

Yale University
Department of Economics

Econ. S328-01

Topics in International Economics

Miguel D. Ramirez

Summer 2017

- **Required Texts:**

Set of **Reading Materials (RM)** prepared by the instructor and available **PDF files** in the **Yale Canvas Server**; Douglas A. Irwin, **Free Trade Under Fire, 4th ed.** (paperback). New Jersey: Princeton University Press, 2015.

- **General Comments.**

This seminar is divided into four sections. The first section introduces the student to the basic trade model as well as recent and important extensions such as intra-industry trade, strategic trade, the new economic geography, and the rise of offshoring. It also examines the political economy of trade policy, beginning with a discussion of the relative benefits and costs of tariffs (quotas) and ending with a critical evaluation of more recent forms of trade protectionism such as antidumping laws and selective subsidies. Finally, it addresses issues related to trade creation and diversion resulting from the creation of regional trading blocs such as NAFTA and the EU, as well as the proposed FTAA.

Section II delves into important and controversial questions such as whether universal labor standards belong on the international trade agenda and whether the rapid pace of international trade and finance has been responsible for the growing economic divergence and rising income and wage inequality observed both between and within countries. The third section introduces students to the workings of foreign exchange markets in highly integrated capital markets, and addresses the issue of whether exchange rate volatility has been “excessive.” The final section turns its attention to the underlying economic and institutional causes of the Mexican, Asian, Russian, Argentinian, and U.S. economic and financial crises. It presents alternative explanations which contend that these crises, particularly the Asian crisis, would have taken place even if their currencies were not “overvalued” and their pre-crisis monetary and fiscal policies were viewed as “credible” by market participants. This section also addresses the political economy of European economic and monetary integration and the prospects for the euro in light of the ongoing economic crisis in Greece and other eurozone nations.

- **Course Requirements**

During the summer term you will be required to write at least two short critical discussion papers and a term paper on a selected economic problem and/or issue pertaining to the international economy. Details on the nature and length of the term paper will be handed out by the end of the third week of classes. At most, three problem sets will be assigned to make sure that students can apply the economic concepts developed in class. Class participation will be encouraged via class discussion and presentation of the assigned articles by selected students.

- **Course Grades**

The weights attached to the components of your final grade are as follows:

	Weights (%)	Dates
Discussion papers	40	TBA.
Class participation	10	---
Problem sets	20	TBA
Term paper	30	August 3 rd

My office at Yale has yet to be assigned and I will be available for consultation by appt. My office phone number at Yale is yet to be determined and at Trinity College it is 860-297-2487. I will answer email messages only if they pertain to substantive material discussed in class. One final note. Please TURN OFF your cell phones, I-phones and other electronic devices; you may use your laptops ONLY for class discussion. Also, please REFRAIN from getting up in class unless it is absolutely necessary—it is disruptive to both your fellow classmates and instructor. The e-mail address is: miguel.ramirez@trincoll.edu or miguel.ramirez@yale.edu.

- **General Schedule**

I. Issues and Problems in International Trade Theory and Policy: July 4th – July 11th.

- Reading Materials (**RM**): Krugman, Chang and Grossman; Mah, Rodrick, and Hanson; Zhu and Tokarick; Blinder; Grossman and Rossi-Hansberg.
- Irwin: Chps. 1, 2, and 3.

Suggested Readings:

Chang, Ha-Joon, **Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism**. New York: Bloomsbury press, 2008, Chp. 3.

Chang, Ha-Joon, **Kicking Away the Ladder**. London: Anthem Press, 2005, chp. 2.

Hanson, Gordon H., “The Rise of the Middle Kingdoms: Emerging Economies in Global Trade,” **Journal of Economic Perspectives**, Vol. 26, No. 2, Spring 2012, pp. 41-64.

Krugman, P.R., and A.J. Venables. “Globalization and the Inequality of Nations,” **Quarterly Journal of Economics**, Vol 110, 1995, pp. 857-880.

Rodrik, Dani, **The Globalization Paradox**. New York: W.W. Norton & Co., 2011, Chps. 3 and 4.

Zhu, X., “Understanding China’s Growth: Past, Present, and Future,” **Journal of Economic Perspectives**, Vol. 26, No. 4, Fall 2012, pp. 103-124.

II. Globalization, Trading Blocks, and Inequality: July 11th - July 18th .

- **RM:** Venables and Feenstra; Brown and Dehejia and Samy; Hanson, Villarreal, and Weisbrot.
- Irwin: Chps. 4, 5 and 6.

Suggested Readings:

Fisher, Stanley, "Globalization and its Challenges," **AEA Papers and Proceedings**, Vol. 92, No.2, May 2003, pp. 1-30.

Freeman, Richard B., "People Flows in Globalization," **Journal of Economic Perspectives**, Vol. 20, No. 2 (Spring 2006), pp. 145-170.

Hansen, G. "Why Isn't Mexico Rich?" **NBER Working Paper Series**, 16470, October 2010, pp. 1-34.

Rodrik, Dani. "What so Special about China's Exports," **NBER Working Paper Series**, 11947, January 2006, pp. 1-29.

Rodrik, Dani. "From Hindu Growth to Productivity Surge: The Mystery of the Indian Growth Transition," **IMF Working Paper**, 04, 77, May 2004, pp. 1-43.

Weisbrot, Mark. "Did NAFTA Help Mexico? An Assessment After 20 Years. **Center for Economic and Policy Research**. Washington, D.C.: CEPR, February 2014, pp. 1-23.

III. Exchange Rate Regimes, Speculative Capital Flows, and Volatility: July 18th - July 25th

- **RM:** Fischer, Friedman, Hanke, Vernango; Wang, Makin and Cline; Calvo and Mishkin.

Suggested Readings:

Cline, W.R., "Renmimbi Undervaluation, China's Surplus, and the U.S. Trade Deficit," **Peterson Institute for International Economics**, Policy Brief 10-20, August 2010, pp. 1-7.

Calvo, Guillermo A. and Frederik S. Mishkin. "The Mirage of Exchange Rate Regimes for Emerging Markets Countries," **Journal of Economic Perspectives**, Vol. 17, No. 4 (Fall 2003): 99-118.

Hanke, Steve H. "Friedman: Float or Fix?" **Cato Journal**, Vol. 28, No. 2 (Summer 2008): 1-11.

Hatzigeorgiou, Andreas. "The Greek Economic Crisis---Is the Euro to blame?" **World Economics**, Vol. 15, No. 3, July-Sept 2014, pp. 143-162.

Fischer, Stanley. "Exchange Rate Regimes: Is the Bipolar View Correct?" **Journal of Economic Perspectives**, Vol. 15, No. 2 (Spring 2001): 3-24.

Friedman, Milton. "The Case for Flexible Exchange Rates." In **Essays in Positive Economics**, edited by Milton Friedman. Chicago: University of Chicago Press, 1953.

Keynes, John Maynard. **The General Theory of Employment, Interest, and Money**. New York: Harcourt, Brace, Jovanovich Publishers, 1964 (originally, 1936), Chp. 12.

Wang, J., "Why Are Exchange Rates so Difficult to Predict?" **Economic Letter**, Fed. Reserve Bank of Dallas, Vol. 3, No. 6, June 2008, pp. 1-8.

IV. Financial Crises, Contagion, and Prospects for the Euro: July 25th – August 3rd .

· **RM:** Whitt; Marshall; Kaminsky and Reinhart; Reinhart and Rogoff; Arghyrou and Weisbrot; Yates and Bird and Rajan; Edwards, Montecino, and Reinhart and Trebesch.
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Suggested Readings:

Arghyrou, M.G. and J.D. Tsoukalas. "The Greek Debt Crisis: Likely Causes, Mechanics and Outcomes," **Cardiff Business School Working Paper Series**, E2010/3, April 2010, pp. 1-31.

Cordero, Jose A. and Juan A. Montecino, "Capital Controls and Monetary Policy in Developing Countries," **Center for Economic and Policy Research**. Washington, D.C.: CEPR, April 2010, pp. 1-33.

Lane, P.R., "The European Sovereign Debt Crisis," **Journal of Economic Perspectives**, Vol. 26, No.3, Summer 2012, pp.49-68.

Prasad, Eswar,S., "Role Reversal in Global Finance," in **Achieving Maximum Long-run Growth**. The Federal Reserve Bank of Kansas City, 2012, pp. 339-390.

Reinhart, C. M. and K. S. Rogoff. **This Time is Different: Eight Centuries of Financial Folly**. New Jersey: Princeton University Press, 2009, Chp. 13-16.

Reinhart, C.M and C. Trebesch. "The International Monetary Fund: 70 Years of Reinvention," **Journal of Economic Perspectives**, Vol. 30, Winter 2016, pp, 3-28.

Weisbrot, Mark. "The Greek Economy: Which Way Forward?" **Center for Economic and Policy Research**. Washington, D.C.: CEPR, January 2015, pp. 1-17

Weisbrot, Mark. "The French Economy, European Authorities, and the IMF: Structural Reform or Increasing Unemployment?" **Center for Economic Policy and Research**. Washington, D.C.: CEPR, April 2017, pp. 1-25.

