

BILKENT UNIVERSITY
Department of Economics
Econ 454 Theories of Growth and Development II
Spring 2009

A. Erinc Yeldan
Office: FEASS 102
Office Hours: Mon 10:30-12:30; Fr 11:30-12:30

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

The term *globalization* has become a key feature of the world economy in the last three decades. It was in this era that we witnessed the dominating ascendancy of finance over industry with the acceleration of the volume of *daily* trade in the foreign exchange markets from \$190 billion in the 1970s, to \$1.2 trillion in early 1990s, and to \$2.2 trillion currently. This is reportedly an expansion in excess of the *annual* volume of global commodity trade by 70-folds. It is also in this era that the transnational enterprises had increased their dominance in the world's commodity markets, with the 500 largest companies accounting for 30% of the global production, and 70% of the global commodity trade.

It was these observations that led *David Harvey* to comment that “*something significant has changed in the way capitalism has been working since about 1970*”; who echoed actually whence *Marx* and *Engels* advanced their observations some 150 years ago in their *Manifesto of the Communist Party*: “*The bourgeoisie, by the rapid improvement of all the instruments of production, and by constantly facilitating communication, draws into civilization even the most barbarian nations. It forces all nations, on pain of extinction, to adopt the bourgeois mode of production; it forces them to adopt so-called civilization, i.e. to become bourgeois. In one word, it creates a world after its own image*”.

To many, the advent of globalization meant a benign force that would lead ultimately to an epoch of converging world incomes, converging institutions with “free” markets, enriched cultural exchange and “participatory/decentralized” political values being the norm. The real facts of life, however, had been immensely diverse. While there had been *miracles* of growth such as China, India, and Ireland over the last two decades, we also witnessed *disasters* where the *poorest* of the poor 1 billion citizens of some fifty nations experienced *negative* rates of per capita income growth since the 1980's. With their current per capita income of 275\$ (less than 1 dollar a day), their poverty had been an uneasy show case of failed expectations and collapsed projects of global capitalism in the 21st century. What's more, the expected increase of cultural enrichment has not materialized, and quite to the contrary, the world's art and film markets have been increasingly dominated by *californiazation* of culture across the globe.

This is a course on the *economics* of globalization and development macroeconomics. Globalization as a real fact, has many faces, cultural, political, social, gastronomical,...among

which we will selectively investigate as they pertain the economic issues of interest. Our current approach will focus on the determinants of the new wave of globalization, and attempt to investigate its economic and historical conditions as a new stage of capitalism. We will regard the economic machine being in motion in all its giant complexity with many interrelated markets and different agents, classes, and institutions. In so doing, we will try to identify the agents of the neoliberal globalization, and investigate the concept in the context of the strategic interests of transnational corporations and of international finance capital. The altered conditions surrounding the state will be discussed with references to concepts such as neoliberal conditionalities in stabilization policy emphasizing fiscal austerity (the so-called “expansionary fiscal contraction” idea) with concepts such as central bank independence, inflation targeting, freely floating exchange rates, flexible labor markets, and the “credible” state. In due course, we will also study the IMF’s financial programming approach (the so-called Polak model) and have a critical discussion on the theoretical/empirical basis of this approach.

Finally we will focus on the concept of “economic development” and regard it as a unique phase of the twentieth century capitalism. Classic theories of development will also be studied with references to the structuralist, Marxist, the Dependency school, and the world-systems paradigms.

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) four *position papers* (10 points each). Topics of these papers are indicated below. They will entail overviews of literature as well as your own theses on the subject, and will be subject to **1,000 words max.** each (roughly 2 single spaced pages). (ii) one midterm (in-class, closed-book, 30%); and (iii) a Final Exam (in-class, closed-book,30%).

Both exams will be given *only* at the scheduled time, Midterm: **April 10 Friday**, and Final: **15 May Friday**. Both the exams will be closed book. Note that late papers will not be accepted under any exception, and **no position papers via e-mail attachments please!**

The course involves a fairly heavy reading load, the completion of which is essential to understanding the issues and controversies highlighted in the lectures. The lecture material will be complemented with film shows and various hand-outs relevant to the subject matter in due course. I will highlight some of the material as of secondary interest and regard as “optional reading” during the class.

Please note that this course is conducted under the principle that *there is no such thing as a neutral position in front of the gates of sciences*. Scientific analysis of objective conditions always necessitates the researcher to take a position. In order to facilitate this, the course entails the *position papers*, rather than “term” papers that are limited to summaries of the literature alone. These papers will typically be focused on the current controversial debates about the economic aspects of globalization and should, in addition to a brief literature summary, state *your* views on the subject along with a demonstration of your expertise in defending your theses.

The position papers will be evaluated based on the following five criteria, all evenly weighted: *originality; literature support; rhetoric/argumentation; clarity of position; and cohesion/balance*.

Important dates are as follows: (*Absolutely No Exceptions*, for topics see below)

POSITION PAPER I: DUE: 6 March, Friday.

POSITION PAPER II: DUE: 27 March, Friday

Midterm I: (10 April, Friday, in class)

POSITION PAPER III: DUE: 1 May, Friday

POSITION PAPER IV: DUE: 15 May, Friday

Final Exam: 15 May, Friday

Film Shows:

24 February, Tuesday: 10:30-11:30, The Age of Performance

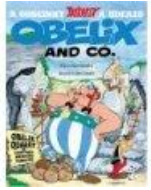
10 March, Tuesday : 10:30-11:30, Battleship Potemkin

20 March Friday: 09:00-10:30, Mardi Gras Made in China

3 April Friday: 09:00-10:30, Black Gold

READING LIST and the COURSE PROGRAM

The following is the only *Required Text*:



Asterix, episode no. 23, titled “*Obelix and the Co.*” written by René Goscinny and illustrated by Albert Uderzo. This is a fabulous narration of the economics of monetarization of a humble, traditional *Gaul* village, and the on-set of corruption and greed with the introduction of the big business. A Turkish translation of the text is available at the bookstores

The following texts are used intensively (well, you may regard these as rather “required” too). All are available in the *electronic reserve section of the Bilkent Library*, and the first two are also available for purchase at the *Bilkent Meteksan Bookstore*.

Lechner, Frank and Boli, John (eds) (2008) *The Globalization Reader, The Third Edition*. Blackwell Publishing (**GR**)

Ravenhill, John (2008) *Global Political Economy*, Oxford U. Press (**GPE**)

Dicken, Peter (2007) *Global Shift: Mapping the Changing Contours of the World Economy, The Fifth Ed.* New York: Guilford Press. (**GSM**)

Baker, Dean, Epstein, Gerald and Pollin, Robert (1998) *Globalization and Progressive Economic Policy*, London: Cambridge University Press. (**GPEP**)

The following is a very important web site for our purposes.

International Development Economics Associates (IDEAs) www.networkideas.org

It is highly recommended that you become a member of (IDEAs) and spread its relevance among your colleagues.

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. During the class, I will be highlighting the main papers and treat the remaining ones as “optional reading” (O).

Most of the course material is available on line and those pieces which may prove hard to be found are placed in the electronic reserve of the Bilkent library system. It is your responsibility to make your own copies, if necessary.

WEEK 1: Understanding Globalization: The Record

Sen, Amartya (2002) “How To Judge Globalism” Chapter 2, (pp.19-24) in **GR**.

Ravenhill, (GPE) Chapter 9.

Weisbrot, Mark, Dean Baker and Judy Chen (2006) “The Scorecard on Development: 25 Years of Diminished Progress” CEPR and UN DESA Working paper.

Download: http://www.un.org/esa/desa/papers/2006/wp31_2006.pdf

Milanovic, Branko (2002) “The Two Faces of Globalization: Against Globalization As We Know It” *World Development*, 31(4): 667-683.

Bestor, Theodore (2000) “How Sushi Went Global” Chapter 13, (pp. 121- 125) in **GR**.

Watson, James (1997) “McDonald’s in Hong Kong” Chapter 14, (pp. 126- 134) in **GR**.

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

And for some academic exchange...

Stiglitz, Joseph (2000) “The Insider: What I Learned at the world economic crisis” Open Letter, mimeo. (Available at *e-reserve of Bilkent Library*)

Rogoff, Kenneth (2002) “Open Letter to Joseph Stiglitz” IMF, Washington DC.

<http://www.imf.org/external/np/vc/2002/070202.htm>

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

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

Dicken, (GSM) Chapters 2 and 18

Goldblatt, David (2006) Football After the Long Boom! FIFA and the Transformation of Global Football, Chp 15 in *The Ball is Round: A Global History of Football*, Riverhead Books. (Available in Bilkent Library Reserve)

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

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

Huntington, Samuel (1993) "The Clash of Civilizations?" chp 5 (pp. 39-46) in **GR**.

Wallerstein, Immanuel (1974) "The Modern World-System as a capitalist World-Economy" chp 6 (pp.55-61) in **GR**.

Arrighi, Giovanni (2002) *The Long Twentieth Century*, Chp 1: The Three Hegemonies of Historical capitalism, pp.1-85. (Available in Bilkent Library Reserve)

"The Kondratieff Theory of Long Wave Cycles" available from *Kwaves.com* at:
http://www.kwaves.com/kond_overview.htm

POSITION PAPER I: Political economists from the *radical* tradition regard the ongoing path of globalization as one of conflict and chaos. For instance, Wallerstein refers to the characteristics of capitalism as a *world-system* evolving into a conflicting international world economy (note the use of "hyphen -" in his terminology). In his *interstate system* there is a division of states as "core", and "peripheral" both of which are in economic and political conflict against each other and the political stability of the system is loosely held together thanks to the presence of the "semi-peripheral" states. On the other hand, for Baldwin and Martin the world economies are moving towards a harmonious equilibrium, as "*trade in goods*" give way to "*trade in ideas*".

Contrast these broad views and state *your own views* on whether the current trajectories of globalization are leading to conflict and chaos or harmonious equilibrium. Support your arguments from citations of the relevant literature as you see fit.

DUE: 6 March, Friday

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

Wolf, Martin (2007) "Globalisation's Future is the Biggest Long-Term Question" *Financial Times*, (Available at *e-reserve of Bilkent Library*)

Ravenhill, (GPE) Chapter 7.

Crotty, James (2002) "Structural Contradictions of Current Capitalism" in J. Ghosh and C.P. Chandrasekhar (eds) *Work and Well-Being in The Age of Finance*, Delhi: Muttukadu Press.

Dumenil and Levy (2006) "The Costs and Benefits of Neoliberalism: A Class Analysis" in Epstein *Financialization and the Global Economy*, Edward Elgar Press. Available at *e-reserve of Bilkent Library*

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

(O) Prasad, Eswar, Kenneth Rogoff, Shang-Jin and Ayhan Köse (2003) “Effects of Financial Globalization on Developing Countries: Some Empirical Evidence” *International Monetary Fund*.

<http://www.imf.org/external/np/apd/seminars/2003/newdelhi/prasad.pdf>

WEEK 5. Globalization as Neoliberal Imperialism

Film Show: *Battleship Potemkin*, by Eisenstein.

Yeldan, Erinç (2008) *Küreselleşme Kim İçin?*, Yordam Kitap.

Patnaik, Prabhat (2005) “The Economics of the New Phase of Imperialism” IDEAs,
Download: http://www.networkideas.org/featart/aug2005/fa26_Economics_New_Phase.htm

Petras, James and Henry Veltmeyer (2001) *Globalization Unmasked: Imperialism in the 21st Century* Zen Books. Chps 1, 2, 3. (Available in Bilkent Library Reserve)

WEEKS 6 and 7: Features of Neoliberal Globalization: Transnational Corporations, the Patterns of International Trade and Informalization of Labor

Film Show: *Mardi Gras Made in China*

Akyüz, Yilmaz (2006) “From Liberalization to Investment and Jobs: Lost in Translation”,
UNCTAD Working Papers. Available on line at IDEAs:
http://www.networkideas.org/featart/feb2006/fa28_Lost_in_Translation.htm

Ravenhill, (GPE) Chapters 5 and 11

Dicken, (GSM) Chapters 4 and 17

Wolf, Martin (2004) “Incensed About Inequality” chp 20 (pp 183-189) in **GR**.

Bhagwati, Jagdish (2006) “Technology, Not Globalisation, is Driving Wages Down”
Financial Times. Available in *e-reserve of Bilkent Library*.

Gereffi, Gary (2005) “The Global Economy: Organization, Governance and Development”
chp 19 (pp 173-182) in **GR**.

Rama, Martin (2003) “On Globalization and the Labor Market” *World Bank Research Observer* 18(2): 159-186.

POSITION PAPER II: Industrialized economies of the developed world are observed to suffer from losses in manufacturing employment as well as stagnation of the real wages in manufacturing industries. At the same time, there had been a significant rise in the share of manufactured exports of the developing countries in the world trade. *Globalization –as*

defined in a nutshell as the internationalization of goods, technology, capital, and labor— is often regarded as the main cause of this *de-industrialization* of the North and the worsening of the wage gap between the skilled and unskilled labor categories at the global level. On the other hand, many researchers claimed that the cause of these phenomena has little to do with international trade, and that they have to be evaluated in the context of the nature of technological progress.

Briefly evaluate the major sides of these arguments, and then state and defend your position clearly. Be sure to refer to and utilize any empirical data that you find necessary in your analysis.

DUE: 27 March, Thursday

WEEK 8: On The Detrimental Consequences Of Speculative-Led Growth And Free Mobility Of Short Term Capital

Öniş, Ziya and Ahmet F. Baysan (2000) “Neoliberal Globalisation, the Nation-State and Financial Crises in the Semi-Periphery: A Comparative Analysis,” *Third World Quarterly*, 21(1): 119-139.

Ravenhill, (GPE) Chapter 7

Stiglitz, Joseph (2000) “Capital Market Liberalization, Economic Growth and Instability” *World Development*, 28(6): 1075-1086.

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 9: Midterm I: (10 April, Friday, in class)

WEEK 10: Economic Development and Underdevelopment in Historical Perspective

Ravenhill, (GPE) Chapter 13

Dicken, (GSM) Chapters 6 and 7

Lal, Deepak (1985) “The Misconceptions of Development Economics” Chp 2 (pp. 28-36) in Wilber (1988) *The Political Economy of Development and Underdevelopment*

Vernengo Matias (2006) “Technology, Finance and Dependency: Latin American Radical Political Economy in Retrospect” *Review of Radical Political Economics* Fall 38(4): 551-568.

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* (1996) New York: Random House. (Available in Bilkent Library Reserve)

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

WEEK 11: What Is the Role of Nation State and “Governance” Under The Age Of Financial Globalization?

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

Chang, Ha-Joon (1998) “Globalization, Transnational Corporations, and Economics Development: Can the Developing Countries Pursue Strategic Industrial Policy in a Globalizing World Economy?” Chp 4 (pp.97-114) in **GPEP**.

Rodrik, Dani (1997) “Has Globalization Gone Too Far?” Chp 28, (pp.241-246) in **GR**.

Ohmae, Kenichi (1995) “The End of National State”, Chp 29, (pp.206-211) in **GR**.

Strange, Susan (1996) “The Declining Authority of States” Chp 26, (pp. 228-234) in **GR**.

Meyer, John W., John Boli, George Thomas and Fransisco Ramirez (1997) “World Society and the Nation State” Chp 9, (pp. 78-86) in **GR**.

Dicken (**GSM**) Chapter 8

POSITION PAPER III: Some authors interpret the rising of the International Financial Institutions (IFIs) to global power with a set of conditionalities as the “end of development”; while others argue that in order to gain the most of the benefits of globalization, governments ought to deregulate and implement the necessary reforms. State your position in this debate.

DUE: 1 May, Friday.

WEEK 12: The Washington Consensus and the IMF Conditionality: The Theoretical Underpinnings Of The “IMF Model”

Film Show: *The Big Sell Out* by Felix Blum and Ame Ludwig, 2006

Jacques, Polak (1997) “The IMF Monetary Model at Forty” IMF Research Department Working paper WP/97/49. Available at *e-reserve of Bilkent Library*

Taylor, Lance (1984) “IMF Conditionality: Incomplete Theory, Policy Malpractice” *METU Studies in Development* vol. 11, pp.233-247. Available at *e-reserve of Bilkent Library*

WEEK 13: Development Macroeconomics in Practice

Pieper, Ute and Taylor, Lance (1998) “The Revival of the Liberal Creed: The IMF, The World Bank, and Inequality in a Globalized Economy” chp 2 (pp. 37-64) in **GPEP**

Bhaduri, Amit (1998) “Implications of Globalization for Macroeconomic Theory and Policy in Developing Countries” Chapter 6 (pp.149-159 in **GPEP**)

Stiglitz, Joseph (2002) “Globalism’s Discontents” chp 24 (pp. 208-214) in **GR**

Epstein Gerald and Erinc Yeldan (2008) “Beyond Inflation Targeting: Assessing the Impacts and Policy Alternatives” *International Review of Applied Economics*, February, 22(8), pp. 131-144.

(O) Calvo G. and F. Mishkin (2003) “The Mirage of Exchange Rate Regimes for Emerging Market Countries” *Journal of Economic Perspectives*, 17(4): 99-118.

POSITION PAPER IV: 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 growth of the “wealth of nations”, or is it an ideological concept to mask the assault of capital on humanity?

DUE: 15 May Thursday

WEEK 14: 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.

Commandanté Marcos (1996) “Tomorrow Begins Today” Chapter 58 (pp. 474 – 478) in **GR**

World Social Forum: Porto Alegre Call for Mobilization chp59 in **GR**.

<http://www.forumsocialmundial.org.br>

Dicken Chapter 1 (**GSM**)

Mkandawire, Thandika (2001) “The Need to Rethink Development Economics”, United Nations Research Institute for Social Development, Geneva,
Available on line at IDEAs: <http://www.networkideas.org/>

Polanyi-Levitt, Kari (2001) “Reclaiming Development Economics” IDEAs Featured Article, available on line at IDEAs:

http://www.networkideas.org/feathm/nov2001/ft06_Development_Economics.htm

(O) ATTAC (Association for the Taxation of Financial Transactions for the Aid of Citizens) (2001) “Special Issue on the Regulation of the Financial System and the Tobin Tax” *Finance and Economics Quarterly Report*, October.
Available online at: <http://www.attac.org>

(O) Rodriguez César, P. Barrett and D. Chavez (2008) “Utopia Reborn? Introduction to the Study of the New Latin American Left” Available at *e-reserve of Bilkent Library*