Outline of the Seminar (by week)

Part I. Introduction and Overview
1. Introduction: Current Issues in the International Economy (January 24)
2. Comparative Advantage and the Gains from Trade (January 31)
3. The Balance of Payments (February 7)

Part II. Microeconomics: International Trade
4. Classical and Neoclassical Theories of Trade (February 14)
5. Trade Policy Under Competitive Markets (February 21)
6. Imperfect Competition and Strategic Trade Policy (February 28)
7. Economic Integration; Factor Movements (March 7)
8. Trade, Growth and Development (March 21)

Part III. Macroeconomics: International Finance
9. Exchange-Rate Determination in the Short and Long Runs (March 28)
10. Macroeconomic Policy Under Fixed and Flexible Exchange Rates (April 4)
11. Macroeconomic Interdependence and the International Monetary System (April 11)
13. International Macroeconomics and the Developing Countries (April 25)
14. Review (May 2)

Special Event
Debate on Free Trade Between Douglas Irwin and Clyde Prestowitz (April 9)
Texts for the course:

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*.
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.

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

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.

The Observatory of Economic Complexity has very useful data and charts on exports and imports for individual countries: [https://atlas.media.mit.edu/en/](https://atlas.media.mit.edu/en/)

Library resources
So Social Science Librarian Sarah Elichko, who is very helpful, has a web page for this seminar:
http://libguides.brynmawr.edu/econ151
Requirements

**Required reading** consists of chapters from the two texts and usually a few other readings. 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 are 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. More important than any specific information is to tell the “story” of the country as it has evolved over time and focus on issues central to economic policy and international integration of the country and the issues addressed in this seminar.

a. General Information and historical background. 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 such as the balance of payment and comparative advantage.

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

For the first week we will devote about half the session to organizational issues particularly the selection and timing of papers. The other half will be an introductory discussion of current issues in the international economy, particularly the causes and consequences of Brexit—the UK leaving the European Union—and the election of Donald Trump and his proposed tariffs on imports.

Think about your choice of country for your country study paper and some possible alternatives. Review the paper topics for the micro (international trade) and macro (international finance) sections of the course and think about those that you would be interested in doing.

No papers this week.

Introduction

KOM, Ch 2.

International trade, inequality and backlash: has globalization gone too far?

Clyde Prestowitz, “Free Trade is Dead,” Washington Monthly, July-August 2016
Kevin O’Rourke, “Brexit: This Backlash Has Been a Long Time Coming,” VoxEU, August 6, 2016.
Week 2

Comparative Advantage and the Gains from Trade

KOM, Chs. 2, 3, 6, 12 (pp. 299-310).
CFJ, Chs. 2-4, including Appendixes to A and B of Ch. 2.

Paper Topics

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. 135-138 and Appendix), Appendixes 1 and 2 to Ch. 17, Ch. 19 (pp. 543-546).
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,

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 Current 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
Maurice Obstfeld and Kenneth Rogoff, “The Unsustainable U.S. Current Account Position,” NBER
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
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?


**Honors Exam Questions**
Neoclassical Theories of Trade and Income Distribution

KOM, Chs 4 (pp. 51-70), 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.?


New Evidence on the Effects of Chinese Imports on US Employment


Honors Exam Questions
Week 5

Trade Policy With Competitive Markets

KOM, Chs. 9, 10 (pp 236-251). Online Appendix to Chapter 9.

CFJ, Chs. 10, 11.


Paper Topics


2. The Political Economy of Anti-Dumping Policies


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

Honors Exam Questions

Week 6

Imperfect Competition and Strategic Trade Policy

KOM, Ch. 7, Ch. 8 (pp.164-188), Appendix to Ch. 9, Ch. 12 (pp. 291-298).
CFJ, Chs 7, 12 (incl. Appendix to Ch. 12).

Paper Topics

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


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

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

Honors Exam Questions
Week 7  
**Trade Agreements; Factor Movements**

Trade Agreements: Multilateralism and Regionalism  
KOM, Ch. 10, pp. 252-267.  
CFJ, Chs. 13, 14.  

Immigration, Foreign Direct Investment, Outsourcing and Fragmentation of Production  
KOM, Ch. 4. (pp. 70-76), 8 (pp. 190-200).  
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).


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. **Theoretical and Empirical Analysis of the determinants of FDI**
4. 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.

5. Business Networks in International Trade


6. Global Supply Chains and Economic Development


7. 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.

8. Transportation Costs


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

10. The Causes and Consequences of Brexit

Symposium on Brexit (articles by Obstfeld, Van Reenan and Philippon and General Discussion)
Brookings Papers, Fall 2016.

Honors Exam Questions
Week 8

International Trade and Economic Development

KOM, Ch. 11.


Paper Topics

1. Trade and the Environment
Do freer trade and WTO rules harm the environment in the developed and developing countries?


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


3. **The Arab Economies**

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. **Smuggling: Theoretical and Empirical Analysis**

8. 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**


   Reprinted in Cooper, ed., *International Finance*.


3. **Burgernomics**


**Honors Exam Questions**


18
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
Week 11

Macroeconomic Interdependence, the International Monetary System and the Euro

KOM, Ch. 19, 21 (including Appendix).
CFJ, Ch. 25, 26.

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?

   Paul de Grauwe, “Governance of a Fragile Eurozone,”

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

4. The History of Exchange Rate Regimes and the Trilemma


Honors Exam Questions
Week 12

International Financial Markets

KOM, Ch. 20, 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 Beneficial?


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**

http://www2.gsb.columbia.edu/faculty/jstiglitz/download/opeds/
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.

7. Lessons from the history of financial crises


8. Borrowing in Foreign and Domestic Currency (Original Sin)


Honors Exam Questions