



UNIVERSITY  
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GREENWICH

## Finance, financialisation and development

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17 June 2015, 10:00-14:00, Queen Anne Building Room 139, University of Greenwich

The presentation will discuss the finance and development nexus, stressing the differences between mainstream and heterodox contributions. Subsequently, it will situate most recent heterodox research on finance and development debate in the financialisation literature.

Bringing together the two research strands (1) finance & development and (2) financialisation is insightful since it brings out the contradictions within development economics and between heterodox economic thought on finance and development thought. While development economics often appears more open to heterodoxy, in matters of finance (i.e. capital mobilisation) it is deeply orthodox (and pre-Keynesian).

The saving-investment identity (with the assumption that saving enables and drives investment) as well as the loanable funds theory are central elements of development thought. This sits uneasy with the reflux principle (i.e. Kalecki's profit equation) and endogenous money.

The lecture will cover the following aspects in particular:

1. 'Old' development economics (starting with Lewis) and the role of finance/saving
2. Financial repression
3. Financial development, growth and financial liberalisation
4. A critique of the financial development and growth literature: Schumpeter's Theory of Economic Development: Definition of development and role of finance in development
5. Post-Keynesian approaches to finance & development
6. Where are we now? Critical (mainstream) views on finance since the Financial Crisis
7. Financialisation in developing countries

### Readings

Ang, J.B., 2008. A survey of recent developments in the literature of finance and growth. *J. Econ. Surv.* 22, 536–576.

Cecchetti, S.G., Kharroubi, E., 2012. Reassessing the impact of finance on growth. *BIS Work. Pap. No.* 381.

Chick, V., 1992. The Evolution of the Banking System and the Theory of Saving, Investment and Interest, in: Arestis, P. and S.C. Dow (eds.) *On Money, Method and Keynes*. Palgrave Macmillan.

Demir, F., 2009. Financial liberalization, private investment and portfolio choice: financialization of real sectors in emerging markets. *J. Dev. Econ.* 88, 314–324.

Griffith-Jones, S., Karwowski, E., 2013. Policy and research issues on finance and growth for Sub-Saharan Africa.

Gurley, J.G., Shaw, E.S., 1955. Financial Aspects of Economic Development. *Am. Econ. Rev.* 45, 515–538.

Kalecki, M., 1993. The problem of financing economic development, in: *Collected Works of Michal Kalecki, Volume V, Developing Economies*. Oxford University Press.

Levine, R., 2005. Finance and growth: theory and evidence. *Handb. Econ. Growth* 1, 865–934.

Levine, R., King, R.G., 1993. Finance, entrepreneurship, and growth: Theory and evidence. *J. Monet. Econ.* 32, 513–542.

Lewis, W.A., 1954. *Economic Development with Unlimited Supplies of Labour*.

McKinnon, R.I., 1973. *Money and capital in economic development*. Brookings Institution, Washington.

Powell, J., 2013. *Subordinate financialisation: A study of Mexico and its non-financial corporations*, PhD Thesis, SOAS.

Rashid, H., 2013. Does financial market liberalization promote financial development?: Evidence from Sub-Saharan Africa, in: *The Industrial Policy Revolution II: Africa in the Twenty-First Century*, International Economics Association. Palgrave Macmillian.

Schumpeter, J.A., 1983. *The theory of economic development: an inquiry into profits, capital, credit, interest, and the business cycle*, Social science classics series. Transaction Books, New Brunswick, N.J.