AND DEVELOPMENT (NEO-STRUCTURALIST, POST-KEYNESIAN, AND INSTITUTIONALIST APPROACHES)

What are the central, shared elements of non-neoclassical approaches to finance and development? How does Gerschenkron explain the special role played by the state and extra-market linkages in late developing countries? What are the key contemporary policy lessons of Gerschenkron's analysis? What is the significance of bottlenecks and informal financial institutions in the neo-structuralist approach? What are the financial policy implications of developmental state theory? To what extent does developmental state (or, what some refer to as more "statist") theory resonate for you? Taken together, what are the policy implications of non-neoclassical approaches to finance and development? Do any aspects of non-neoclassical approaches to finance and development seem more or less relevant in light of the global financial and the Covid-19 crises?

A quiz on this topic is due at 9am on Monday, January 25. Instructions and prompts will be in Canvas in the "Quizzes" section and should be submitted there as well. Please download a copy of your quiz before you submit it and keep it handy for our seminar meeting.

Required:

Gerschenkron, A., ch. 1 and postscript, Economic backwardness in historical perspective. Cambridge, MA: Harvard University Press, 1962. [C]

Krieckhaus, Jonathan, "Reconceptualizing the developmental state: Public savings and economic growth," World Development, 2002, vol. 30, no. 10, pp. 1697-1712. Focus on the theoretical discussion rather than on the case study of Brazil. [C] (Note: you might find it worthwhile to review the Philips essay from the introduction to the course.)

Mkandawire, Thandika, "Thinking about developmental states in Africa," Cambridge Journal of Economics 2001, 25, pp. 289-313. [C]

Naqvi, Natalya, "Renationalizing finance for development: policy space and public economic control in Bolivia," Review of International Political Economy, 2019, <https://doi.org/10.1080/09692290.2019.1696870>. Focus on the general arguments and implications rather than the specific case of Bolivia. [C]

Grabel, I., "Financial Markets, the State and Economic Development: Controversies within Theory and Policy," International Papers in Political Economy, 1996, 3(1), read only pp. 12-27. [C]. OR, Chang, H.-J. and I. Grabel, Ch. 10, section entitled "Rejection of the Neo-Liberal View," Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004. [Purchase this book]

French-Davis, R., "Capital formation and the macroeconomic framework: A neo-structuralist approach," in Development from within: Toward a neo-structuralist approach for Latin America, O. Sunkel, eds., Boulder, CO: Lynne Reiner, 1993, pp. 151-84. Read pp. 170-83. [C]

Fitzgerald, E.V.K., "Financial Development and Economic Growth: A Critical View," in Growth Divergences: Explaining differences in Economic Performance, José Antonio Ocampo, Jomo K.S. and Rob Vos (eds.), London: Zed Books, 2007, pp. 204-35. [C]

Optional:

Lustig, N., pp. 27-41, "From Structuralism to Neo-structuralism: The Search for a Heterodox Paradigm," in The Latin American Development Debate, ed. P. Meller,

- Boulder: Westview, 1991.
- Jameson, K. P., "Latin American Structuralism: A Methodological Perspective." World Development, 1986, 14(2), pp. 223-232.
- Arndt, H. W., "Origins of Structuralism." World Development, 1985, 13(2), pp. 151-159.
- Taylor, L., Structuralist Macroeconomics: Applicable Models for the Third World. New York: Basic Books, 1983.
- Fry, M. J., ch. 6, pp. 109-130, Money, Interest, and Banking in Economic Development. Baltimore: Johns Hopkins University.
- Van Wijnbergen, S., "Stagflationary Effects of Monetary Stabilization Policies." Journal of Development Economics, 1982, 10(2), pp. 133-69;
- Van Wijnbergen, S., "Interest Rate Management in LDCs." Journal of Monetary Economics, 1983, 12(3), pp. 433-52;
- Van Wijnbergen, S. "Credit Policy, Inflation and Growth in a Financially Repressed Economy." Journal of Development Economics, 1983, 13(1-2), pp. 45-65.
- Buffie, E., "Financial Repression, the New Structuralists, and Stabilization Policy in Semi-Industrialized Economies." Journal of Development Economics, 1984, 14, pp. 305-22.
- Je Cho, Y., "McKinnon-Shaw versus the Neo-structuralists on Financial Liberalization: A Conceptual Note," World Development, 1990, 18(3), pp. 477-80.
- Owen, P. D. and O. Solis-Fallas, "Unorganized Money Markets and 'Unproductive' Assets in the New Structuralist Critique of Financial Liberalization," Journal of Development Economics, 1989, 31, pp. 341-55.
- Kapur, B., "Formal and informal financial markets, and the neo-structuralist critique of the financial liberalization strategy in less developed countries." Journal of development economics, 1992, 38, pp. 63-77.
- Burkett, P., "Financial 'Repression' and Financial 'Liberalization' in the Third World: A Contribution to the Critique of Neoclassical Development Theory," Review of Radical Political Economics, 1987, 19, pp. 1-21.
- Taylor, L. and S. A. O'Connell, "A Minsky Crisis." Quarterly Journal of Economics, 1985, 100, pp. 871-86.
- Cameron, R., editor, Financing industrialization, vols. I-II, England: Elgar, 1992.

II. EVALUATING/CLASSIFYING NATIONAL FINANCIAL SYSTEMS: TYPOLOGIES, INSTITUTIONS, AND CRITERIA FOR PERFORMANCE EVALUATION

(2 sessions)

II.A. Session 4 (February 2). EVALUATION AND CLASSIFICATION, PART 1. WHAT ARE THE BROAD TYPES OF NATIONAL FINANCIAL SYSTEMS/ARRANGEMENTS/INSTITUTIONS? BY WHAT CRITERIA SHOULD FINANCIAL SYSTEMS/INSTITUTIONS BE EVALUATED?

The required readings for this week present a variety of ways by which national financial systems can be classified and evaluated. The readings also discuss a variety of institutional configurations. In terms of classification schemes, you will be reading about the differences between national financial systems that are bank- versus capital-market based, government-versus market based, exit versus voice based, and internationally integrated versus relatively

closed. You will also read about Islamic financial systems, which are quite heterogenous. Pay careful attention to the arguments that draw a link between different types of financial systems and macroeconomic outcomes. The types of macroeconomic outcomes that you should focus on include the following: investment time horizons, the availability of capital for diverse types of investment, employment generation, financial stability, resilience, and economic growth. You will read as well about different types of financial instruments (such as bonds, stocks, i.e., equity, bank loans by domestic and foreign banks), types of financial institutions (such as national development banks), and the informational and control attributes associated with a variety of financial arrangements and institutions.

You will also read about different ways of evaluating the performance of national financial systems. In thinking about evaluation, please consider the fact that financial systems may be efficient in different ways. Functional efficiency refers to the ability of the financial system to allocate capital to long-term investment. Operational efficiency refers to the ability of the financial system to allocate capital at the lowest cost. Allocational efficiency refers to the ability of the financial system to allocate capital according to rate of return criteria. Informational efficiency refers to the ability of the financial system to set prices for capital based on all publicly available information on the investment projects put forward for financing. You might also consider the concept of social efficiency, which refers to the ability of the financial system to contribute to identified social objectives, such as poverty alleviation. Another important consideration in evaluating the performance of a financial system is access, which is more commonly termed “financial inclusion.” The World Bank report below focuses on access/inclusion. The global financial and the Covid-19 crises underscore the importance of maximizing the potential of the financial system to support resilience and livelihoods. Please consider this factor when developing your final country financial system profile.

A quiz on this topic is due at 9am on Monday, February 1. Instructions and prompts will be in Canvas in the “Quizzes” section and should be submitted there as well. Please download a copy of your quiz before you submit it and keep it handy for our seminar meeting.

Required:

Epstein, Gerald and Ilene Grabel, “Financial Policies for Pro-Poor Growth,” prepared for the United Nations Development Programme (UNDP), International Poverty Centre, Global Training Programme on Economic Policies for Growth, Employment and Poverty Reduction, 2006. Read section 3 only. [C]

Hirschman, A., 1986, ch. 4, "Exit and voice: An expanding sphere of influence, Rival views of market society. NY: Viking, 1986, pp. 77-104. Note: apply Hirschman’s concepts of exit and voice to financial systems in the global south and global east. What are the costs and benefits of national financial systems where investors/lenders communicate with firm managers/borrowers via exit (i.e., the withdrawal of funds) or voice (i.e., influence over management decisions, conditions placed on the renewal/extension of credit, etc)? [C]⁵

⁵ Note: if you have any doubt about the relevance of Hirschman’s concepts of exit and voice to contemporary discussions of financial reform, feel free to locate and read Roger Lowenstein, “A

- Grabel, I., 1997, "Saving and the financing of productive investment: The importance of national financial complexes," in R. Pollin, ed., The Macroeconomics of Finance, Saving and Investment, Ann Arbor: University of Michigan Press, read *only* p. 251-middle of p. 269. [C] [My goal in having you read an excerpt of this article is to provide you with an example of how to categorize/analyze a national financial system. Ignore all of the case study material.]
- Chang, H.-J. and I. Grabel, Ch. 10, section entitled "Policy Alternatives," Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004 or 2014. [Purchase this book]
- World Bank, Global Development Financial Report 2013, *Rethinking the Role of the State in Finance*, Washington DC, World Bank, read chs. 1 & 4. [C] (Note: you've already read ch.1 in week 2—please review.)
- World Bank, Global Development Report 2015-16, *Long-term finance*, read pp. 1-20 (which is an overview of the entire report); read the "Key Messages" section for chapters 2, 3, and 4; and skim the data/measures in Appendix A and B.) The data/measures will be helpful to your country financial system profile. [C]
- Griffith-Jones, Stephany, Régis Marodon, and José Antonio Ocampo, "Mobilizing Development Banks to Fight Covid-19, Project Syndicate, April 8, 2020. [C]
- Nissanke, Machiko, "Financing Enterprise Development in Sub-Saharan Africa," *Cambridge Journal of Economics*, 2001, 25, 343-67. [C] (Please focus on the general points regarding financing constraints and the overview of the types of financial institutions.)
- Alharbi, Ahmad, "Development of the Islamic Banking System," *Journal of Islamic Banking and Finance*, June 2015, 3(1), pp. 12-25. [C]
- Weller, Christian and Ghazal Zulfiqar, "Financial Market Diversity and Macroeconomic Stability, PERI Working Paper No. 332, August 2013. [C]^[1]_{SEP} (Please also recall the points made about different types of financial systems in the essay by E.V.K. Fitzgerald, which you read for week 3.)

Optional:

- Keynes, J. M. 1936, The general theory of employment, interest, and money, NY: Harcourt Brace Jovanovich, chapter 12.
- Lindbloom, C., year, parts 2, 3, & 5, Politics and markets, Place published, Publisher.
- Hirschmann, Albert, year, Chs. 1-3, 7 & 9, Exit, voice and loyalty, Place published: Publisher.
- Tobin, J., 1984, "On the efficiency of the financial system," Lloyd's bank review, 153, pp. 1-15.

II.B. Session 5 (February 9). EVALUATION AND CLASSIFICATION, PART 2: SURVEY, ANALYSIS AND EVALUATION OF NATIONAL FINANCIAL SYSTEMS

For this week only, all seminar participants are required to submit by 9 am on Monday (February 8) a draft of their country financial system profile (up to 4 pages double spaced). Submit your draft in Canvas "Assignments." We will begin our meeting on February 9 at 8:00 am. No discussion questions should be submitted this week.

seat at the table, New York Times, June 7, 2009, pp. 11-12. Lowenstein discusses exit and voice in the context of the US financial system.

See the document “preparing a country financial system profile” in Canvas (“Modules,” in the Module with the syllabus). That document provides detailed guidance on the draft and final versions of your profile.

You should be prepared to speak briefly on your draft in our meeting today—10 minutes maximum. Tell us what you have learned and what you plan to investigate further. Note: do NOT use PowerPoint or slides of any type in your brief remarks.

Some ideas for where to locate case study material and data are listed on the syllabus, syllabus supplement, and in Canvas (“data sources” folder). Remember: the syllabus supplement lists the best journals, blogs, think tanks, and reports by international organizations. You are not limited to these sources. And recall that the World Bank’s Global Development Reports (2013, 2014, 2015-16, which we have used in the seminar) present a great deal of data, particularly in the appendices. And see also the Data Sources folder in Canvas (“Discussion” section) that has some useful links. Please add at least one source to the folder over the course of the term.

III. POLICY DEBATES IN FINANCE AND DEVELOPMENT (5 sessions)

Seminar participants will select five policy issues to be discussed (one each week) from among the fourteen topics listed here: (1) domestic financial liberalization and regulation (with special reference to the domestic banking system); (2) capital account (external) liberalization, regulation, and measures to reduce capital flight and illicit financial flows; (3) monetary policy, central bank governance, inflation targeting, and “green” central banking; (4) currency boards, currency substitution (i.e., “dollarization”), and exchange rate regimes; (5) the role of foreign direct investment in development; (6) the creation and expansion of stock markets and the role of portfolio investment in development; (7) (private) multinational banks and financial development; (8) sub-regional, regional, trans-regional, and multilateral liquidity support arrangements and currency swaps; (9) national, sub-regional, regional, trans-regional, and multilateral development banks; patient capital; and sustainable infrastructure finance; (10) innovative sources of finance for development (in reference to the sustainable development goals, peacebuilding, fragile states, pandemics); (11) public-private partnerships in development finance; (12) micro lending, informal financial institutions, and group lending; (13) the role of remittances and other diaspora-related international financial flows in development; (14) financial inclusion and “fintech.”

Tues., February 16: Policy topic 1 _____

Tues., February 23: Policy topic 2 _____

Tues., March 2: Policy topic 3 _____

Tues., March 9: Policy topic 4 _____

Tues., March 16: Policy topic 5 _____

Submit three discussion papers in connection part III of the seminar. Each discussion paper should be submitted by Monday at 9am in Canvas “Assignments.” See parameters for discussion papers above. Do take note of the country you are profiling in your

discussion paper. Please download a copy of your discussion paper before you submit it and keep it handy for our seminar meeting.

III.A. POLICY TOPIC: DOMESTIC FINANCIAL LIBERALIZATION AND REGULATION (WITH SPECIAL REFERENCE TO THE DOMESTIC BANKING SYSTEM)

How has the financial liberalization prescription evolved over time? What does empirical evidence suggest about the performance of liberalized financial systems? In what dimensions do liberalized financial systems perform best? What are the chief failings of liberalized financial systems? What is the role of deposit insurance in liberalized financial systems? What is the role of long-term finance, and how can the availability of this resource be maximized? Can there ever be “too much finance,” as research suggests? What factors influence compliance by domestic financial regulators with international banking standards? Is the “financialization” of national financial systems cause for concern?

Required:

- Grabel, I., "Speculation-led economic development: Toward a post-Keynesian interpretation of financial liberalization programs in the third world," International Review of Applied Economics, 1995, 9(2), 127-49. [C]
- Chang, H.-J. and Ilene Grabel, Ch. 10, Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004. [Purchase this book]
- Chang, H.-J., 23 Things They Don't Tell You About Capitalism, London/NY: Allen Lane/Penguin, 2010, see “thing 16” (especially discussion of Simon’s concept of bounded rationality, “thing 22,” and pp. 254-55 & pp. 259-60. [C]
- Epstein, Gerald and Ilene Grabel, “Financial Policies for Pro-Poor Growth,” prepared for the United Nations Development Programme (UNDP), International Poverty Centre, Global Training Programme on Economic Policies for Growth, Employment and Poverty Reduction, 2006. Read section 4 only.
- World Bank, “Global Financial Development Report 2015-16, Long-term Finance,” read chapter 4. [C]
- Jones, Emily, Bank Regulation in Developing Countries, Oxford: Oxford University Press, 2020. Read pp. 13-top of p. 16 (“Our arguments”) and chapter 15. [C]
- Arcand, Enrico Berkes and Ugo Panizza, “Too Much Finance,” IMF Working Paper No. 161, June 2012. [C]
- Jomo Kwame Sundaram and Michael Lim Mah Hui, “Financialisation: Tackling the Other Virus,” IPS News, July 2020. [C]

III.B. POLICY TOPIC: CAPITAL ACCOUNT (EXTERNAL) LIBERALIZATION, REGULATION, AND MEASURES TO REDUCE CAPITAL FLIGHT AND ILLICIT FINANCIAL FLOWS

What are the macroeconomic and microeconomic costs and benefits of liberalized international capital flows? Is there evidence that increased inequality is associated with capital flow

liberalization? Does capital flow liberalization have particular effects on women? Do the net effects of capital liberalization differ for foreign direct investment, portfolio investment, and international bank loans? What types of capital controls have been utilized vis-à-vis diverse types of international capital flows, and have these measures succeeded in relation to their goals? Why did the global crisis legitimate capital controls--and is this a good thing? Will the financial instability associated with the challenges of the Covid-19 crisis call forth new capital controls? Will capital flow liberalization return as an ideal in the post-Covid environment (and did it ever cease to be one)? What are the economic, social, and political costs associated with capital flight and illicit financial flows? How can capital flight and illicit financial flows be curbed?

Required:

- Chang, H.-J. and I. Grabel, Ch. 9, Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004 or 2015. [Purchase this book]
- Grabel, Ilene. 2017. *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*, Cambridge: The MIT Press. Read chapter 7. [C]
- Chang, H.-J., 23 Things They Don't Tell You About Capitalism, London/NY: Allen Lane/Penguin, 2010, see "thing 8, 16" (especially discussion of Simon's concept of bounded rationality, "thing 22," and pp. 254-55 & pp. 259-60. [C]
- Berg, Andrew, Prakash Loungani, and Jonathan Ostry, "Financial Globalization and Inequality," in *Confronting Inequality*, Andrew Berg, Prakash Loungani, and Jonathan Ostry (eds.), Columbia University Press, 2019. [C]
- Seguino, Stephanie, "Engendering Macroeconomic Theory and Policy," *Feminist Economics*, 26(2), pp. 27-61. Read pp. 44-45 on "Financial liberalization." [C]
- Mishkin, Frederic, "Why we shouldn't turn our backs on financial globalization," *IMF Staff Papers*, 2009, 56(1), pp. 139-70. [C]
- Subramanian, Arvind and Dani Rodrik, "The Puzzling Lore of Financial Globalization," Project Syndicate, September 25, 2019. [C]
- Boyce, James and Leonce Ndikumana, "Strategies for Addressing Capital Flight," PERI Working Paper No. 361, June 2015, read section 3. [C]
- Ndikumana, Leonce, "Integrated Yet Marginalized: Implications of Globalization for African Development," PERI Working Paper No. 381, Nov. 2015. [C]
- UNCTAD, *Trade and Development Report 2019*, New York: UN. Skim chapter 5 for discussion of policies to curtail illicit financial flows. [C]

Optional:

- Nelson, Stephen, *International Financial Institutions and Market Liberalization in the Developing World*, in Nicolas van de Walle and Carol Lancaster, eds., *The Oxford Handbook of the Politics of International Development*, 2015.
- J. Ostry et al., "Capital inflows: The role of controls," IMF staff position note, No. 4, February 2010.
- Qureshi, M. et al. "Managing capital inflows: The role of capital controls and prudential policies," NBER Working Paper No. 17363, August 2011.
- P. Arestis and A. Caner, "Capital account liberalization and poverty: How close is the link?" *Cambridge Journal of Economics*, 2010, 34, pp. 295-323. [C]

- Henry, P. B. "Capital account liberalization: Theory, evidence and speculation," *Journal of Economic Literature*, December 2007, XLV, pp. 887-935.
- Rodrik, Dani and Arvind Subramanian, "Why did financial globalization disappoint?" *IMF Staff Papers*, 2009, 56(1), pp. 112-38.
- Ndikumana, Leonce and James Boyce, *Africa's Odious Debts*, London: Zed Books, 2011.
- Stiglitz, J. "Risk and global economic architecture: Why full financial integration may be undesirable," *American Economic Review*, 100, May 2010, pp. 388-92.
- Stiglitz, Joseph, "Capital market liberalization, economic growth, and instability," *World Development*, 2000, 28(6), pp. 1075-1086.
- Edwards, S., "Capital mobility and economic performance: Are emerging economies different?" *NBER Working Paper No. 8076*, Jan. 2001.
- Duasa, Jarita and Paul Mosley, "Capital controls re-examined: The case for 'smart' controls," *The World Economy*, 2006, pp. 1203-1226.
- Eichengreen, B, 2002, 'Capital Account Liberalization: What Do Cross-Country Studies Tell Us?', *World Bank Economic Review*, vol. 15, no. 3, 341-65.
- Kristin Forbes, "Capital controls: Mud in the Wheels of Market Discipline," *National Bureau of Economic Research, Working Paper No. 10284*, January 2004.
- the Global Economy," *World Development*, 1996, 24(11), read only 1761-67.

III.C. POLICY TOPIC: MONETARY POLICY, CENTRAL BANK GOVERNANCE, INFLATION TARGETING, AND "GREEN" CENTRAL BANKING

What is the difference between de jure and de facto central bank independence? What is the economic logic that supports central bank independence? What are the economic costs and benefits of de facto central bank independence? What are the distributional implications of monetary policy (e.g., on women, on vulnerable social groups, export-oriented countries)? What is inflation targeting? What is the economic logic that supports inflation targeting? What are the economic costs and benefits of inflation targeting? What are the tradeoffs involved in targeting not just inflation but also "real variables," such as employment? To what extent has the global financial and the Covid-19 crisis influenced central banking practice (e.g., concerning inflation targeting and the targeting of other variables)? What are the prospects of what some are calling "green" central banking, that is, the use of monetary policy to advance sustainability?

Required:

- Chang, H.-J. and I. Grabel, Ch. 11, Section 11.2, Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004. [Purchase this book]
- Chang, H.-J., 23 Things They Don't Tell You About Capitalism, London/NY: Allen Lane/Penguin, 2010, see "thing 6." [C]
- Cukierman, A., S. Webb, and B. Neyapti, "Measuring the Independence of Central Banks and its Effect on Policy Outcomes," World Bank Economic Review, 1992, 6(3), pp. 353-98. [C]
- Grabel, I. "Ideology, power and the rise of independent monetary institutions in emerging economies," in J. Kirshner (ed.), *Monetary Orders: Ambiguous Economics, Ubiquitous Politics*, Ithaca: Cornell University Press, 2003, pp. 25-52. (Focus only on the parts of the paper that deal with independent central banks. Skip the discussion of currency boards.) [C]
- Gemayel, E. et al., "What Can Low-Income Countries Expect from Adopting Inflation

Targeting?" IMF Working Paper No. 276, Nov. 2011. [C]
Benlialper, Ahmet, and Hasan Cömert. 2016. Central Banking in Developing Countries After the Crisis: What Has Changed?, IDEAS Working Paper Series, No. 1. [C]
Epstein, Gerald. "Developmental central banking: winning the future by updating a page from the past." *Review of Keynesian Economics* 1, no. 3 (2013): 273-287. [C]
Seguino, Stephanie, "Engendering Macroeconomic Theory and Policy," *Feminist Economics*, 26(2), pp. 27-61. Read pp. 51-52. [C]
Boait, Fran, "Green Central Banking," Commonwealth, July 2019. [C]

Optional:

Music video on inflation targeting by the Central Bank of Jamaica
<https://twitter.com/CentralBankJA/status/1299127633364557826?s=20>
Maxfield, S., Gatekeepers of Growth: The International Political Economy of Central Banking in Developing Countries, Princeton: Princeton University Press, 1997. Chapters 1-4.
Forder, J., "Central Bank Independence: Reassessing the Measurements," Journal of Economic Issues, 33(1), March 1999, pp. 23-40.
Bowles, P. and G. White, "Central bank independence: A political economy approach", Journal of development studies, 1994, 31(2), pp. 235-64.
Cardim de Carvalho, F., "The independence of central banks: A critical assessment of the arguments," Journal of post-Keynesian economics, Winter 1995-6, 18(2): 159-75.

III.D. POLICY TOPIC: CURRENCY BOARDS, CURRENCY SUBSTITUTION (I.E., "DOLLARIZATION"), AND EXCHANGE RATE REGIMES

What are the objectives of currency board regimes? Why do so few countries have currency boards? What are the economic costs and benefits of currency boards? What is meant by formal and informal currency substitution? What are the economic costs and benefits of currency substitution? What is meant by "corner solutions"? What are the tradeoffs involved in a range of exchange rate choices (e.g., floating, fixed, peg, crawling/adjustable peg systems)? Does the global crisis hold any lessons that pertain to exchange rate choices? To what extent is maintaining a competitive exchange rate (long associated with developmental state theory and non-neoclassical approaches to finance and development) an appropriate policy objective at the present time?

Required:

Chang, H.-J. and I. Grabel, Ch. 11, Section 11.1, Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004 or 2015. [Purchase this book]

Currency boards:

Ghosh, A., A.-M. Gulde, H. Wolf, "Currency Boards: The Ultimate Fix?" IMF Working Paper No. 8, January 1998. [C]

Grabel, I. "Ideology, power and the rise of independent monetary institutions in emerging economies," in J. Kirshner (ed.), *Monetary Orders: Ambiguous Economics, Ubiquitous Politics*, Ithaca: Cornell University Press, 2003, pp. 25-52. (Focus only on the parts of the paper that deal with currency boards.) [C]

Currency substitution:

Sachs, J. and F. Larrain, "Why dollarization is more straightjacket than salvation," Foreign Policy, Fall 1999, pp. 81-92. [C]

Exchange rate choices:

Rodrik, D., "The real exchange rate and economic growth," Brookings Papers on Economic Activity, 2008, 2, pp. 365-412. [C]

Frankel, J., "No single currency regime is right for all countries or at all times," Princeton essays in international finance, no. 215, Aug. 1999. [C]

de Paula, Luiz Fernando, Barbara Fritz, and Daniela M. Prates, "Keynes at the Periphery: Currency Hierarchy and Challenges of Economic Policy in the Periphery," Journal of Post Keynesian Economics, 2017, 40(2), 183-202. [C]

Steinberg, David, Demanding Devaluation: Exchange Rate Politics in the Developing World, 2015, Ithaca: Cornell University Press, read chapter 3. [C]

III.E. POLICY TOPIC: THE ROLE OF FOREIGN DIRECT INVESTMENT IN DEVELOPMENT

What is "greenfield" versus "brownfield" foreign direct investment (FDI)? Does one type offer greater net developmental benefits? Is FDI an example of "patient capital"? Does FDI have differential effects on male versus female employment? What are the key patterns in FDI? What factors are most important in explaining FDI decisions? In particular, does tax policy (e.g., tax holidays/tax havens) play an important role in attracting FDI? Are export-processing zones a good idea? What types of regulations over FDI have proven to be most beneficial? What countries have used FDI successfully, and what policy lessons do you take from these experiences?

Required:

Chang, H.-J. and I. Grabel, Ch. 9, Section 9.4, Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004. [Purchase this book]

Amsden, Alice. National companies or foreign affiliates: Whose contribution to growth is greater? Columbia FDI Perspectives, No. 60; February, 13, 2012. [C]

Akyuz, Yilmaz, "Foreign direct investment, investment agreements, and economic development: Myths and Realities," South Center Working Paper No. 63, October 2015. [C]

Jostein Hauge (2019) Should the African lion learn from the Asian tigers? A comparative-historical study of FDI-oriented industrial policy in Ethiopia, South Korea and Taiwan, Third World Quarterly, 40:11, 20712091. [C]

Ndikumana, Leonce, "Integrated Yet Marginalized," section 3 (see session on capital account/external liberalization). [C]

Blanton, Robert and Shannon Lindsey Blanton, "Is Foreign Direct Investment 'Gender Blind' Women's Rights as a Determinant of US FDI? Feminist Economics, 2015, DOI: 10.1080/13545701.2015.1006651 [C]

Seguino, Stephanie, "Engendering Macroeconomic Theory and Policy," Feminist Economics, 26(2), pp. 27-61. Read pp. 41-top of p. 43. [C]

Ouedraogo, R. and E. Marlet, Foreign Direct Investment and Women's Empowerment: New Evidence on Developing Countries, IMF Working Paper No. 25, 2018. [C]

Blanco, Luisa and Cynthia Rogers, "Are Tax Havens Good Neighbors? FDI Spillovers and

Developing Countries,” *Journal of Development Studies*, 2014, 50(4), pp. 530-40. [C]

III.F. POLICY TOPIC: CREATION AND EXTENSION OF STOCK MARKETS AND THE ROLE OF PORTFOLIO INVESTMENT IN DEVELOPMENT

Should policy toward portfolio investment (PI) differentiate between investments in stocks (also called equities) and debt instruments (such as bonds)? And regarding bonds, should policy be agnostic on bond maturity (i.e., are short-term debt instruments as important developmentally as long-term bonds)? What is the role of derivative instruments in countries of the global south and global east? Should smaller countries consider participating in regional stock markets? What types of measures should govern PI—e.g., are minimum stay requirements a good idea, should foreign investors be treated differently than domestic investors, should central banks maintain “reserve requirement” taxes over PI? Is the trend toward securitizing private financial flows developmentally beneficial?

Required:

Chang, H.-J. and I. Grabel, Ch. 9, Section 9.3, Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004. [Purchase this book]

Levine, R. and S. Zervos, “Stock Markets, Banks and Economic Growth,” American Economic Review, June 1998, 88(3), pp. 537-58. [C]

World Bank Global Financial Development Report 2015-16, “Long-term Finance,” read chapter 3 (see session 1). [C]

Shah, A. and S. Thomas, “Securities market efficiency,” in J. Hanson, P. Honohan and G. Majnoni (eds.), *Globalization and national financial systems*, Washington/NY, World Bank/Oxford University Press, 2003, pp. 145-74. [C]

Singh, A. and B. Weisse, “Emerging Stock Markets, Portfolio Capital Flows and Long-term Economic Growth: Micro and Macroeconomic Perspectives”, World Development, 1998, 26(4), pp. 607-22. [C]

Gabor, Daniela, “Securitization for Sustainability,” Heinrich Böll Stiftung, Washington, DC, 2019. [C]

Grabel, Ilene, “Critique and Alternatives to ‘Making the Global Financial System Work For All,’” memo prepared for UNCTAD, April 2019. [C]

*For detailed data on stock markets, see Standard and Poor’s Emerging Stock Market Factbook (hard copy available only at CU-Denver-Auraria-reference desk).

Optional:

Demirguc-Kunt, Asli and R. Levine, “Stock Markets, Corporate Finance, and Economic Growth: An Overview,” World Bank Econ. Review, May 1996, 10(2): 223-39.

Levine, R. and S. Zervos, “Capital Control Liberalization and Stock Market Development,” World Development, 1998, 26(7), pp. 1169-83.

Keynes, J. M. 1936, The general theory of employment, interest, and money, NY: Harcourt Brace Jovanovich, chapter 12.

Singh, A., “The stock market and economic development: Should developing countries encourage stock markets?” UNCTAD Review, 1993, no. 4, pp. 1-28.

Grabel, I., Assessing the impact of financial liberalization on stock market volatility in

selected developing countries, Journal of development studies, 1995, pp. 903-17.

III.G. POLICY TOPIC: (PRIVATE) MULTINATIONAL BANKS AND FINANCIAL DEVELOPMENT

What are the developmental costs and benefits associated with the presence of (private) foreign banks in countries of the global south and global east? Do foreign banks have a tendency to “cut and run,” “cherry pick,” crowd out domestic banks, or intervene in domestic politics? What policies have been most useful in maximizing the developmental benefits of multinational banks, especially during crises?

Required:

Chang, H.-J. and I. Grabel, Ch. 9, Section 9.2, Reclaiming Development: An Alternative Economic Policy Manual, London: Zed Books, 2004. (Skim section 9.2 for commentary on foreign banks in developing countries.) [Purchase this book]

Chang, H.-J., 23 Things They Don't Tell You About Capitalism, London/NY: Allen Lane/Penguin, 2010, see “thing 8.” [C]

Cull, Robert, Maria Soledad Peria and Jeanne Verrier, “Bank Ownership: Trends and Implications,” March 2017, IMF Working Paper, Research Department, Working Paper No. 60. [C]

De Haas, Ralph et al. Foreign banks and the Vienna Initiative: Turning sinners into saints? IMF working paper, April 2012, No. 117 [C]

Rashid, H., “Credit to Private Sector, Interest Rate Spread, and Volatility in Credit Flows: Do Bank Ownership and Deposit Flows Matter?” UN Department of Economic and Social Affairs Working Paper 105, May 2011. [C]

Berglof, Eric, “Financial Prey for the Populists,” Project Syndicate, April 2, 2019. [C]

Marshall, Wesley C. “Foreign Banks and Political Sovereignty: The Case of Argentina,” Review of Political Economy, 2008, 20(3), pp. 349-366. (Please focus on the more general arguments in the paper and less so on the particulars of the Argentine case.) [C]

H. Stein, “Financial liberalization, institutional transformation and credit allocation in developing countries: The World Bank and the Internationalization of Banking,” Cambridge Journal of Economics, 2010, 34, pp. 257-73. [C]

Gallagher, Kevin, Amos Irwin, and Katherine Koleski, The New Banks in Town: Chinese Finance in Latin America, Inter-American Dialogue Report, February 2012.

III.H. POLICY TOPIC: SUB-REGIONAL, REGIONAL, TRANS-REGIONAL, AND MULTILATERAL (COUNTERCYCLICAL) LIQUIDITY SUPPORT ARRANGEMENTS AND CURRENCY SWAPS

What exactly is involved in the provision of countercyclical liquidity support? What types of liquidity support arrangements exist? Do expanded or new liquidity support arrangements based in the global south and global east substitute for or complement the IMF? Does this dense global liquidity support network enhance or undermine global financial resilience? What role do bilateral currency swaps play in promoting financial resilience?

Required:

- Grabel, Ilene. 2017. *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*, Cambridge: The MIT Press. Read chapter 6 (skip the discussion of development banks). [C]
- Antoniades, Andreas, The New Resilience of Emerging and Developing Economies: Systemic Interlocking, Currency Swaps, and Geoeconomics, *Global Policy*, May 2017, 8(2). [C]
- Mühlich, Laurissa , and Barbara Fritz. 2016. Safety for Whom? The Scattered Global Financial Safety Net and the Role of Regional Financial Arrangements, Working Paper No. 75, KFG, The Transformative Power of Europe, Freie Universität Berlin, September, Accessed October 23, 2016, <http://www.polsoz.fu-berlin.de/en/v/transformeurope/news/allgemeines/KFG-Working-Paper-No-75.html>. [C]
- McDowell, Daniel. 2018. "Emergent International Liquidity Network: Central Bank Cooperation after the Global Financial Crisis." *Journal of International Relations and Development*. <https://doi.org/10.1057/s41268-017-0106-0>.

III.I. POLICY TOPIC: NATIONAL, SUB-REGIONAL, REGIONAL, TRANS-REGIONAL, AND MULTILATERAL DEVELOPMENT BANKS; PATIENT CAPITAL; AND FINANCE FOR SUSTAINABLE INFRASTRUCTURE

Why is patient capital important, and what kinds of incentives and structures increase patience? What roles do development banks play? Why are there so many development banks in countries of the global south and global east? What are multilateral development banks (also known as legacy institutions) and what role do they play in the global financial architecture? On balance, have development banks performed well in terms of their goals? What accounts for the recent expansion of older and the creation of so many new development banks, especially those that involve China as a key actor? Do the newer development banks present a challenge to legacy institutions (such as the World Bank, the Asian Development Bank, the Inter-American Development Bank, and the African Development Bank)? Are development banks important as a (potential) source of finance for sustainable development and the achievement of other goals embodied in the SDGs, particularly those that relate to (green) infrastructure? Can development banks be “greened”? Do development banks have an important role to play Covid-19 economic recovery programs? Have efforts to securitize and “crowd in” private finance proven successful?

Required:

- Grabel, Ilene. 2017. *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*, Cambridge, MA: The MIT Press. Read chapter 6. (Skip the discussion of reserve pooling/liquidity support arrangements). [C]
- Griffith-Jones, Stephany and José Antonio Ocampo, “Why the World Needs National Development Banks,” Project Syndicate, May 15, 2019. [C]
- Griffith-Jones, Stephany, Régis Marodon, and José Antonio Ocampo, “Mobilizing Development Banks to Fight Covid-19, Project Syndicate, April 8. 2020. [C]
- Mazzucato, Mariana and Laurie Macfarlane, How to Build a Patient Investment Bank,” New Europe, April 2, 2019.

- Bhattacharya, Amar, Jeremy Oppenheim, and Lord Nicholas Stern. "Driving Sustainable Development through Better Infrastructure: Key Elements of a Transformation Program." Brookings Global Economy & Development Working Paper 91, 2015. [C]
- F20, Aligning G20 Infrastructure Investment with Climate Goals and the 2030 Agenda, Brookings Institution, Global Economy and Development, and Boston University, Global Development Policy Center, June 2019. [C].
- Gottschalk, Ricardo. 2016. The Role of Development Banks in Promoting Growth and Sustainable Development in the South, United Nations Conference on Trade and Development, December, mimeo. [C]
- Helleiner, Eric, "Multilateral Development Finance in Non-Western Thought: From Before Bretton Woods to Beyond," *Development and Change*, 2018, 50(1), pp. 144-63. [C]
- Seguino, Stephanie, "Engendering Macroeconomic Theory and Policy," *Feminist Economics*, 26(2), pp. 27-61. Read pp. 46-49. [C]
- Humphrey, Chris, "'Minilateral' Development Banks: What the Rise of Africa's Trade and Development Bank Says About Multilateral Governance," *Development and Change*, 2018, 50(1), pp. 164-90. [C]
- Gabor, Daniela, "Securitization for Sustainability," Heinrich Böll Stiftung, Washington, DC, 2019. [C]

III.J. POLICY TOPIC: INNOVATIVE SOURCES OF FINANCE FOR DEVELOPMENT (IN REFERENCE TO THE SUSTAINABLE DEVELOPMENT GOALS, PEACEBUILDING, FRAGILE STATES, PANDEMICS)

Examples of innovative sources of finance include securitizing future financial flows, shadow credit ratings, a Global Fund for Women, mobile money, GDP-indexed bonds, green bonds, catastrophe bonds, diaspora bonds (and other types of diaspora based investment), pandemic bonds, sovereign wealth funds, and debt for nature swaps. What types of innovative sources of finance hold the most promise? To what extent do innovative sources of finance figure into the SDGs, efforts to sustain peace, recovery from the Covid-19 crisis? What opportunities exist to promote innovative financial instruments? What obstacles stand in the way of launching particular innovations? Are particular configurations of actors necessary to support certain innovations (e.g., are public private partnerships relevant, do international organizations have a role to play)? Which innovative instruments have been most successful to date? Which offer the most promise?

- Ketkar, S. and Ratha, D. (eds.) *Innovative financing for development*. Washington DC: World Bank, 2009. [Skim entire book] [C]
- World Bank, Sovereign Wealth Funds and Long-term Development Finance: Risks and Opportunities, February 2014. [C], **OR**, Triki, Thouraya and Issa Faye, "Africa's Quest for Development: Can Sovereign Wealth Funds Help?" African Development Bank Group Working Paper No. 142, Decemeber 2011. [C]
- Seguino, Stephanie, "Financing for Gender Equality in the Context of the SDGs," background paper for UN Women, November 2015. [C]
- Erten, Bilge and Nilufer Cagatay, "Proposal for a Global Fund for Women through Innovative Finance," *Feminist Economics*, 2017, 23(4), pp. 170-200 [C]
- ECLAC, The Rise of Green Bonds, Washington, DC: ECLAC, October 2017. Read sections I

- and II. (If your country profile involves a Latin American or Caribbean country, section III provides information that might be useful to your research.) [C]
- Akhtar, Shamshad, Kevin P. Gallagher, Stephany Griffith-Jones, Jörg Haas, and Ulrich Volz, “The Need for Debt for Climate Swaps,” *East African Business Week*, September 12, 2020. [C]
- Erickson, Susan, “Global Health Futures?: Reckoning with a Pandemic Bond,” *Medicine Anthropology Theory* 6(3): 77–108. [C]
- Benson, Jay and Victor Odundo Owuor, “Investing From Abroad: Pathways to Utilizing Diaspora Investment in Fragile and Conflicted States,” *One Earth Future*, Feb. 2019. [C]
- Kantovitz, Riva, “Innovative Financing to Sustain Peace,” NYU Center on International Cooperations, January 2018. [C]

III.K. POLICY TOPIC: PUBLIC-PRIVATE PARTNERSHIPS IN DEVELOPMENT FINANCE

Public private partnerships (PPPs) are all the rage in development. Have they lived up to the claims of their proponents? What types of measures should be incorporated into PPPs in order to maximize their net developmental benefits? What is your view of the developmental potential of what is now being called “blended finance”? What are the prospects of crowding in private finance for development?

Required:

- World Bank, *Financing for Development Post-2015*, October 2013, Washington, DC: World Bank, read section 4 [C]
- Arditti, Guillaume, “Closing Africa’s Financing Gap,” *Closing Africa’s Financing Gap*, Project Syndicate, Feb. 26, 2019. [C]
- Rabah Arezki, Patrick Bolton, Sanjay Peters, Frederic Samama, and Joseph Stiglitz From *Global Savings Glut to Financing Infrastructure: The Advent of Investment Platforms* IMF Working Paper, Feb. 2016, WP/16/18 [C]
- Trebilcock, Michael, and Michael Rosenstock. "Infrastructure Public–Private Partnerships in the Developing World: Lessons from Recent Experience." *The Journal of Development Studies* (2015): 1-20. [C]
- Grabel, Ilene, “Evaluation of “Making the Global Financial System Work For All” (October 2018 report of the G20 Eminent Persons Group on Global Financial Governance, EPG-GFG), prepared for the United Nations Conference on Trade and Development, Division on Globalization and Development, March 2019.
- Jomo KS, Anis Chowdhury, Krishnan Sharma, Daniel Platz, “Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for purpose? *DESA Working Paper No. 148 ST/ESA/2016/DWP/148 FEB 2016* [C]
- Bayliss, Kate and Elisa Van Waeyenberge, “Unpacking the Public Private Partnership Revival,” *The Journal of Development Studies*, 2017 [C]
- Kapoor, Sonny, “Billions to Trillions-A Reality Check,” *A Re-Define Policy Brief*, March 2019. [C]
- Gabor, Daniela, “Understanding the Financialisation of Development Through 11 FAQs,” *Heinrich Boell Foundation*, August 2018. [C]

III.L. POLICY TOPIC: MICROLENDING, INFORMAL FINANCIAL INSTITUTIONS, AND GROUP LENDING

What types of microfinance institutions (MFIs) exist? What have been the chief benefits of MFIs? Why have so many recent analyses been skeptical or even critical of MFIs, particularly when they involve commercialization? Do you find these critical analyses compelling? Why do so many discussions of MFIs center around women, and to what extent does microfinance promote female empowerment, as many claim? What do you make of analyses that explore the effects of microfinance on violence against women? What lessons can be drawn from experiences with MFIs that can render them more developmentally beneficial? Beyond microfinance, what other types of informal financial arrangements exist in countries of the global south and global east? For example, what are ROSCAs, susus, and who are the “Banker Ladies”? To what extent are adaptations of legacy informal financial arrangements utilized by diaspora communities? Are informal financial arrangements a form of resistance and are they a response to exclusion and marginalization? Do they support empowerment, anti-racism, and are they a feature of the “social economy” and of Black social economies in particular?

Required:

- Shenaz Hossein, Caroline, *Politicized Microfinance: Money, Power, and Violence in the Black Americas*, Toronto: Toronto University Press, 2016, read chapters 1, 5-6. [C]
- Aitken, Rob, “The Financialization of Microcredit,” *Development and Change*, 2013, 44(3), pp. 473-99. [C]
- Johnston, Melissa Frances, “Frontier Finance: The Role of Microfinance in Debt and Violence in Post-Conflict Timor-Leste,” *Review of International Political Economy*, 2020. 27(6), pp. 1305-1329. [C]
- Ghosh, Jayati. "Microfinance and the challenge of financial inclusion for development." *Cambridge journal of economics* (2013), 37, pp. 1203-19. [C]
- Bateman, Milford, “The Role of Microfinance in Contemporary Rural Development Finance Policy and Practice: Imposing Neoliberalism as ‘Best Practice,’” *Journal of Agrarian Change*, 2012, 12(4), pp. 587-600. [C], OR, Guerin, Isabelle and Santosh Kumar, “Market, Freedom and the Illusions of Microcredit. Patronage, Caste, Class and Patriarchy in Rural South India,” *The Journal of Development Studies*, 53:2, pp. 741-754, 2017 [C]
- Shenaz Hossein, Caroline, “Building Economic Solidarity: Caribbean ROSCAs in Jamaica, Guyana, and Haiti,” in the *Black Social Economy in the Americas*, New York: Palgrave MacMillan, 2018, pp. 79-95. [C]
- Shenaz Hossein, Caroline, “The Politics of Resistance: Informal Banks in the Caribbean,” *Review of Black Political Economy*, 41(1), 2014, pp. 85-100. [C]
- Shenaz Hossein, Caroline, “The Black Social Economy: Perseverance of Banker Ladies in the Slums,” *Annals of Public and Cooperative Economics*,” 2013, 84(4), 423-442. [C]

Optional:

- Film: *The Banker Ladies*, Caroline Shenaz Hossein and Director Eserly Mondesir, 2021, <https://youtu.be/fXMYRtLTYP0>
- Bystrom, Hans, *The microfinance collateralized debt obligation: A modern Robin Hood?* *World Development* , 2008, Vol. 36, No. 11, pp. 2109–2126.

- Grosh, B. and G. Somolekae, "Mighty Oaks from Little Acorns: Can Microenterprise Serve as the Seedbed of Industrialization?" *World Development*, 1996, 24(12), pp. 1879-90.
- Christensen, G., "The limits to informal financial intermediation," *World development*, 1993, 2(5), pp. 721-31.
- David Bornstein, *The Price of a Dream: The story of the Grameen Bank*, Oxford University Press, 2005.
- M. Yunus and A. Jolis, *Banker to the Poor: Micro-lending and the Battle Against World Poverty*, Public Affairs, 1999, read chapters 5, 7-9, 11-12.

III.M. POLICY TOPIC: THE ROLE OF REMITTANCES AND OTHER DIASPORA-RELATED INTERNATIONAL FLOWS IN DEVELOPMENT

What are chief economic, social, and political benefits and costs of remittances? For example, do they finance certain types of investment and social expenditures, support household food security, fuel conflict, substitute for other forms of finance, and/or enhance or undermine state capacity and accountability? What types of patterns do we see when we look at remittance data? Is diaspora- and remittance-led development a viable and desirable strategy? What role do mobile and other "fintech" innovations play in reducing the cost of remittances? Is there a role for other diaspora-related international financial flows in development and, if so, how can they be harnessed most effectively? What happened to remittance flows during the global financial and the Covid-19 crises?

Required:

- Gabel, I. 2009. "The Political Economy of Remittances: What Do We Know? What Do We Need to Know?," Political Economy Research Institute Working Paper No. 184, University of Massachusetts-Amherst. [C]
- Chandrasekhar, CP and Jayati Ghosh, "Remittances as Savior," IDEAS blog, Dec. 18. [C]
- Vargas-Silva, Carlos, Remittances Sent To and From the Forcibly Displaced, *Journal of Development Studies*, 2016, <http://dx.doi.org/10.1080/00220388.2016.1234040>
- Harris, John and Donald Terry, "Remittance Flows to Post-Conflict States: Perspectives on Human Security and Development," Boston University Pardee Center Taskforce, October 2013. (ONLY read Executive Summary and Section IV) [C]
- Rodima-Taylor, Daivi and William W. Grimes, International remittance rails as infrastructures: embeddedness, innovation and financial access in developing economies, *Review of International Political Economy*, 2019, DOI: 10.1080/09692290.2019.1607766
- Moniruzzaman, Mohammad, "The Impact of remittances on household food security: Evidence from a survey in Bangladesh," *Migration and Development*, 2020, DOI: 10.1080/21632324.2020.1787097
- World Bank, Migration and Remittances Team, Development Prospects Group, [most recent "Migration and Development Brief."](#)
- Data sources: [World Bank's Migration and Remittance Factbook](#) (and updated data)
- Benson, Jay and Victor Odundo Owuor, "Investing From Abroad: Pathways to Utilizing Diaspora Investment in Fragile and Conflicted States," *One Earth Future*, Feb. 2019. [C]
- Pellerin, Helene and Beverly Mullings, "The 'diaspora option,' migration, and the changing political economy of development," *Review of International Political Economy*, 2013,

20(1), pp. 89-120. [C]

Optional:

Video panel: “Community Capital and the African Diaspora in the Time of Covid,” Speakers: Professors Jessica Gordon Nembhard, Nia Evans, and Caroline Shenaz Hossein, May 20, 2020. https://youtu.be/xCZGe_28WWA

DeParle, Jason, *A Good Provider Is One Who Leaves*, New York: Penguin Books, 2020.

Vleck, W., “Global Anti-Money Laundering Standards and Developing Economies: The Regulation of Mobile Money,” *Development Policy Review*, 2011, 29(4), pp. 415-31.

III.N. POLICY TOPIC: FINANCIAL INCLUSION AND “FINTECH”

Financial inclusion has become an important metric for assessing financial system performance. What is meant by financial inclusion and how is it measured? Is financial inclusion just the latest development fad? Does financial inclusion reduce inequality? Does financial inclusion enhance sustainability? What are the characteristics of inclusive financial systems? In what ways can financial systems be made to be more inclusive? For example, do mobile banking and other fintech innovations promote financial inclusion? What challenges are introduced by fintech?

Required:

IMF, *Fintech: “The Experience So Far,”* IMF Policy, June 2019, read pp. 1-19. [C]

Realini, Carol and Karl Mehta, *Financial Inclusion At the Bottom of the Pyramid*, Victoria, British Columbia: Friesen Press, 2015, chapters 20-21. [C]

Cihak, Martin and Ratna Sahay, “Finance and Inequality,” IMF Staff Discussion Note No. 1, 2020, read pp. 14-top of p. 18. [C]

World Bank *Financial Development Report 2014: Financial Inclusion* (see meeting 1 of seminar), chapter 1, Appendix B, Appendix C, Washington, DC: World Bank. [C]

Berthaud, Alexandre and Gisela Davico for Universal Postal Union, “Global Panorama on Postal Financial Inclusion: Business Models and Key Issues,” March 2013. Read introduction (section I and sections IV and V). [C]

Gabor, Daniela and Sally Brooks (2017) *The digital revolution in financial inclusion: international development in the fintech era*, *New Political Economy*, 22:4, 423-436. [C]

Bateman, Milford, “Fintech as a Destructive Force in the Field of Local Economic Development,” paper presented at 2nd International SINCERE Conference, October 2018. [C]

Aron, Janine, “Mobile Money and the Economy: A Review of the Evidence,” *World Bank Research Observer*, 2018, 33(2), pp. 135-88, SKIM. [C]

Nassiry, Darius, “The role of fintech in unlocking green finance: Policy insights for developing countries,” ADBI Working Paper Series, No. 883, Asian Development Bank Institute (ADBI), Tokyo. 2018. [C]

Singh, JP, “Development Finance 2.0: Do Participation and Information Technologies Matter? Review of International Political Economy, 2020, <https://doi.org/10.1080/09692290.2019.1616600>. [C]

Final Country Financial System Profiles should be submitted on Friday, March 19 at 5pm

in Canvas “Assignments.”
