

BILKENT UNIVERSITY
Department of Economics
Econ 454 Theories of Growth and Development II
Spring 2004

A. Erinc Yeldan
Office: FEASS 102
Office Hours: Wed 10:30-12:30; Fr 9:30-12:30

Tel. 1659
e-mail. YELDANE@BILKENT.EDU.TR
web address of the course: <http://www.bilkent.edu.tr/~yeldane/Ec453Bilkent.htm>

I will deal mainly with issues of globalization, development macroeconomics, and stabilization policy in this course. We will be mostly concerned with the determinants of the new wave of globalization, and will try to investigate its historical conditions as a new stage in capitalism. In so doing we will try to identify the agents of the neoliberal globalization and investigate the new developments in the processes of production with implications to labour markets and the state. Then we will focus on the concept of “economic development” and regard it as a unique phase of twentieth century capitalism. Classic theories of development will be studied with references to the structuralists, neo-Marxists, the Dependency school, and the world-system paradigm.

The rise of financial capital and the demise of the developmental state will be examined with exclusive reference to the (augmented) Washington Consensus and the new IMF conditionality. We will focus on the role of short term, speculative financial capital flows in the recent currency crisis episodes. In due course, we will also study the algebraic structure of the IMF’s financial programming approach (the so-called Polak model) and the new developments in stabilization policy emphasizing fiscal austerity (the so-called expansionary fiscal contraction idea) with concepts such as central bank independence, inflation targeting, flexible labor markets, and primary surplus generating credible state.

The course will end with debates on *life after capitalism* and calls for *the need to re-think economic development*.

Grading will be based upon: (i) three *position papers* (20 points each). Topics of these papers will be announced in class. They will entail overviews of literature as well as your own theses on the subject. (ii) a take-home Final Exam (20%); (iii) a finite number of homeworks and effective classroom participation (20%).

Please note that this course is conducted under the principle that ***there is no such thing as neutral science***. Scientific analysis of objective conditions always necessitate the researcher to take a position.

READING LIST and the COURSE PROGRAM

The following texts are recommended:

Lechner, Frank and Boli, John (eds) (2004) *The Globalization Reader*, 2nd Edition, Blackwell Publishing (**GR**)

Köse, Ahmet, Şenses, Fikret and Yeldan Erinç (eds) (2003) *İktisat Uzerine Yazılar I, Küresel Düzen, Devlet ve Sınıflar (Korkut Boratav'a Armağan)* Istanbul: İletisim Yay. (**KSY-I**)

Köse, Ahmet, Şenses, Fikret and Yeldan Erinç (eds) (2003) *İktisat Üzerine yazılar II: İktisadi Kalkınma, Kriz ve İstikrar Oktar Türel'e Armağan* Istanbul: İletisim Yay. (**KSY-II**)

Ray, Debraj (1998) *Development Economics*, Princeton University Press (**RJ**)

In addition we will discuss all the papers listed below in class. This is *not* an exhaustible list of the papers in the subject area, though it should be useful enough for a head start.

All the course material is to be put in reserve of the Bilkent Library system. It is your responsibility to make your own copies, if necessary.

WEEK 1: Understanding Globalization: The Record

Klein, Naomi (2002) "The Discarded Factory: Degraded Production in the Age of the Superbrand" Chp 9 in *No Logo*, Picador Press.

Korzeniewicz, Miguel (1994) "Commodity Chains and Marketing Strategies: Nike and the Global Athletic Footwear Industry". Chp 20 (pp. 167-177) in **GR**

Milanovic, Branko (2002) "The Two Faces of Globalization: Against Globalization As We Know It" *mimeo*, The World Bank.
Available on line at (IDEAs): <http://www.networkideas.org>

Easterly, William (2001) "The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980-1998" The World Bank, *mimeo*.

Weisbrot, Mark, Dean Baker and Judy Chen (2001) "The Scorecard on Globalization 1980-2000: Twenty Years of Diminished Progress" CEPR, Briefing paper, July.
Download: http://www.cepr.net/globalization/scorecard_on_globalization.htm

Stiglitz, Joseph (2000) "The Insider: What I Learned at the world economic crisis" Open Letter, *mimeo*.

WEEK 2: Understanding Globalization: Historical Development and Alternative Theoretical Approaches-I

Film Show: *The Age of Performance* by Carole Paluquin.

Baldwin, R. E. and P. Martin (1999) “Two Waves of Globalization: Superficial Similarities, Fundamental Differences” *NBER Working Paper*, No. W6904, January.

Parente, S.L. & E. Prescott (1993) “Changes in the Wealth of Nations” *Federal Reserve Bank of Minneapolis Quarterly Review* Spring.

Türel, Oktar (2003) “Dünyada Sanayileşme Deneyimi: Geçmiş Çeyrek Yüzyıl (1975-2000) ve Gelecek İçin Beklentiler” pp.11-48 in **(KSY-I)**

Köse, Ahmet and Ahmet Öncü (2003) “İktisadın Piyasası, Kapitalizmin Ekonomisi” pp.93-142 in **(KSY-I)**

Yeldan, Erinç (2003) “Neoliberalizmin İdeolojik Bir Söylemi Olarak Küreselleşme” pp. 427-452 in **(KSY-I)**

WEEK 3: Understanding Globalization: Historical Development and Alternative Theoretical Approaches-II

Amin, Samir (2004) *Obsolescent Capitalism* chp 1, Rainbow Publishers.

Wallerstein, Immanuel (1984) *The Politics of the World Economy: The States, the Movements and the Civilizations*, Chps 2, 3, 4, 5, Cambridge University Press.

Wallerstein, Immanuel (1974) “The Rise and Future Demise of the World Capitalist System” chp 8 (pp. 63-69) in **GR**.

Meszaros, Istvan (1995) “The Decreasing Rate of Utilization and the Capitalist State: Crisis-Management and Capital’s Destructive Self-Reproduction” Chp 16 (pp 580-600) in *Beyond Capital*, London: Merlin Press.

Sen, Amartya (2002) “How To Judge Globalization” chp2 (pp. 16-21) in **GR**.

RESEARCH PAPER I: Discuss the term “globalization” from an economic and social perspective. Is the term redundant or necessary? Is globalization a natural state of affairs in the course of humanity, or is it an ideological concept to mask the assault of capital on humanity?

DUE: Beginning of week 6.

WEEK 4: Features of Neoliberal Globalization: The Rise of Finance Capital

- Patnaik, Prabhat (2003) "Money, Finance and Contradictions of Capitalism" Chp 1 (pp. 3-23) in Jayati Ghosh and C.P. Chandrasekhar (eds) *Work and Well-Being in the Age of Finance*, Muttukadu Papers I: Tulika Press.
- Bello, Walden, Kamal Melhotra, Nicola Bullard and Marco Mezzera (2000) "Notes On the Ascendancy and Regulation of Finance Capital" Chp 1 (pp.1-26) in Bello, Bullard and Malhotra (eds) *global Finance: New Thinking on Regulating Speculative Capital Markets*, Zed Books.
- Stiglitz, Joseph (2003) "Globalization and Growth in Emerging Markets and the New Economy" *Journal of Policy Modeling*, 25:505-524.
- Adelman, Irma (ed) (2000) Special Issue on Financial Liberalization in *World Development* 28(6):1053-1142.
- Adelman, Irma and Erinc Yeldan (2000) "Minimum Conditions for a Financial Crisis: A Computable General Equilibrium Analysis with a Multiregional Intertemporal Model" *World Development*, 28(6): 1087-1100

WEEK 5: Features of Neoliberal Globalization: Multinational Corporations and the Patterns of International Trade

- Ruggie, John G. (1983) "Political Structure and Change in the International Economic Order: The North-South Dimension" Chp 9 (pp.423-488) in Ruggie (ed) *The Antinomies of Interdependence: National Welfare and the International Division of Labor*, New York: Columbia University Press.
- Kaplinsky, Raphael (2000) "Globalisation and Unequalisation: What Can be Learned from Value Chain Analysis?" *Journal of Development Studies* 37(2), December.
- Bello, Walden (2003) "The Global Conjuncture: Characteristics and Challenges" pp. 527-541 in *Work and Well-Being in the Age of Finance*
- T. Rajamoorthy (2003) "The International Trade Regime and the WTO" pp 542-560 in *Work and Well-Being in the Age of Finance*
- Dikmen, Ahmet A. (2003) "Standart Üründen Marka Standardizasyonuna" pp.515-538 in **(KSY-I)**

WEEK 6: Features of Neoliberal Globalization: Informalization of Labor

Ghosh, Jayati (2003) "Exporting Jobs or Watching Them Disappear? Relocation, Employment and Accumulation in the World Economy" pp 99-119 in *Work and Well-Being in the Age of Finance*

Glyn, Andrew (2003) "Employment Inequalities and the Unskilled Labor in the North" pp 364-378 in *Work and Well-Being in the Age of Finance*

Hoeven, Rolph van der and Taylor, Lance (2000) "Introduction: Structural Adjustment, Labour Markets and Employment: Some Considerations for Sensible People" *Journal of Development Studies*, 36(4): 57-65

Freeman, Richard. "Are Your Wages Set In Beijing?" *Journal of Economic Perspectives*. Summer 1995. 15-32.

Williamson Jeffrey (1998) "Globalization, Labor Markets and Policy Backlash in the Past" *Journal of Economic Perspectives*. Fall 1998 12(4): 51-72.

Dollar, David and Kraay Aart (2002) "Growth is Good for the Poor" chp 21 (pp 177-182) in **GR**.

Oxfam (2000) "Growth with Equity if Good for the Poor" chp 22 (pp.183- 189) in **GR**.

WEEK 7. Globalization as Neoliberal Imperialism

Film Show: *Battleship Potemkin*, by Eisenstein.

Patnaik, Prabhat (2000) "Introduction" to V.I.Lenin *Imperialism, The Highest Stage of Capitalism*, New Delhi: Leftword Books.

Petras, James and Henry Veltmeyer (2000) *Globalization Unmasked: Imperialism in the 21st Century* Zen Books. Chps 1, 2, 3.

Patnaik, Prabhat (2004) "The New Imperialism" paper presented at the IDEAs conference on "The Economics of New Imperialism", Jawaharlal Nehru University, New Delhi.

Download: http://www.networkideas.org/feathm/feb2004/Prabhat_Patnaik_Paper.pdf

WEEK 8: Economic Development and Underdevelopment in Historical Perspective

Peet, Richard (1999) "Economic Theories of Growth and Development" chp 2 in *Theories of Development*, London: Guilford Press.

Wilber, Charles and Kenneth Jameson (1975) "Paradigms of Economic Development and Beyond" chp 1 in Wilber C. (ed) *The Political Economy of Development and Underdevelopment* (1988) New York: Random House.

Frank, Andre Gunder (1966) "The Development of Underdevelopment" chp 7 (pp.109-120) in Wilber (1988) *The Political Economy of Development and Underdevelopment*

WEEK 9: What Is The Meaning Of Development Under The Age Of Financial Globalization?

Film Show: *Pawaqatsi*

Adelman, I. And E. Yeldan (2000) "Is This the End of Economic Development?" *Structural Change and Economic Dynamics*, 11: 95-109.

Pieper, Ute (2000) "Deindustrialization and the Social and Economic Sustainability Nexus in Developing Countries: Cross-Country Evidence on Productivity and Development" *Journal of Development Studies*, 36(4): 66-99.

Grabel, Ilene (1996) "Marketing the Third World: The Contradictions of Portfolio Investment in the Global Economy" *World Development*, 24(11):1761-1776.

RESEARCH PAPER II: Discuss "development" as a historical concept. Is "development" a specific stage of 20th Century capitalism, or is it a natural phase that all nations will go through (*provided they apply the "right" policies*). Discuss the role of the developmental state in promoting development objectives in the next century? Has development state passed away? If not, what should the new policy tools and objectives of the state be under the age of globalized commodity and capital markets

DUE: Beginning of next week.

WEEK 10: On The Detrimental Consequences Of Speculative-Led Growth And Free Mobility Of Short Term Capital:

Öniş, Ziya ve Ahmet F. Baysan (1999) "Neoliberal Globalisation, the Nation-State and Financial Crises in the Semi-Periphery: A Comparative Analysis," *Third World Quarterly*, 21(1): 119-139.

Diaz-Alejandro, Carlos F. (1985) “Good-Bye Financial Repression, Hello Financial Crash” *Journal of Development Economics*, 19(1-2): 1-24, February.

Mishkin, F.S. (1999) “Global Financial Instability: Framework, Events, Issues” *Journal of Economic Perspectives*, Fall, 13(4): 3-20.

Calvo, G., L. Leiderman and C. Reinhart (1996) “Inflows of Capital to Developing Countries” *Journal of Economic Perspectives*, Spring, 10(2):123-140.

Calvo, Guillermo (1998) “Capital Flows and Capital Market Crises: The Simple Economics of Sudden Stops” *Journal of Applied Economics* 1(1): 35-54.

Agenor, P. Richard (2000) “Capital Inflows: Causes and Policy Responses” Chp. 6 in *The Economics of Adjustment and Growth*. Academic Press.

Rodrik, D. and A. Velasco (2000) “Short Term Capital Flows” Proceedings of the *Annual World Bank Conference on Development Economics*, pp.59-90, Washington Dc.: The World Bank.

RESEARCH PAPER III: Evaluate the consequences of financial liberalization both theoretically and empirically. How does orthodox economics justify free mobility of capital? What does the record show? Discuss reforms needed to improve macroeconomic policy making under free mobility of capital. Is there room for macroeconomic policy at all?

DUE: Beginning of next week.

WEEK 11: The Washington Consensus and the IMF Conditionality: The Theoretical Underpinnings Of The “IMF Model”

Rodrik, Dani (2003) “Growth Strategies” Harvard University mimeo, prepared for *handbook of Economic Growth*.

Download: <http://ksghome.harvard.edu/~drodrik.academic.ksg/growthstrat10.pdf>

Rodrik, Dani (2002) “After Neoliberalism, What?” Harvard University, *mimeo*.

Download: <http://ksghome.harvard.edu/~drodrik.academic.ksg/After%20Neoliberalism.pdf>

Jacques, Polak (1997) “The IMF Monetary Model at Forty” IMF Research Department Working paper WP/97/49.

Khan, Mohsin, Peter Montiel and Nadeem Haque (1990) “Adjustment with Growth: Relating the Analytical Approaches of the IMF and the World Bank” *Journal of Development* 32: 155-179

Taylor, Lance (1984) “IMF Conditionality: Incomplete Theory, Policy Malpractice” *METU Studies in Development* vol. 11, pp.233-247.

WEEK 12: Rethinking Development Economics and Resisting Globalization: Critique and Action

Film Show: *Two Social Forums: Porto Alegre, 2003 and Mumbai, 2004*. As shot from my humble amateur camera.

Mkandawire, Thandika (2001) “The Need to Rethink Development Economics”, United Nations Research Institute for Social Development, Geneva, *mimeo*.

Rodrik, Dani (2001) “The Global Governance of Trade As If Development Really Mattered” Harvard University, J.F. Kennedy School of Government, *mimeo*.

Download: <http://ksghome.harvard.edu/~drodrik.academic.ksg/UNDPtrade.PDF>

World Social Forum: Porto Alegre Call for Mobilization chp57 in **GR**.
<http://www.wsfindia.org/charter.php>

TERM PAPER: Discuss, comment, and organize your thoughts on *the future of globalization-cum-capitalism*. Discuss the reform agenda proposed for reforming the global architecture. What are the structural forces that will likely shape the future of the world economy in the next century? How would you remedy the structural threats and devastations often associated with globalization?

DUE: Final Exam Date as to be announced by the Dean’s Office