

Financial Liberalization, Financial Development, and Economic Growth (Seminar)

Modul: M.WIWI-QMW.0024, 2 SWS, 6 Credit Points

Summer semester 2016

Lecturer

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Learning outcome, core skills:

Students acquire knowledge on the state of the art research on the relationship between financial liberalization, financial development and economic growth. They also learn how to formulate their research question and how to develop their arguments based on a critical review of the related literature. Furthermore, they improve their academic writing and presentation skills.

Contents

The seminar covers several topics on the intensively debated roles of financial liberalization (also known as financial openness or financial globalization) and financial development in economic growth. The topics are broadly grouped into three. The first group will discuss issues regarding the definition, measurement and evolution of financial liberalization and financial development. The second group of topics revolves around the impact of financial liberalization and financial development on economic growth as well as poverty and inequality. These topics again differ on the level of econometric analysis: cross country, industry and firm level analyses. The third group consists of a topic on the relationship between financial liberalization and financial development.

Grading

A 10-15 pages seminar paper (50%) and seminar presentation and participation (50%). Attendance of the seminars is mandatory. Further information about the seminar paper and the oral presentations will be provided during the introductory meeting. After the topics are assigned, we will also arrange individual appointments to discuss the planned structure and focus of the seminar paper.

Registration

You can register for this seminar between 18.04.2016-01.05.2016 via FlexNow. You may cancel your registration within the same period only. Namely, you cannot cancel your registration after 01.05.2016.

Dates

Registration	18.04.2016-01.05.2016 via FlexNow
Introductory meeting and topic assignment	Monday. 25.04.2016, 12:00-14:00, Humboldtalle 3, Seminar room 0.104
Final Paper Due:	Friday 01.07.2016, 12:00, as pdf via email and one hard copy.
Seminar dates	Thursday, 07.07.2016, 09:00-14:00 and Friday, 08.07. 2016, 09:00 - 17:00, Humboldtalle 3, Seminar room 0.104

Seminar Topics

Students can choose among the following topics. For each topic, you are given three to four papers that should serve as a starting point for your own literature research.

Group One

1. 1. Financial liberalization: definition, measurement, and global trends

- Chinn, M. D., & Ito, H. (2008). A new measure of financial openness. *Journal of comparative policy analysis*, 10(3), 309-322.
- Lane, P., Milesi-Ferretti, G., 2007. The external wealth of nations mark II: revised and extended estimates of foreign assets and liabilities, 1970–2004. *Journal of International Economics* 73 (2), 223–250.
- Quinn, D., Schindler, M., & Toyoda, A. M. (2011). Assessing measures of financial openness and integration. *IMF Economic Review*, 59(3), 488-522.

2. Financial development: definition, measurement, and global trends

- Beck, T., Demirgüç-Kunt, A., & Levine, R. (2010). Financial institutions and markets across countries and over time: The updated financial development and structure database. *The World Bank Economic Review*, lhp016.
- King, R. G., & Levine, R. (1993). Finance and growth: Schumpeter might be right. *Quarterly Journal of Economics*, 717-737.
- De la Torre, A., Feyen, E., & Ize, A. (2013). Financial development: Structure and dynamics. *The World Bank Economic Review*, 27(3), 514-541.

3. Determinants of financial development

- Guiso, L., Sapienza, P., & Zingales, L. (2000). The role of social capital in financial development (No. w7563). *National bureau of economic*

research.

- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1997). Legal determinants of external finance. *Journal of finance*, 1131-1150.
- Stulz, R. M., & Williamson, R. (2003). Culture, openness, and finance. *Journal of financial Economics*, 70(3), 313-349.

Group Two

4. Financial liberalization (financial openness) and economic growth

- Bekaert, G., Harvey, C. R., & Lundblad, C. (2005). Does financial liberalization spur growth? *Journal of Financial Economics*, 77(1), 3-55.
- Diaz-Alejandro, C. (1985). Good-bye financial repression, hello financial crash. *Journal of Development Economics*, 19(1), 1-24.
- Stiglitz, J. E. (2000). Capital market liberalization, economic growth, and instability. *World Development*, 28(6), 1075-1086.

5. Financial development and economic growth: cross country evidence

- Christopoulos, D., Tsionas, E., (2004). Financial development and economic growth: evidence from panel unit root and co-integration tests. *Journal of Development Economics* 73 (1), 55–74.
- Demetriades, P., Hussein, K., (1996). Does financial development cause economic growth? Time series evidence from 16 countries. *Journal of Development Economics* 51 (2), 387–411.
- Levine, R., Loayza, N., Beck, T., (2000). Financial intermediation and growth: causality and causes. *Journal of Monetary Economics* 46 (1), 31–77.
- King, R. G., & Levine, R. (1993). Finance and growth: Schumpeter might be right. *Quarterly Journal of Economics*, 717-737.

6. Financial development and the sources of growth

- Ang, J., 2008. What are the mechanisms linking financial development and economic growth in Malaysia? *Economic Modelling* 25 (1), 38–53.
- Beck, T., Levine, R., Loayza, N., 2000. Finance and the sources of growth. *Journal of Financial Economics* 58, 261–300.
- King, R. G., & Levine, R. (1993). Finance and growth: Schumpeter might be right. *The Quarterly Journal of Economics*, 717-737.

7. The finance-growth relationship at the firm level

- Beck, T., Demirgüç-Kunt, A. & Maksimovic, V. (2005). Financial and legal constraints to growth: does firm size matter?. *Journal of Finance*, 60(1), 137-177.
- Demirgüç-Kunt, A., & Maksimovic, V. (2002). Funding growth in bank-based and market-based financial systems: evidence from firm-level data. *Journal of Financial Economics*, 65(3), 337-363.
- Fafchamps, M., & Schündeln, M. (2013). Local financial development and

firm performance: evidence from Morocco. *Journal of Development Economics*, 103, 15-28.

8. The finance-growth relationship at the industry level

- Beck, T., & Levine, R. (2002). Industry growth and capital allocation: does having a market-or bank-based system matter?. *Journal of Financial Economics*, 64(2), 147-180.
- Rajan, R. G., & Zingales, L. (1998). Financial Dependence and Growth. *American Economic Review*, 559-586.
- Fisman, R., & Love, I.. (2007). Financial Dependence and Growth Revisited. *Journal of the European Economic Association*, 5(2/3), 470–479.

9. Can financial development be too much?

- Arcand, J. L., Berkes, E., & Panizza, U. (2015). Too much finance? *Journal of Economic Growth*, 20 (2): 105-148.
- Law, S. H., & Singh, N. (2014). Does too much finance harm economic growth? *Journal of Banking & Finance*, 41, 36-44.
- Rousseau, P., and Wachtel, P. (2011). What is happening to the impact of financial deepening on economic growth? *Economic Inquiry*, 49 (1), 276–288.
- Thomas Philippon, 2010. "Financiers versus Engineers: Should the Financial Sector Be Taxed or Subsidized?," *American Economic Journal: Macroeconomics*, vol. 2(3), 158-82.

10. Factors affecting the finance-growth relationship

- Herwartz, H., & Walle, Y. M. (2014b). Openness and the finance-growth nexus. *Journal of Banking & Finance*, 48, 235-247.
- Law, S., Azmani-Saini, W., Ibrahim, M., 2013. Institutional quality thresholds and the finance-growth nexus. *Journal of Banking & Finance* 37 (12), 5373–5381.
- Rioja, F., Valev, N., 2004. Does one size fit all?: a reexamination of the finance and growth relationship. *Journal of Development Economics* 74 (2), 429–447.
- Yilmazkuday, H., 2011. Thresholds in the finance–growth nexus: a cross-country analysis. *World Bank Economic Review*. 25 (2), 278–295.

11. Access to finance

- Beck, T., Demirguc-Kunt, A., & Peria, M. S. M. (2007). Reaching out: Access to and use of banking services across countries. *Journal of Financial Economics*, 85(1), 234-266.
- Beck, T., Demirgüç-Kunt, A., & Singer, D. (2013). Is small beautiful? Financial structure, size and access to finance. *World Development*, 52, 19-33.
- Bruhn, M., & Love, I. (2014). The real impact of improved access to finance: Evidence from Mexico. *The Journal of Finance*, 69(3), 1347-1376.

12. Financial development, inequality and poverty

- Beck, T., Demirg-Kunt, A., Levine, R., 2007. Finance, inequality and the poor. *Journal of Economic Growth* 12, 27–49.
- Jalilian, H., & Kirkpatrick, C. (2005). Does financial development contribute to poverty reduction?. *Journal of Development Studies*, 41(4), 636-656.
- Perez-Moreno, S. (2011). Financial development and poverty in developing countries: a causal analysis. *Empirical Economics*, 41(1), 57-80.

13. Bank based versus market based financial development

- Levine, R. (2002). Bank-based or market-based financial systems: which is better?. *Journal of financial intermediation*, 11(4), 398-428.
- Tadesse, S. (2002). Financial architecture and economic performance: international evidence. *Journal of financial intermediation*, 11(4), 429-454.
- Ergungor, O. E. (2004). Market-vs. bank-based financial systems: Do rights and regulations really matter?. *Journal of Banking & Finance*, 28(12), 2869-2887.

Group Three

14. Financial liberalization and financial development

- Baltagi, B. H., Demetriades, P. O., & Law, S. H. (2009). Financial development and openness: Evidence from panel data. *Journal of Development Economics*, 89(2), 285-296.
- Rajan, R., Zingales, L., 2003. The great reversals: the politics of financial development in the twentieth century. *Journal of Financial Economics* 69, 5–50.
- Chinn, M.D., and Ito, H.(2006) What matters for financial development? Capital controls, institutions, and interactions, *Journal of Development Economics*, 81 (1): 163-192.