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 KOM and CFJ there are 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 on the course web page on Moodle.

Advanced Texts
Feenstra, Robert, *Advanced 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 (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](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):

<table>
<thead>
<tr>
<th>Component</th>
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<tbody>
<tr>
<td>Seminar Participation (including papers)</td>
<td>40 per cent</td>
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<td>Final Term Paper</td>
<td>20 per cent</td>
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<tr>
<td>Final Exam</td>
<td>40 per cent</td>
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Introduction: Current Issues in the International Economy

The Global Financial Crisis


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 Appendices to A and B of Ch. 2.
*“The Limits of Free Trade”, comment by Avinash Dixit and Gene Grossman and Samuelson’s reply JEP, Summer 2005.

Papers

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


2. The Ricardian Model with a Continuum of Goods


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).

Honors Exam Questions
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)

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?

Catherine Mann “Perspectives on the U.S. Current Account Deficit and Sustainability,” JEP. 2002.
3. **Is China’s Currency Undervalued?**


**Honors Exam Questions**

Week 4

Neoclassical Theories of Trade and Income Distribution

*KOM, Chs 4, 5 including Appendixes.
*CFJ, Chs. 5, 6 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

*KOM, Chs. 9, 10 (pp 220-234).
*CFJ, Chs. 10, 11.

Paper Topic


Honors Exam Questions

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).

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?


3. The Political Economy of Anti-Dumping Policies

Special issue on dumping World Economy, No. 5 2005

Honors Exam Questions
Week 7
Trade Agreements; Factor Movements

Trade Agreements: Multilateralism and Regionalism
*KOM, Ch. 10, pp. 234-249.
*CFJ, Chs. 13, 14.
*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.

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?

3. New Facts and Theories of Trade and FDI with Heterogeneous Firms
Elhanana Helpman, Understanding Global Trade, Chs. 5 and 6, 2011.
Marc Melitz and Daniel Trefler, “Gains from Trade when Firms Matter,” JEP Spring 2012.

4. Econometric Analysis of the determinants of FDI
5. Effects of Immigration on U.S. Workers

Borjas 2013, “Immigration and the American Worker” Center for Immigration Studies.
Gordon Hanson, “Illegal Migration from Mexico to the United States,” *Journal of Economic Literature*, December 2006.

6. Business Networks in International Trade


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


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

Raghuram Rajan and Luigi Zingales, “The Decline and Fall of Relationship Capitalism”, Ch. 11 of *Saving Capitalism from the Capitalists*, pp. 247-271.

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
Week 8
International Trade and Economic Development

*KOM, Ch. 11.

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. The Economics of the Arab Spring

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


5. Foreign Direct Investment and Development

6. Corruption


8. The Developing Countries and the WTO

9. Can Foreign Aid End Poverty: Sachs vs Easterly

Honors Exam Questions
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


2. Purchasing Power Parity


3. Burgernomics


Honors Exam Questions

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
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.
*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?


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


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


Honors Exam Questions
Week 12

International Financial Markets

*KOM, Ch. 21, Appendix 2 of Ch. 18.
*CFJ, Chs. 21 (including Appendix), 28

Paper Topics

1. Fundamentals and Technical Traders in Exchange Rate Determination
   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?

   Maurice Obstfeld and Alan Taylor, Global Capital Markets: Integration, Crisis, and Growth, 2004

3. Are Capital Controls a Bad Idea?


5. **Puzzles in international Macroeconomics**


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


**Honors Exam Questions**

Week 13
International Macroeconomics and the Developing Countries

*KOM, 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/
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. Debt Relief


7. Lessons from the history of financial crises


Honors Exam Questions