

Economics 151
International Economics Seminar

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)
12. International Financial Markets (April 18)
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:

Paul Krugman, Maurice Obstfeld, and Marc Melitz, *International Economics: Theory and Policy*, 10th edition (Addison-Wesley, 2015).

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

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.

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)

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.

The Observatory of Economic Complexity has very useful data and charts on exports and imports for individual countries: <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

Douglas Irwin, “The False Promise of Protectionism,” *Foreign Affairs*, May-June 2017.

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

Dani Rodrik, “Populism and the Economics of Globalization,” *NBER Working Paper* 23559, July 2017.

Martin Wolf, “The March to World Disorder,” *Financial Times*, January 6, 2017. (can be accessed via TRIPOD at ft.com).

Daron Acemoglu, David Autor, David Dorn, Gordon Hanson, Brendan Price, “[The Rise of China and the Future of US Manufacturing](#),” *VoxEU*, 28 September 2014.

Kevin O’Rourke, “[Brexit: This Backlash Has Been a Long Time Coming](#),” *VoxEU*, August 6, 2016.

Italo Colantone, Piero Stanig, “[Globalization and Brexit](#),” *VoxEU*, November 23, 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.

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.

Paper Topics

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.

Arnaud Costinot and David Donaldson, "Ricardo's Theory of Comparative Advantage: Old Idea, New Evidence," *American Economic Review* May 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, "Are International Labor Standards Needed to Prevent Social Dumping?" *Finance and Development*, December 1997.

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

Brown, D. K. 2001. "Labor Standards: Where Do They Belong on the International Trade Agenda?" *Journal of Economic Perspectives*, 2001.

Honors Exam Questions

2017 (8), 2016 (8), 2015 (2), 2014 (4), 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. 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,
<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.
Kilian, L., A. Rebucci, and N. Spatafora. "Oil Shocks and External Balances." IMF Working Paper
WP/07/110, 2007.

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
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.

Morrison, W. M., and M. Labonte. "China's Currency Policy: An Analysis of the Economic Issues." Congressional Research Service, 49, 2013.

Honors Exam Questions

2017 (4), 2015 (6), 2014 (2), 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 (pp. 51-70), 5 including Appendixes.

CFJ, Chs. 5, 6 incl. Appendixes.

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

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.

New Evidence on the Effects of Chinese Imports on US Employment

David Autor H, D Dorn, and G H Hanson "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." *American Economic Review*, 2013.

Daron Acemoglu, D H Autor, D Dorn, G H Hanson, and B Price "Import Competition and the Great US Employment Sag of the 2000s." NBER Working Paper No. 20395, 2014.

Robert Feenstra and Akira Sasahara, "The 'China Shock', Exports and U.S. Employment: A Global Input-Output Analysis" NBER Working Paper 24022, November 2017.

Honors Exam Questions

2017 (5), 2016 (5, 6), 2015 (2), 2014 (2), 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 236-251). [Online Appendix to Chapter 9](#).

CFJ, Chs. 10, 11.

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

Paper Topics

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.

2. 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

2017 (7), 2015 (3), 2014 (3), 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.164-188), Appendix to Ch. 9, Ch. 12 (pp. 291-298).

CFJ, Chs 7, 12 (incl. Appendix to Ch. 12).

Krugman, P. R. "Is Free Trade Passe?" *Journal of Economic Perspectives*, 1987.

Bernard, A. B., J. B. Jensen, S. J. Redding, and P. K. Schott. 2007. "Firms in International Trade." *Journal of Economic Perspectives*, 2007.

Raymond Vernon, "International Trade and International Investment in the Product Cycle," 1969
Baldwin and Richardson, 2nd Edition, Part I.

Paper Topics

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. 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.

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

Honors Exam Questions

2016 (7), 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. 252-267.

CFJ, Chs, 13, 14.

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

Douglas Irwin, *Free Trade Under Fire*, 4th edition, Ch. 7.

Immigration, Foreign Direct Investment, Outsourcing and Fragmentation of Production

KOM, Ch. 4. (pp. 70-76), 8 (pp. 190-200).

CFJ, Chs. 8, 9.

Robert Feenstra, "Integration of Trade and Disintegration of Production in the Global Economy," *Journal of Economic Perspectives*, 1998.

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. Theoretical and Empirical Analysis of the determinants of FDI

James Markusen, "The Boundaries of Multinational Enterprises and the Theory of International Trade." *Journal of Economic Perspectives*, 2005.

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.

Blonigen, B. A. 2005. "A Review of the Empirical Literature on FDI Determinants." *NBER Working Paper*, 11299.

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).

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.

5. Business Networks in International Trade

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

Stephen Golub, "Informal Trading Networks in West Africa," Chapter 8 of *The Informal Sector in Francophone Africa*, edited by Aly Mbaye, Nancy Benjamin, World Bank 2012.

6. Global Supply Chains and Economic Development

Richard Baldwin and Javier Lopez-Gonzalez, "Supply-chain Trade: A Portrait of Global Patterns and Several Testable Hypotheses," *World Economy* 2014.

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

Demián Dalle, Verónica Fossati, Federico Lavopa, "Industrial policy and developmental space: The missing piece in the GVCs debate," *VoxEU*, April 13, 2014.

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

David Hummels, "Transportation Costs and International Trade in the Second Era of Globalization." *Journal of Economic Perspectives*, 2007.

Stephen Golub and Brian Tomasik, "Measures of International Transport Cost for OECD Countries," *OECD Economics Department Working Paper* No. 609, 2008.

9. 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.

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

2017 (6), 2014 (1), 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.

Paper Topics

1. Trade and the Environment

Do freer trade and WTO rules harm the environment in the developed and developing countries?

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.

Antoine Dechezleprêtre and Misato Sato "The impacts of environmental regulations on competitiveness" Global Green Growth Policy Institute *Policy Brief*, 2014. Douglas Irwin, *Free Trade Under Fire*, 4th edition, Chapter 7, pp. 269-281, 2015. (On Moodle for week 7).

Trish Kelly, "The WTO, the Environment and Health and Safety Standards," *The World Economy*, 2003.

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 Arab Economies

Adeel Malik, "A Requiem for the Arab Development Model" *Journal of International Affairs*, 2014.
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.

Dani Rodrik, "An African Growth Miracle?" *Journal of African Economies*, 2017.

5. Foreign Direct Investment and Development

Theodore Moran. "Foreign Direct Investment and Development." In B. Nancy ed: *The White House and the World: A Global Development Agenda for the Next U.S. President*. Washington, DC: Center for Global Development, 1999.

R. Smeets, "Collecting the Pieces of the FDI Knowledge Spillovers Puzzle." *World Bank Research Observer*, 2008.

B.S. Javorcik, "Can Survey Evidence Shed Light on Spillovers from Foreign Direct Investment?" *World Bank Research Observer*, 2008.

Theodore Moran, *Foreign Direct Investment and Development: Launching a Second Generation of Policy Research*. Washington, DC: Peterson Institute for International Economics, 2011

6. Smuggling: Theoretical and Empirical Analysis

Deardorff, A.V., and Stolper W.S. (1990), "Effects of Smuggling under African Conditions: A Factual, Institutional, and Analytic Discussion", *Weltwirtschaftliches Archiv* 126 (1), 116-141.

Stephen Golub, "Informal Cross-Border Trade and Smuggling in Africa," in *Handbook of Trade and Development*, edited by Oliver Morissey, 2015.

Raymond Fisman, P. Moustakerski and S-J Wei "Offshoring Tariff Evasion: Evidence from Hong Kong as an Entrepôt Trader." *Review of Economics and Statistics*, 2008.

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. 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

2015 (4), 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

Barbara Rossi, "[Exchange Rate Predictability](#)." *Journal of Economic Literature*, 2013.

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

2017 (3), 2016 (3), 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

2015 (7), 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, 21 (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.

Maurice Obstfeld and Alan Taylor, "International Monetary Relations: Taking Finance Seriously," *Journal of Economic Perspectives*, Summer 2017.

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. "Ending the Euro Crisis?" *NBER Working Paper*, 20862, 2015.

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.

Glick, R. and A. K. Rose, Andrew K. 2002. "Does a Currency Union Affect Trade? The Time-Series Evidence." *European Economic Review*, 2002.

4. The History of Exchange Rate Regimes and the Trilemma

Ethan Ilzetzi, Carmen M. Reinhart, Kenneth S. Rogoff Exchange Arrangements Entering the 21st Century: Which Anchor Will Hold? *NBER Working Paper* 23134, 2017.

Honors Exam Questions

2017 (1), 2016 (4), 2015 (4), 2014 (3), 2013 (II.5), 2010 (6), 2007 (3), 2006 (4), 2005 (4, 6), 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).

International Financial Markets

KOM, Ch. 20, Appendix 2 of Ch. 18.

CFJ, Chs. 21 (including Appendix), 28

Paul Krugman, *Exchange-Rate Instability*, 1989.

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.

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?

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*.

Lukas Menkhoff and Mark Taylor, "The Obstinate Passion of Foreign Exchange Professionals: Technical Analysis," *Journal of Economic Literature*, December 2007.

2. How Integrated are International Financial Markets?

Martin Feldstein and Charles Horioka, "Domestic Saving and International Capital Flows," *Economic Journal*, 1980.

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

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

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

3. Are Capital Controls Beneficial?

Barry Eichengreen and Andrew Rose, "Capital Controls in the 21st Century", *VoxEU*, June 5, 2014.

Peter Blair Henry, "Capital Account Liberalization: Theory, Evidence and Speculation" *Journal of Economic Literature*, December 2007.

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

Dany Rodrik and Ethan Kaplan, "Did the Malaysian Capital Controls Work?" *NBER Working Paper* No. 8142, February 2001.

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

Gabriel Zucman, *The Hidden Wealth of Nations*, 2016.

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

"Financial Havens, Banking Secrecy and Money Laundering." 1998. Double issue 34 and 35 of the Crime Prevention and Criminal Justice Newsletter, Issue 8 of the UNDCP Technical Series.

<http://www.imolin.org/imolin/finhaeng.html>

Andrew Rose and Mark Spiegel, "Offshore Financial Centers: Parasites or Symbionts," *The Economic Journal*, October 2007.

James Hines, "Treasure Islands," *JEP*, Fall 2010.

J.C. Sharman, "Shopping for Anonymous Shell Companies," *JEP*, Fall 2010.

Honors Exam Questions

2012 (III.1), 2008 (6b, 6c), 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).

International Macroeconomics and the Developing Countries

KOM, Ch. 22.

CFJ, Ch. 20, 24.

Frederic S Mishkin, "Why We Shouldn't Turn Our Backs on Financial Globalization," *IMF Staff Papers*, 2009.

Dani Rodrik and Arvind Subramanian, "Why Did Financial Globalization Disappoint?" *IMF Staff Papers*, 2009.

Guillermo Calvo and Carmen Reinhart, "Capital Flow Reversals, the Exchange Rate Debate, and Dollarization," *Finance and Development*, September 1999.

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.

G. Corsetti., P. Pesenti and N. Roubini. 1999. "What caused the Asian currency and financial crisis?" *Japan and the World Economy*, 1999.

Jason Furman, and Joseph. Stiglitz. "Economic Crises: Evidence and Insights from East Asia." *Brookings Papers on Economic Activity*, 1998.

2. Economic Reform in Formerly Communist Economies

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

Anders Åslund, *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia*, 2007.

Andrei Schleifer and Daniel Treisman, "Normal Countries: The East 25 Years After Communism," *Foreign Affairs*, November/December 2014.

3. Reform of the IMF and World Bank

Barry Eichengreen, "A Blueprint for IMF Reform," *International Finance*, 2007, available at http://www.econ.berkeley.edu/~eichengr/blueprint_imf_reform.pdf.

Joseph Stiglitz, What_I_Learned_at_the_World_Economic_Crisis, *The New Republic*, April 2000. <http://www2.gsb.columbia.edu/faculty/jstiglitz/download/opeds/>

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.

7. Lessons from the history of financial crises

Carmen Reinhart and Kenneth Rogoff, "This Time is Different: A Panoramic View of Eight Centuries of Financial Crises" *NBER Working Paper* 13882, March 2008.

Carmen Reinhart and Kenneth Rogoff, "From Financial Crisis to Debt Crisis," *AER* August 2011.

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

Eichengreen, Barry and Ricardo Hausmann, "Exchange Rates and Financial Fragility", Paper presented at the symposium New Challenges for Monetary Policy, 26 to 28 August, Jackson Hole, WY. 1999.

Ricardo Hausmann, Ugo Panizza,, "Redemption or abstinence? Original sin, currency mismatches and counter-cyclical policies in the new millennium", Centre for International Development at Harvard University *Working Paper* No. 194, 2010.

Wenxin Du and Jesse Schreger, "Sovereign Risk, Currency Risk, and Corporate Balance Sheets," *Harvard Discussion Paper*, 2015.

Honors Exam Questions

2017 (2), 2016 (1, 2), 2015 (5), 2014 (4), 2013 (II.6), 2011 (8), 2005 (5), 2000 (A.3, A.6), 1999 (III.3), 1998 (II.3), 1995 (II.4), 1992 (1).