

Economics 151
International Economics Seminar

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:

Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, 6th edition (Addison-Wesley, 2003).

Richard Caves, Ronald Jones and Jeffrey Frankel, *World Trade and Payments*, 9th edition (Addison-Wesley, 2002).

In both of these texts there 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:

Thomas Friedman, *The Lexus and the Olive Tree*, (Farrar, Straus, Giroux 2000).

Joseph Stiglitz, *Globalization and Its Discontents*, (Norton, 2002).

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 Econometrics*.

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:

Baldwin, Robert and Richardson, J.D., *International Trade and Finance*, various editions.

Bhagwati, Jagdish, *International Trade: Selected Readings*.

American Economic Association, *Readings in International Economics* (referred to as RIE).

American Economic Association, *Readings in the Theory of International Trade* (RTIT).

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)
World Bank, *World Development Report*, annual (for developing 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*.

*Joseph Stiglitz, *Globalization and Its Discontents*.

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.

*Paul Samuelson, "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization," *JEP* Summer 2004.

*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?

Paul Samuelson, "The Gains from International Trade Once Again," *EJ*, 1962 and reprinted in Bhagwati, *International Trade: Selected Readings* first edition, Ch. 10.

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?

Stephen Golub, *Labor Costs and International Trade*, American Enterprise Institute, 1999.

Dani Rodrik, "Democracies Pay Higher Wages," *Quarterly Journal of Economics*, August 1999.

Theodore Moran, *Beyond Sweatshops* (Brookings, 2002).

Honors Exam Questions

2004 (4), 2001 (1), 2000 (C.1), 1994(I.1, I.6), 1990 (1.5), 1989 (9), 1987 (3), 1984 (2).

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?

Jeffrey Sachs, "The Current Account and Macroeconomic Adjustment in the 1970s," *BPEA* 1981:1.

2. Is The US Trade Account Deficit Sustainable?

Maurice Obstfeld and Kenneth Rogoff, "The Unsustainable U.S. Current Account Position," NBER Working Paper No. 10869, 2004.

Catherine Mann, "Perspectives on the US Current Account Deficit and Sustainability," *JEP*, Summer 2002.

Symposium on the US Current Account, *BPEA* 2001:1.

Honors Exam Questions

2003 (B-1), 2001 (6), 2000 (A.1, A.4), 1999 (III.2), 1997 (I.1), 1996 (II.2), 1995 (I.5, II.1, II.2), 1994 (I.7, II.1), 1991(4), 1990 (1.3, 2.1), 1988(5), 1981(1).

Week 4

Neoclassical Theories of Trade and Income Distribution

*KO, Chs. 3, 4, including Appendixes.

*CFJ, Chs. 6,7 incl. Appendixes.

*Wolfgang Stolper and Paul Samuelson, "Protection and Real Wages," *Review of Economic Studies*, 1941, and reprinted in RTIT.

*Ronald Jones, "Protection and Real Wages: the History of an Idea," draft, University of Rochester, 2005.

Paper Topics

Technological Progress in the Heckscher-Ohlin Model

Ronald Findlay and Harry Grubert, "Factor Intensities, Technological Progress, and the Terms of Trade," *Oxford Economic Papers*, 1959, and reprinted in Bhagwati, *International Trade: Selected Readings* first edition, Ch. 20.

Outsourcing, Trade and US Wages.

Is international trade responsible for the decline of real wages of unskilled workers in the U.S.?

Martin Baily and Robert Lawrence, "What Happened to the Great U.S. Job Machine? The Role of Trade and Electronic Outsourcing," BPEA, forthcoming 2005.

Jagdish Bhagwati et al, "The Muddles over Outsourcing" *JEP*, Fall 2004.

Articles by Sachs, Leamer, and Feenstra and Hanson on "Globalization and the U.S. Labor Market," *American Economic Review*, May 1996.

Honors Exam Questions

2003 (A-2), 2001 (2), 2000 (C.2), 1999 (I.2), 1997 (II.2), 1996 (I.1), 1995 (I.6), 1994 (I.4), 1993 (1, 3), 1992(2), 1991(1), 1990 (1.2), 1989 (2), 1988(1), 1986(3), 1985(7), 1984(1), 1983(2,6), 1982(2), 1981(5).

Week 5

Trade Policy With Competitive Markets

*KO, Chs. 8 (incl Appendix I), 9.

*CFJ, Chs. 10, 11, 13.

*Harry Johnson, "Optimal Trade Intervention in the Face of Domestic Distortions," in Caves, Johnson and Kenen, eds. *Trade, Growth, and the Balance of Payments*, 1965. Reprinted in Bhagwati, *International Trade: Selected Readings* first edition, Ch. 11 and second edition, Ch. 15.

Paper:

The Political Economy of Administered Protection

Wendy Hansen and Thomas Prusa, "The Road Most Taken: The Rise of Title VII Protection," *The World Economy*, January 1995.

J.M. Finger et al, "The Political Economy of Administered Protection," *AER*, June 1982.

Honors Exam Questions

2004 (1, 2), 2003 (A-1), 1996 (I.2), 1995 (I.1), 1992(4), 1991(5), 1990 (3), 1989 (3), 1988(3), 1987 (1), 1986 (2), 1985 (1), 1983 (4), 1982 (6).

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).
- *Raymond Vernon, "International Trade and International Investment in the Product Cycle," Baldwin and Richardson, **2nd Edition**, Part I.
- **Strategic Trade Policy and the New International Economics*, 1986 ed. by Krugman, Chs. 2,3,12 (articles by Brander, Grossman, and Dixit).

Papers

1. Monopolistic Competition and International Trade

How can intra-industry trade in manufactures be explained?

Paul Krugman, "Intraindustry Specialization and the Gains from Trade," *JPE*, October 1981, reprinted in Krugman, *Rethinking International Trade*.

2. Intellectual Property Rights and the WTO

Do intellectual property rights belong in the WTO? Are they detrimental to developing countries?

Klaus Stegemann, "The Integration of Intellectual Property Rights in the WTO System," *World Economy*, September 2000.

Keith Maskus, *Intellectual Property Rights in the Global Economy*, Institute for International Economics, 2000.

3. Interest-Group Politics and Trade Policy: New Theories and Evidence

Pinelopi Goldberg and Giovanni Maggi, "Protection for Sale: An Empirical Investigation," *AER*, December 1999.

Honors Exam Questions

2001 (2), 1998 (II. 4), 1997 (I. 6, II. 1), 1994 (I.2, I.3, I.5), 1993 (2), 1992 (3), 1981 (6).

Week 7

Economic Integration; Factor Movements

Economic Integration

*CFJ, Ch. 14.

*Richard Lipsey, "The Theory of Customs Unions: A General Survey," *EJ* 1960 and reprinted in Bhagwati, Ch. 18 (first ed.) and Ch. 20 (second ed.)

*Arvind Panagariya, "The Regionalism Debate: An Overview," *World Economy*, 1999.

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).

William Gruben, "Was NAFTA Behind Mexico's High Maquiladora Growth?" Federal Reserve Bank of Dallas *Economic and Financial Review*, Q3 2001.

Anne Krueger, "NAFTA's Effects: A Preliminary Assessment," *The World Economy*, June 2000.

Paul Krugman, "The Uncomfortable Truth about NAFTA: It's Foreign Policy, Stupid," *Foreign Affairs*, Nov-Dec 1993.

2. Foreign Direct Investment in the United States

What are the costs and benefits for the U.S. of inward direct investment?

Edward Graham and Paul Krugman, *Foreign Direct Investment in the U.S.*, Institute for International Economics, 1995.

3. New Theories and Empirical Analysis of Foreign Direct Investment

James Markusen and Keith Maskus, "General Equilibrium Approaches to the Multinational Firm: Theory and Evidence," *NBER Working Paper* 8334, June 2001.

Giuseppe Nicoletti, Steve Golub, et al, "Policies and International Economic Integration: Influences on Trade and FDI," *OECD Economic Studies*, 2003.

4. Effects of Immigration on U.S. Workers

George Borjas et al, "How Much Do Immigration and Trade Affect Labor Market Outcomes?,"
BPEA 1:1997. (Include comments by discussants).

5. Business Networks in International Trade

Gary Gereffi, International Trade and Industrial Upgrading in the Apparel Commodity Chain,
Journal of International Economics, June 1999.

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

Stephen Golub and Raymond Hopkins, "Who's Going to Pay for Public Goods?" (2004).
Todd Sandler, "Collective Action and Transnational Terrorism," *The World Economy*, 2003.
Scott Barrett, "Creating Incentives for Cooperation" in Inge Kaul et al, eds, *Providing Global
Public Goods*, 2002.

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

"The Economic Transformation of Europe" (articles by Blanchard, Alesina and Perotti, and
Saint Paul), *JEP* Fall 2004.
Raghuram Rajan and Luigi Zingales, "The Decline and Fall of Relationship Capitalism", Ch. 11
of *Saving Capitalism from the Capitalists*, pp. 247-271.
Jeremy Rifkin, *The European Dream* (2004), Chapters 2 and 3. "The New Land of
Opportunity" and "The Quiet Economic Miracle," pp. 37-88.
Robert Gilpin, "National Systems of Political Economy," Ch.7 of *Global Political Economy*,
(2001) pp. 148-195.

Honors Exam Questions

2003 (C-3), 2001 (4), 1998 (III.1), 1997 (I.7), 1996 (III.1, III.3), 1995 (I.2), 1987(6), 1986(1),
1985(3), 1981(4).

Week 8

International Trade and Economic Development

*KO, Ch. 10.

*W. Arthur Lewis, *The Evolution of the International Economic Order*, 1977.

*Larry E. Westphal, "Industrial Policy in an Export-Led Economy: Lessons from South Korea's Experience," *JEP*, Summer 1990.

*Anne Krueger, "Government Failures in Development," *JEP*, Summer 1990.

Papers

1. Trade and the Environment

Does freer trade harm the environment in the North and/or the South?

Jeffrey Frankel, "The Environment and Globalization," *NBER Working Paper 10090*, November 2003.

Jagdish Bhagwati and T.N. Srinivasan, "Trade and Environmental Standards," in Bhagwati and Hudek, eds. *Fair Trade and Harmonization: Prerequisites for Free Trade?* 1996.

Cooper, Richard, *Environment and resource policies for the world economy*. Washington, DC: Brookings Institution, 1994.

2. The East Asian "Miracle"

Was the East Asian growth due to government intervention and was it miraculous?

Paul Krugman, "The Myth of Asia's Miracle," *Foreign Affairs*, November/December 1994.
Also comments in March/April 1995 issue.

Larry Westphal, "Technology Strategies for Economic Development in a Fast-Changing Global Economy," *Economics of Innovation and New Technology* (2002).

Dani Rodrik, "Getting Interventions Right: How South Korea and Taiwan Grew Rich," *Economic Policy*, April 1995.

3. Can Africa Compete in the Global Economy?

Can Africa export manufactured goods, particularly clothing? Is AGOA helpful?

Tyler Biggs et al, "Africa Can Compete! Export Opportunities and Challenges in the US Market," World Bank Discussion Paper 242, 1994.

Paul Collier, "Globalization and Africa" unpublished paper, 1997.

Aadiya Mattoo et al, "The Africa Growth and Opportunity Act and its Rules of Origin: Generosity Undermined?" *The World Economy*, 2003.

Adrian and T. Berg, "Exporting Manufactures: Human Resources, Natural Resources, and Trade Policy," *Journal of Development Studies* 1997.

4. Foreign Direct Investment and Development

Theodore Moran, *Foreign Direct Investment and Development*, IIE, 1999.

5. Corruption

Kimberly Ann Elliott, ed., *Corruption in the Global Economy*, IIE, 1997.

Shang-Jin Wei, "Local Corruption and Global Capital Flows," *BPEA* 2000:2.

6. Openness, Growth, and Poverty: What Do Cross-Country Regressions Show?

Jeffrey Sachs and Andrew Warner, "Economic Reform and the Process of Global Integration," *BPEA* 1995:1.

Francisco Rodriguez and Dani Rodrik, "Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence," *NBER Working Paper* 7081, April 1999.

David Dollar and Art Kray, "Spreading the Wealth," *Foreign Affairs*, Jan/Feb 2002.

Jagdish Bagwhati and T.N. Srinivasan, "Trade and Poverty in Poor Countries," *AER*, May 2002.

Arvind Panagariya, "Miracles and Debacles: In Defense of Trade Openness," *The World Economy*, August 2004.

7. The Developing Countries and the WTO

T.N. Srinivasan, "Developing Countries and the Multilateral Trading System After Doha," Yale University Economic Growth Center Discussion Paper No. 842, February 2002, available at www.econ.yale.edu/~egcenter/

Honors Exam Questions

1998 (II.5), 1995 (I.7), 1993 (4), 1991 (3), 1989 (4).

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

Richard Meese and Kenneth Rogoff, "Empirical Exchange-Rate Models of the 1970s: Do They Fit Out of Sample?", *JIE*, February 1983.

Jeffrey Frankel and Andrew Rose, "A Survey of Research on Nominal Exchange Rates," *Handbook of International Economics*, vol 3. Also available as *NBER Working Paper* No. 4865.

2. Purchasing Power Parity

Bela Balassa, "The Purchasing-Power-Parity Doctrine: A Reappraisal," *JPE*, December 1964. Reprinted in Cooper, ed., *International Finance*.

Richard Marston, "Real Exchange Rates and Productivity Growth in the United States and Japan," in *Real-Financial Linkages in Open Economies*, 1987.

Alan Taylor and Mark Taylor, "The Purchasing Power Parity Debate," *JEP*, Fall 2004.

3. Burgernomics

David Parsley and Shang-Jin Wei, "A Prism into the PPP Puzzles: the Micro-foundations of Big Mac Real Exchange Rates," *NBER working paper* No. 10074, November 2003.

Robert Cumby, "Forecasting Exchange Rates and Relative Prices with the Hamburger Standard: Is What You Want What You Get With McParity?" *NBER Working Paper* No. 5675, July 1996.

Honors Exam Questions

2004 (5), 2003 (C-2), 2001 (7), 2000 (A.5, B.1), 1995 (I.3), 1993 (7, 8), 1994 (II.2, II.4), 1992 (5), 1990 (2.2), 1987 (2a), 1986 (8).

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

2003 (B-2), 2000 (A.1, B.2, B.3)1999 (I.1, II.2), 1998 (II.1), 1997 (I.2, II.3), 1993 (5), 1992 (6a), 1991(6a), 1990 (1.4), 1989 (6), 1988 (6), 1987 (4, 5), 1986 (5, 8),1985 (4), 1984 (5, 8), 1981 (1).

Week 11

Macroeconomic Interdependence and the International Monetary System

- *KO, Ch. 18-20 (including Appendixes). Appendix III of Ch. 17.
- *CFJ, Ch. 25, 26.
- *Milton Friedman, "The Case for Flexible Exchange Rates," in *Essays in Positive Economics*, 1953, reprinted in *RIE*.
- *Maurice Obstfeld and Ken Rogoff, "The Mirage of Fixed Exchange Rates," *JEP*, Fall 1995.
- *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?

Jeffrey Sachs and Gilles Oudiz, "Macroeconomic Policy Coordination Among the Industrial Countries," *BPEA* 1984:1.

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

Submissions on EMU from Leading Academics to the UK Treasury, 2003. http://www.hm-treasury.gov.uk/documents/the_euro/assessment/studies/euro_assess03_studkent.cfm
Economic Policy, special issue on EMU, October 2003.

3. Currency Unions and Trade: New Results

Does a common currency increase trade dramatically?

Andrew Rose, "One Money, One Market" *Economic Policy*, 1999, also *NBER Working Papers* No. 7432, December 1999.

Honors Exam Questions

2004 (2), 2003 (C-1), 2001 (5), 1998 (II.1), 1997 (I.3, I.4, II.4), 1996 (II.1), 1995, (I.4, I.8), 1994 (II.3), 1993 (6), 1991(6b), 1990 (4), 1989 (5), 1988(4), 1987 (4), 1986 (7), 1985 (5), 1984 (5), 1983 (1), 1982 (3).

Week 12

International Financial Markets

- *KO, Ch. 21.
- *CFJ, Chs. 21, 28
- *Paul Krugman, *Exchange-Rate Instability*, 1989.

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?

Jeffrey Frankel and Kenneth Froot, "The Dollar as a Speculative Bubble: A Tale of Fundamentalists and Chartists," NBER Discussion Paper No. 1854, 1986, reprinted in Frankel, *On Exchange Rates*.

2. How Integrated are International Financial Markets?

Maurice Obstfeld, "International Capital Mobility in the 1990s," in Peter Kenen, ed. *Understanding Interdependence*, 1995.

Philip Lane and Gian Maria Milesi Ferretti, "Interantional Financial Integration," *IMF Staff Papers*, special issue, 2003.

3. Are Capital Controls a Bad Idea?

Richard Cooper, "Should Capital Controls Be Banished?" *BPEA* 1999:1.

Rodrik on Malaysia

Hali Edison et al, "Capital Account Liberalization and Economic Performance: Survey and Synthesis," *IMF Staff Papers*, August 2004.

4. Taxing International Capital Flows: The Tobin Tax

The Tobin Tax: Coping with Financial Instability, ed. By Mahbub ul Haq et al, 1996, especially chapters 1-3.

5. Puzzles in international Macroeconomics

Maurice Obstfeld and Kenneth Rogoff, "The Six Major Puzzles in International Macroeconomics: Is There a Common Solution," *NBER Working Paper* No. 7777, July 2000.

Charles Engel, "Comments on Obstfeld and Rogoff's 'Six Major Puzzles...'" *NBER Working Paper* 7818, July 2000.

6. Offshore Financial Centers, Tax Evasion and Money Laundering

Peter Reuter and Edwin Truman, *Chasing Dirty Money*, IIE, 2004.

Honors Exam Questions

2000 (A.2), 1998 (II.2), 1996 (II.2), 1995 (I.9, II.3, II.5), 1991(2), 1990 (1.1), 1988(2), 1987 (2b), 1985 (6), 1984 (6), 1983 (5), 1982 (4,5,6), 1981 (3,7).

Week 13

International Macroeconomics and the Developing Countries

- *KO, Ch. 22.
- *CFJ, Ch. 20, 24.
- *Review Stiglitz, *Globalization and its Discontents*.
- *Michael Dooley, "A Model of Balance of Payments Crises in Emerging Markets," *EJ*, January 2000, also available as *NBER Working Paper* No. 6300.
- *Guillermo Calvo and Enrique Mendoza, "Capital Markets Crises and Economic Collapse in Emerging Markets," *AER* May 2000.
- *Guillermo Calvo and Carmen Reinhart, "Capital Flow Reversals, the Exchange Rate Debate, and Dollarization," *Finance and Development*, September 1999.
- *Luis Céspedes, Andre Velasco, and Roberto Chang, "IS-LM-BP in the Pampas," *IMF Staff Papers* vol 50, 2003.

Paper Topics

1. The Asian Financial Crisis

Steven Radelet and Jeffrey Sachs "The East Asian Financial Crisis", *BPEA* 1:1998.
Jenny Corbet and David Vines, "Asian Currency and Financial Crises" *World Economy*, January 1999.

2. Economic Reform in Formerly Communist Economies

Symposium on transition economies, *JEP*, Winter 2002.

3. Reform of the IMF and World Bank

Kenneth Rogoff, "The IMF Strikes Back," *Foreign Policy*, *Foreign Policy*, Jan/Feb 2003.
The Meltzer Commission Report, available at the ACIT web site:
<http://www.fordschool.umich.edu/rsie/acit/>
Articles on the future of the IMF and World Bank, *AER*, May 2003.

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

Roberto Chang, "Dollarization, A Scorecard" Federal Reserve Bank of Atlanta *Economic Review*, Third Quarter 2000.
Atish Ghosh et al, "Currency Boards: More Than a Quick Fix?" *Economic Policy*, October 2000.
Rudiger Dornbusch, "Fewer Monies, Better Monies," *AER* May 2001.

Felipe Larrain and Andres Velasco, "Exchange Rate Policy in Emerging Market Economies: The Case for Floating," *Princeton Essays in International Economics* No. 224, December 2001.

Guillermo Calvo and Frederic Mishkin, "The Mirage of Exchange Rate Regimes for Emerging Market Economies," *JEP*, Fall 2003.

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

Guillermo Calvo et al, "Sudden Stops, the Real Exchange Rate and Fiscal Sustainability: Argentina's Lessons," *NBER Working Paper* No. 9828, July 2003.

Argentina's Avoidable Crisis: "Bad Luck, Bad Economics, Bad Politics, Bad Advice," *Brookings Trade Forum*, 2002.

Ricardo Hausman and Andres Velasco, "Hard Money's Soft Underbelly: Understanding the Argentine Crisis," *Brookings Trade Forum*, 2002.

Honors Exam Questions

2000 (A.3, A.6), 1999 (III.3), 1998 (II.3), 1995 (II.4), 1992 (1).