Outline of the Seminar (by week)

Part I.  Introduction and Overview

1.   Introduction:  Current Issues in the International Economy
2.   Comparative Advantage and the Gains from Trade
3.   The Balance of Payments

Part II.  Microeconomics: International Trade

4.   Classical and Neoclassical Theories of Trade
5.   Trade Policy Under Competitive Markets
6.   Imperfect Competition and Strategic Trade Policy
7.   Economic Integration;  Factor Movements
8.   Trade, Growth and Development

Part III.  Macroeconomics: International Finance

9.   Exchange-Rate Determination in the Short and Long Runs
10.  Macroeconomic Policy Under Fixed and Flexible Exchange Rates
11.  Macroeconomic Interdependence and the International Monetary System
12.  International Financial Markets
13.  International Macroeconomics and the Developing Countries

14.  Review
Readings

Texts:

In both of these texts there are are Chapter Appendices and Mathematical Supplements. Generally, the Appendices are required and the Supplements are optional. For those considering graduate study in economics, the Supplements are recommended.

Other Suggested Purchase:

Other Reading:
In addition to the texts, a few articles will generally be assigned each week. These will be found in books on the honors shelves and/or at the course web page on Blackboard.

You may also find it helpful to consult other texts.
The other texts include
Ethier, Wilfred *Modern International Ecoconomics*.
Kindleberger, Charles and Lindert, Peter *International Economics*.
Rivera-Batiz, Francisco and Luis *Open-Economy Macroeconomics and International Finance*.

Advanced Texts
Feenstra, Robert, *Advanced International Trade*.
Bhagwati, Jagdish and Srinivasan, T.N. *Lectures on International Trade*.
Dornbusch, Rudiger, *Open-Economy Macroeconomics*.
Obstfeld, Maurice and Rogoff, Kenneth, *Foundations of International Macroeconomics*. *Handbook of International Economics*, is a valuable graduate level collection of surveys. (3 volumes)

Anthologies:

Journal Abbreviations
AER: American Economic Review
BPEA: Brookings Papers on Economic Activity
EJ: Economic Journal
JEP: Journal of Economic Perspectives
JIE: Journal of International Economics
JPE: Journal of Political Economy

Other Abbreviations:
CEPR Centre for Economic Policy Research
IIE Institute for International Economics
NBER National Bureau of Economic Research Discussion Papers which can be downloaded in pdf format from www.nber.org
PEIF Princeton Essays in International Finance

Data Sources
Useful summaries of international economic developments in the recent past are:
IMF *World Economic Outlook*, annual, (for a global overview)
OECD *Economic Outlook*, semi-annual (for developed countries)
These organizations also have Web sites with lots of free information.

International statistics on individual countries can be obtained from the IMF's *International Financial Statistics*, and World Bank's *World Tables*. The latter can be accessed online through TRIPOD.

Other Useful web sites
Nouriel Roubini’s website on global macroeconomics and especially financial crises: http://www.stern.nyu.edu/globalmacro/

The academic consortium on international trade, focusing on trade and labor issues: www.spp.umich.edu/rsie/acit/

Requirements

**Required reading** will be denoted by an asterisk (*). Other reading will be for the papers and is optional except for the paperwriters. You are encouraged to keep up with current developments in the world economy, by reading *The New York Times*, *The Wall Street Journal*, the *Financial Times*, and *The Economist* magazine.
Seminar Papers. Each student will write 3 papers, one on microeconomics, one on macroeconomics, and one country study. One of the three papers must be a term paper and longer than the usual seminar paper. A final version of the term paper is due at the end of the seminar. For the other two papers, some suggested reading is given. Students are encouraged to find other sources as well, especially for the empirical topics. For country study papers as well as those covering policy issues, try to include any recent important developments. You may want to consult with me before writing your papers.

Seminar papers should be about 4-6 pages long single-spaced, possibly a little more if you include graphics and tables. The papers should be concise and synthetic so other students can read quickly and obtain an understanding of the basic issues discussed in the paper.

Papers are due by 4 P.M. the day before the seminar. Please send your paper by email to the group and put on blackboard and make copies of any graphics and put in the seminar box outside the Econ office. If the paper is late please send out an email to everyone informing us when the paper will be available.

It is important that you read each others’ papers so that we can have a good discussion.

Country Study Papers

The purpose of the country study papers is to apply the concepts of the seminar to a particular case and to give us another perspective on developments in the world economy. The country study paper will vary with the nature of the country, but here are some general guidelines as to what to include.

Available library and online resources are listed and explained on http://www.swarthmore.edu/Library/SocSci/Economics/econ151.html

You may also consult the Social Science Librarian Megan Adams, who is very helpful.

a. General Information. Situate the country in terms of its level of development, size, political system, etc.

b. The main features of its international trade and payments, e.g., the composition of exports and imports, the pattern of the current account balance, capital flows, and international reserves.

c. Exchange-rate policies and developments.
d. Main elements of trade policy.

e. Monetary and fiscal policies.

f. Macroeconomic performance (growth, inflation, and unemployment).

You should also include more detail on a special topic, depending on the country, e.g., unification in the case of Germany, the currency board in the case of Argentina, the free trade agreement with the U.S. in the case of Canada, the Asian crisis in the case of Thailand.

It is important to try to apply the relevant theory in analyzing your country. This is particularly the case if you use your country paper as your term paper, and even more so, if you use the paper as part of your honors portfolio.

Grades

Grades will be based on (roughly):

Seminar Participation (including papers)                     40 per cent
Research Paper                                             20 per cent
Final Exam                                                  40 per cent
Week 1

Introduction: Current Issues in the International Economy

Globalization

*Thomas Friedman *The Lexus and the Olive Tree.*


A few questions for discussion

1. What is meant by globalization?
2. Is the “golden straightjacket” (a.k.a. the Washington Consensus) conducive to economic and political development?

*Select a country for your country study paper.*

No papers this week.

Honors Exam Questions
2004 (6).
Week 2

Comparative Advantage and the Gains from Trade

*KO, Chs. 2, 5, 11 (pp. 283-290).
*CFJ, Chs. 2-5, including Appendix to Ch. 2.
*Controversy over college logo apparel. Browse the web site of the academic consortium for international trade. http://www.spp.umich.edu/rsie/acit/

Papers

1. Is free trade better than no trade? In what sense does society gain from trade?


2. International Labor Standards and Trade

What determines international wage differences? Can countries with different wage rates gain from trading with each other? Are international labor standards necessary to prevent exploitation and a race to the bottom?

Theodore Moran, Beyond Sweatshops (Brookings, 2002).

Honors Exam Questions
Week 3

Introduction to Open-Economy Macroeconomics:
The Balance of Payments from Keynesian and Intertemporal Perspectives

*KO, Ch. 12, Ch. 7, (pp. 167-171 and Appendix only), Appendixes II and III to Ch. 16.
*CFJ, Chs 15-17.
*Maurice Obstfeld and Kenneth Rogoff, Foundations of International Macroeconomics, Ch. 1 (pp. 1-33)

Paper Topics

1. Oil-Price Shocks and the Balance of Payments.

How do temporary and permanent shocks, such as oil price rises, affect the current account in an intertemporal optimizing framework?


2. Is The US Trade Account Deficit Sustainable?


Honors Exam Questions
Week 4

Neoclassical Theories of Trade and Income Distribution

*KO, Chs. 3, 4, including Appendixes.
*CFJ, Chs. 6,7 incl. Appendixes.

Paper Topics

Technological Progress in the Heckscher-Ohlin Model


Outsourcing, Trade and US Wages.
Is international trade responsible for the decline of real wages of unskilled workers in the U.S.?


Honors Exam Questions
Week 5

Trade Policy With Competitive Markets

*KO, Chs. 8 (incl Appendix I), 9.
*CFJ, Chs. 10, 11, 13.

Paper:

The Political Economy of Administered Protection


Honors Exam Questions

Week 6

Imperfect Competition and Strategic Trade Policy

*KO, Ch. 6 including Appendix, Appendix II to Ch. 8, Ch. 11 (pp. 276-283).
*CFJ, Chs 8, 12 (incl. Appendix to Ch. 12).

Papers

1. Monopolistic Competition and International Trade
   How can intra-industry trade in manufactures be explained?


2. Intellectual Property Rights and the WTO
   Do intellectual property rights belong in the WTO? Are they detrimental to developing countries?


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Week 7  

Economic Integration; Factor Movements  

Economic Integration  
*CFJ, Ch. 14.  

Factor Movements  
*KO, Ch. 7.  
*CFJ, Ch. 9.  

Paper Topics  

1. **NAFTA, FTAA, MERCOSUR, etc**  
   Discuss the arguments for and against a North-American Free Trade Agreement (or another preferential trade agreement of your choice).  

2. **Foreign Direct Investment in the United States**  
   What are the costs and benefits for the U.S. of inward direct investment?  

3. **New Theories and Empirical Analysis of Foreign Direct Investment**  

4. **Effects of Immigration on U.S. Workers**  

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5. **Business Networks in International Trade**


6. **Providing Global Public Goods (Terrorism, Global Warming, etc)**


7. **European Versus American Capitalism (Corporate Governance, Factor Markets and the Welfare State)**


Honors Exam Questions
Week 8
International Trade and Economic Development

*KO, Ch. 10.

Papers

1. Trade and the Environment
Does freer trade harm the environment in the North and/or the South?


2. The East Asian "Miracle"
Was the East Asian growth due to government intervention and was it miraculous?


3. Can Africa Compete in the Global Economy?
Can Africa export manufactured goods, particularly clothing? Is AGOA helpful?

4. Foreign Direct Investment and Development

5. Corruption


7. The Developing Countries and the WTO

Honors Exam Questions
Week 9

Exchange Rates in the Short Run and in the Long Run

*KO, Chs. 13-15 (including Appendixes), Appendix I to Ch. 17.
*CFJ, Ch. 27.
**"Anticipated versus Unanticipated Shocks and Exchange Rate Dynamics," handout on blackboard.

Paper Topics

1. Empirical Evidence on Exchange-Rate Models


2. Purchasing Power Parity


3. Burgernomics


Honors Exam Questions

Week 10

Macroeconomic Policy Under Flexible and Fixed Exchange Rates

*KO, Chs. 16, 17.
*CFJ, Chs. 18, 19, 22, 23.

No papers this week due to the large volume of material to be covered.

Honors Exam Questions
Week 11

Macroeconomic Interdependence and the International Monetary System

*KO, Ch. 18-20 (including Appendixes). Appendix III of Ch. 17.
*CFJ, Ch. 25, 26.
*Jeffrey Frankel, “No Single Currency Regime is Right for All Countries at All Times,” PEIF No. 215, August 1999.

Paper Topics

1. Macroeconomic Policy Coordination What are the gains from macro policy coordination?


2. European Monetary Union Should the UK join? Should the Stability Pact be scrapped?

Economic Policy, special issue on EMU, October 2003.

3. Currency Unions and Trade: New Results Does a common currency increase trade dramatically?


Honors Exam Questions
Week 12

International Financial Markets

*KO, Ch. 21.
*CFJ, Chs. 21, 28

Paper Topics

1. The Dollar in the 1980s as a Speculative Bubble
Was the rise and fall of the dollar an irrational speculative bubble, a rational bubble, or a rational response to the fundamentals?


2. How Integrated are International Financial Markets?


3. Are Capital Controls a Bad Idea?

Rodrik on Malaysia


5. **Puzzles in international Macroeconomics**


6. **Offshore Financial Centers, Tax Evasion and Money Laundering**


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Week 13  
International Macroeconomics and the Developing Countries

*KO, Ch. 22.
*CFJ, Ch. 20, 24.

**Paper Topics**

1. **The Asian Financial Crisis**


2. **Economic Reform in Formerly Communist Economies**


3. **Reform of the IMF and World Bank**

   The Meltzer Commission Report, available at the ACIT web site:  
   [http://www.fordschool.umich.edu/rsie/acit/](http://www.fordschool.umich.edu/rsie/acit/)  

4. **Dollarization, Currency Boards and Other Solutions to Exchange-Rate Dilemmas in Developing Countries**


5. **Bankruptcy Arrangements for Sovereign Debt**

Articles by Bulow, Sachs, White, and discussants, BPEA, 2002:1.
Articles by Krueger, Krosner and Eichengreen in AER, May 2003.
Barry Eichengreen, “Restructuring Foreign Debt,” JEP, Fall 2003.

6. **Argentina’s Crash**


**Honors Exam Questions**