

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, Maurice Obstfeld, and Marc Melitz, *International Economics: Theory and Policy*, 9th edition (Addison-Wesley, 2012).

Richard Caves, Ronald Jones and Jeffrey Frankel, *World Trade and Payments*, 10th edition (Addison-Wesley, 2007).

Nouriel Roubini and Stephen Milm, *Crisis Economics* (Penguin 2010).

In both KOM and CFJ there are Chapter Appendixes and Mathematical Supplements. Generally, the Appendixes are required and the Supplements are optional. For those considering graduate study in economics, the Supplements are recommended.

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 Moodle

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 (IFS)*, and World Bank's *World Development Indicators (WDI)*. These can be accessed online through TRIPOD.

Library resources

The library has a web page for this seminar:

<http://libguides.brynmawr.edu/econ151>

This web page was created by Social Science Librarian Sarah Elichko, who is very helpful.

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 turned into a term paper at the end of the semester (see below). Some suggested reading is provided for each topic. 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 roughly 1500-2000 words, one and a half-spaced. It's a plus to include graphics and tables of your own construction but scanned copies from reference sources are OK. 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. 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.

Powerpoint presentations of the papers, particularly the country study papers, can be helpful and is encouraged.

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.

- 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., the Euro for Germany or Greece, the default on foreign debt for Argentina, NAFTA for Mexico, the Asian crisis for Thailand, exports of services for India, and the role of FDI and exports of manufactured goods for China.

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. This does not have to involve formal models but rather awareness and application of relevant concepts.

See <http://libguides.brynmawr.edu/econ151> for more information on sources.

Final Term Paper

Due Date: Final paper is due at the end of the honors exam period.

Length: about 15 pages of text 12-point font, double-spaced, plus tables, charts for a total of some 20 pages. Can be a bit longer or shorter depending on the topic and how you approach it.

If you do a good job on the first draft, it should not require a great deal more work. Respond to my comments and do a little more research as needed.

Grading Criteria. In addition to the quality of your research and analysis, I consider how well the paper is written and organized for this final version.

Avoid Plagiarism. Make sure it is written in your own words. That is, do not copy or too closely paraphrase from your sources. Also make sure your ideas are properly referenced and others' work is not presented as your own. You do not need footnotes just for references but put author and year in parentheses following the sentence or paragraph from which it is derived. For example you can cite Milton Friedman's 1953 article as (Friedman 1953) and then have it in the bibliography at the end of the paper.

Grades

Grades will be based on (roughly):

Seminar Participation (including papers)	40 per cent
Final Term Paper	20 per cent
Final Exam	40 per cent

Week 1

Introduction: Current Issues in the International Economy

The Global Financial Crisis

*Nouriel Roubini and Stephen Milm, *Crisis Economics* (2010).

Barry Eichengreen, “The Euro’s Existential Crisis,” *The Milken Review*, October 2010.

Familiarize yourself with recent developments in the world economy, particularly the global financial crisis and the Euro.

***Select a country for your country study paper.**

No papers this week.

Honors Exam Questions

2012 (III.3, III.4).

Week 2

Comparative Advantage and the Gains from Trade

*KOM, Chs. 2, 3, 6, 12 (pp. 279-290).

*CFJ, Chs. 2-4, including Appendixes to A and B of Ch. 2.

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

*"The Limits of Free Trade", comment by Avinash Dixit and Gene Grossman and Samuelson's reply *JEP*, Summer 2005.

*Gordon Hanson, "The Rise of Middle Kingdoms: Emerging Economies in Global Trade," *JEP* Spring 2012.

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. The Ricardian Model with a Continuum of Goods

R. Dornbusch, S. Fischer and P. Samuelson, "Comparative Advantage, Trade and Payments in a Ricardian Model with a Continuum of Goods," *AER* 1977.

Jonathan Eaton and Samuel Kortum, "Putting Ricardo to Work," *JEP* Spring 2012.

3. 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).

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

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

Honors Exam Questions

2013 (I.1), 2012 (I.1), 2011 (1), 2009 (2), 2005 (2), 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

*KOM, Ch. 13, Ch. 6, (pp. 127-130 and Appendix), Appendixes 1 and 2 to Ch. 17.

*CFJ, Chs 15-17.

*Maurice Obstfeld and Kenneth Rogoff, *Foundations of International Macroeconomics*, Ch. 1 (pp. 1-33)

*Barry Eichengreen, "The Blind Men and the Elephant," University of California, Berkeley, 2005, <http://www.econ.berkeley.edu/~eichengr/policy/KyotoPaper.pdf>.

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?

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

Ben Bernanke, "The Global Saving Glut and the US Current Account Deficit," Federal Reserve Board, 2005.

Menzie Chinn, "Getting Serious About the Twin Deficits," Council on Foreign Relations Special Report, September 2005.

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

Ricardo Hausmann and Federico Sturzenegger, "Global Imbalances or Bad Accounting? The Missing Dark Matter in the Wealth of Nations," Harvard Center for International Development Working Paper No. 124, January 2006, Revised September 2006.

Richard Cooper, "Global Imbalances: Globalization, Demography, and Sustainability," *Journal of Economic Perspectives*, Summer 2008.

Martin Feldstein, "Resolving the Global Imbalance: The Dollar and the US Saving Rate," *Journal of Economic Perspectives*, Summer 2008.

3. Is China's Currency Undervalued?

Niall Ferguson and Moritz Schularick, "The End of Chimerica," *International Finance*, 2011.

Janet Ceglowski and Stephen Golub, "Does China Still Have a Labor Cost Advantage" *CESifo Working Paper No. 3579*, September 2011.

Ronald McKinnon and Gunther Schnabl "China and Its Dollar Exchange Rate: A Worldwide Stabilizing Influence? April 2011.

Honors Exam Questions

2012 (III.2), 2011 (8), 2010 (4), 2009 (1), 2008 (1a, 1b, 1c, 7b), 2006 (2), 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

*KOM, Chs 4, 5 including Appendixes.

*CFJ, Chs. 5, 6 incl. Appendixes.

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

*Alan Blinder, "Offshoring: The Next Industrial Revolution?" *Foreign Affairs*, March/April 2006.

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.?

Haskel, Lawrence, Leamer and Slaughter, "Globalization and US Wages: Modifying Classic Theory to Explain Recent Facts," *JEP* Spring 2012.

Robert Lawrence, *Blue-Collar Blues: Is Trade to Blame for Rising US Income Inequality?* Institute for International Economics, 2008.

Paul Krugman, "Trade and Wages, Reconsidered," *BPEA*, Spring 2008.

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

Honors Exam Questions

2013 (I.2), 2012 (I.4), 2011 (2), 2010 (1), 2009 (3), 2008 (2a), 2007 (1), 2006 (3), 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

*KOM, Chs. 9, 10 (pp 220-234).

*CFJ, Chs. 10, 11.

* Douglas Irwin, "Trade Restrictiveness and Deadweight Losses from US Tariffs", *American Economic Journal: Economic Policy*, August 2010.

Paper Topic

1. 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

2013 (I.3), 2012 (I.3), 2011 (3), 2010 (2, 7), 2008 (3a, 3b), 2007 (2), 2006 (5), 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

*KOM, Ch. 7, Ch. 8 (pp.155-171), Appendix to Ch. 9, Ch. 12 (pp. 271-279).

*CFJ, Chs 7, 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. The Political Economy of Anti-Dumping Policies

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.
Special issue on dumping *World Economy*, No. 5 2005

Honors Exam Questions

2013 (I.4), 2008 (2b), 2006 (1), 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
Trade Agreements; Factor Movements

Trade Agreements: Multilateralism and Regionalism

*KOM, Ch. 10, pp. 234-249.

*CFJ, Chs. 13, 14.

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

*Douglas Irwin, *Free Trade Under Fire*, 3rd edition, Ch. 7.

Immigration, Foreign Direct Investment, Outsourcing and Fragmentation of Production

*KOM, Ch. 4. (pp. 69-73), 8 (pp. 171-187).

*CFJ, Chs. 8, 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).

Gary Hufbauer and Jeffrey Schott, NAFTA Revisited: Achievements and Challenges, IEE, 2005.

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 for national security and economic welfare?

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

Edward Graham and David Marchick, *US National Security and Foreign Direct Investment* Institute for International Economics, 2006.

3. New Facts and Theories of Trade and FDI with Heterogeneous Firms

Elhanan Helpman, *Understanding Global Trade*, Chs. 5 and 6, 2011.

Marc Melitz and Daniel Trefler, "Gains from Trade when Firms Matter," *JEP* Spring 2012.

Elhanan Helpman, "Trade, FDI, and the Organization of Firms," *Journal of Economic Literature*, September 2006.

4. Econometric Analysis of the determinants of FDI

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.

5. 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).

Borjas 2013, "Immigration and the American Worker" Center for Immigration Studies.

David Card, "Is the New Immigration Really So Bad?," *EJ*, November 2005.

Gordon Hanson, "Illegal Migration from Mexico to the United States," *Journal of Economic Literature*, December 2006.

6. Business Networks in International Trade

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

James Rauch, "Business and Social Networks in International Trade," *Journal of Economic Literature*, December 2001.

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

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.

8. 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.

9. The Effects of the WTO on Trade

Andrew Rose, "Do We Really Know That the WTO Increases Trade?" *AER*, March 2004.

See also Andy Rose's web page for updates and further discussion.

Honors Exam Questions

2012 (I.2), 2011 (4), 2010 (3), 2005 (1), 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

*KOM, Ch. 11.

*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.

*Stephen Golub, Ronald Jones, and Henryk Kierzkowski, "Globalization and Country-Specific Service Links," *Journal of Economic Policy Reform*, 2007.

*Dani Rodrik, "Goodbye Washington Consensus, Hello Washington Confusion," *Journal of Economic Literature*, December 2006.

*Dani Rodrik, "Doomed to Choose: Industrial Policy as Predicament," Harvard University, September 2006.

*Howard Pack and Kamal Saggi, "The Case for Industrial Policy: A Critical Survey," *World Bank Research Observer*, 2006.

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.

Brian Copeland and Scott Taylor, *Trade and the Environment: Theory and Evidence*, Princeton, 2005.

Special issue on pollution haven hypothesis, *Berkeley Electronic Press*,

<http://www.bepress.com/bejeap/advances/vol4/iss2/>

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. The Economics of the Arab Spring

Abdeel Malik and Bassem Awadallah "The Economics of the Arab Spring," *World Development*, 2013. .

Marcus Noland and Howard Pack, *The Arab Economies in a Changing World*, IIE 2009.

4. Can Africa Compete in the Global Economy?

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

Stephen Radelet, *Emerging Africa*, 2011.

Stephen Golub, Stephen O'Connell and Wenxin Du, *Export Competitiveness and Development in LDCs*, United Nations, 2008.

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

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

5. Foreign Direct Investment and Development

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

Felipe Larrain, et al, "Intel: A Case Study of Foreign Direct Investment in Central America," Center for International Development, Harvard University.

Peter J. Buckley, Frances Ruane, "Foreign Direct Investment in Ireland: Policy Implications for Emerging Economies," *The World Economy*, November 2006.

6. Corruption

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

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

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

Romain Wacziarg and Karen Horn Welch, Trade Liberalization and Growth: New Evidence. *The World Bank Economic Review*, 2008

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 Aart Kraay, "Spreading the Wealth," *Foreign Affairs*, Jan/Feb 2002.

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

8. 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/

J.M. Finger "Implementing Uruguay Round Agreements: Problems for Developing Countries," *World Economy*, September 2001.

9. Can Foreign Aid End Poverty: Sachs vs Easterly

Jeffrey Sachs et al, *The End of Poverty*, 2004.

William Easterly, *The White Man's Burden*, 2006.

Honors Exam Questions

2012 (I.5), 2008 (4a, 4b), 2006 (6), 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

*KOM, Chs. 14-16 (including Appendixes), Appendix 1 to Ch. 18.

*CFJ, Ch. 27.

*"Anticipated versus Unanticipated Shocks and Exchange Rate Dynamics," handout on Moodle.

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.

Yin-Wong Cheung, Menzie D. Chinn and Antonio Garcia Pascual "Empirical Exchange Rate Models of the Nineties: Are Any Fit to Survive?" *Journal of International Money and Finance*. November 2005.

Jian Wang "Why Are Exchange Rates So Difficult to Predict?" *Economic Letter*, Federal Reserve Bank of Dallas, June 2008
available at <http://www.dallasfed.org/research/eclett/2008/el0806.html>

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

2013 (II.8), 2012 (II.1, II.2), 2009 (4), 2008 (5c, 7a), 2007 (4), 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

*KOM, Chs. 17, 18.

*CFJ, Chs. 18,19, 22, 23.

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

Honors Exam Questions

2013 (II.7), 2012 (II.3, II.4), 2011 (5, 6), 2010 (5), 2008 (5a, 5b, 6a), 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).

Macroeconomic Interdependence, the International Monetary System and the Euro

*KOM, Ch. 19-20 (including Appendix).

*CFJ, Ch. 25, 26.

*Jeffrey Frankel, "No Single Currency Regime is Right for All Countries at All Times," *PEIF* No. 215, August 1999.

*Martin Feldstein, "The Case against EMU," *The Economist*, June 13, 1992.

*Kevin O'Rourke and Alan Taylor, "Cross of Euros" *JEP*, Summer 2013.

Paper Topics

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

Barry Eichengreen, "International Policy Coordination: The Long View," *NBER Working Paper* 17665, December 2011.

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

2. The Euro

Is Europe an optimum currency area? Does the current crisis reveal the underlying weaknesses of European monetary union?

Jay Shambaugh, "Europe's Interlinked Crises," *BPEA*, Spring 2012.

Paul de Grauwe, "Governance of a Fragile Eurozone,"

http://www.econ.kuleuven.be/ew/academic/intecon/Degrauwe/PDG-papers/Discussion_papers/Governance-fragile-eurozone_s.pdf, April 2011.

Martin Feldstein, "The Euro and European Economic Conditions," *NBER Working paper* No. 17617, November 2011.

3. Currency Unions and Trade: Econometric 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

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