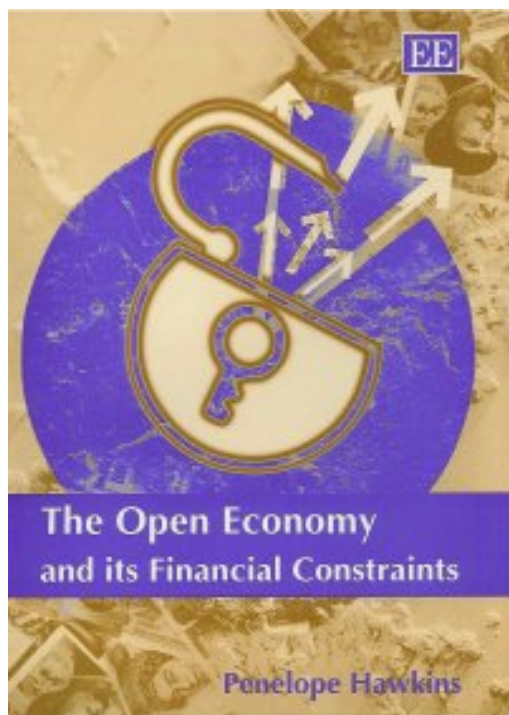


The Open economy and its financial constraints explores the role of money and finance in an open economy. The existence of money and global financial flows compounds the likelihood of financial constraints, in particular financial vulnerability, financial exclusion and financial fragility, and create the possibility of unemployment.



Penelope Hawkins focuses on financial openness and contends that while vulnerable economies can benefit from long-term international capital, greater financial exposure makes them increasingly susceptible to crises associated with financial withdrawals. The author explores in detail the experiences of South Africa, Brazil and Thailand and finds that the consequences of financial liberalisation remain uncertain. She examines the rationale behind the distribution of credit within and between countries and goes on to construct a financial vulnerability index as an empirical mechanism to rank nations according to their vulnerability to the withdrawal of international flows.

Praise for “The open economy and its financial constraints”

This book is an important contribution to how we understand economic openness. Penelope Hawkins focuses our attention on how financial vulnerability has real consequences for economies in the international arena as well as for sub-national economies. The detailed conceptual and theoretical treatment of financial vulnerability is enhanced by the construction of an index for measuring vulnerability, and by a series of case studies.

Prof Sheila C. Dow, University of Stirling

Economists are used to thinking of constraints on expenditure or activity in developing economies as both “real” and well defined and binding. Penelope Hawkins takes a hard look at financial constraints on the small open economy. She portrays these constraints not only as fuzzy in outline but also liable to sudden shifts, often becoming binding at the worst possible time. Despite their ambiguity she finds ingenious ways to measure and analyse them. Her book is a valuable contribution to the comparatively new concern with the role of finance in economics.

Prof Victoria Chick, University College London.