

PhD lecture series in advanced macroeconomics in Post-Keynesian, institutionalist, and Marxian political economy

A post-Keynesian perspective on capital mobility, exchange rate dynamics and Balance of Payments crises in developing countries

University of Greenwich, 4 May 2015, 10:00-11:40,

Queen Ann Building, room 020.

Dr. Alberto Botta

Course Outline

This course aims at explaining which are the main economic mechanisms driving capital flows in the case of developing countries, and how capital flows are related to the dynamics of fundamental variables such as the nominal and real exchange rate, the current and financial account in a country's Balance of Payments (BoPs), the accumulation of foreign debt stock. This course also aims at showing how capital mobility may be source of heightened economic instability and, eventually, economic (financial) crises by giving rise to unstable macro dynamics. In particular, here we focus our attention on the dynamics of the most relevant components of developing countries' BoPs. The final part of the course stresses how the theory of Balance-of-Payments constrained growth can still be relevant to explain the long-run macroeconomic dynamics and growth records of developing countries even in presence of highly liberalized international financial markets.

Core Readings

- Cimoli, M., and Porcile, G. 2014. Technology, Structural Change and BOP constrained growth: A Structuralist Toolbox, *Cambridge Journal of Economics*, vol. 38 (1), 215 – 237.
- Cimoli, M. 1988. Technological gaps and institutional asymmetries in a North–South model with a continuum of goods, *Metroeconomica*, vol. 39 (3), 245 – 74.
- Frenkel, R., and Rapetti, M. 2009. A Developing Country View of the Current Global Crisis: What should not be forgotten and what should be done, *Cambridge Journal of Economics* 33 (4), 685 – 702.
- Ocampo, J.A. 2013. 'Balance of Payments Dominance. Its Implications for Macroeconomic Policy', IPD Working Paper (October 2013).
- Taylor, L. 1991. *Income Distribution, Inflation, and Growth* (ch.7). Cambridge, Massachusetts, USA: MIT Press.
- Taylor, L. 2004a. *Reconstructing Macroeconomics* (ch.10). Cambridge, Massachusetts (USA) and London: Harvard University Press.
- Thirlwall, A. P. 1979. The balance of payments constraint as an explanation of international growth rate differences. *Banca Nazionale di Lavoro*, vol. 32 (128), 45 – 53.

Thirlwall, A.P. 2011. Balance of Payments constrained models: History and Overview, *PSL Quarterly Review*, vol. 64 (259), 307 – 351.

Optional readings

Bresser-Pereira, C. 2010. *Globalization and Competition*. New York: Cambridge University Press.

Frenkel, R. 2008 Competitive Real Exchange rate Regime, Inflation, and Monetary Policy, *Cepal Review* 96, 191 – 201.

Harvey, J.T. 2010. Modeling Financial Crises: A schematic Approach, *Journal of post-Keynesian Economics* 33 (1), 61 - 82.

Neftci, S.N. 1998. *FX Short Positions, Balance Sheets and Financial Turbulence: An Interpretation of the Asian Financial Crisis*, CEPA Working Paper no 11.

Singh, A. 2003. Capital Account Liberalization, Free long-term Capital Flows, Financial Crises and Economic Development, *Eastern Economic Journal*. 29 (2), 191 – 216.

Taylor, L. 1998. Capital Market crises: Liberalization, Fixed Exchange Rates and market-driven destabilization, *Cambridge Journal of Economics*. 22 (6), 663–76.