

Yale University

Department of Economics

Econ. S328-01

Topics in International Economics

Pr. Miguel D. Ramirez

Summer 2024

- **Required Text:**

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, 5th ed.** (paperback). New Jersey: Princeton University Press, 2020.

- **Suggested Reference Texts:** Dominick Salvatore, **International Economics**, 13th ed. (E-Book). New Jersey: John Wiley & Sons, Inc., 2020; Stiglitz, J. **The Euro**. New York: W.W. Norton & Company, Inc., 2016.
- **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 and economic populism. Finally, it addresses issues related to trade creation and diversion resulting from the creation of regional trading blocs such as USMCA (formerly NAFTA) and the EU.

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 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 challenges faced by Greece, Portugal and Spain, as well as Britain’s decision to exit the EU—the so called “Brexit.”

- **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	30	TBA.
Class participation	10	---
Problem sets	30	TBA
Term paper	30	August 2 nd

My office at Yale has yet to be assigned and I will be available for consultation by appt. In view of **health and safety concerns arising from the Covid-19 pandemic, I will hold office hours via ZOOM, unless otherwise stated.** I will answer email messages only if they pertain to substantive material discussed in class and/or problem sets. One final note. Please TURN OFF your 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 (preferably) or miguel.ramirez@yale.edu.

- **Mask Policy:** If we have another flare-up of Covid-19 during the summer, please wear a mask (covering both your nose and mouth) while in class. This will help prevent the spread of this highly contagious virus (and its various mutations) and enable us to have a successful in-person term. Thanks.
- **Academic Integrity:** Students are expected to abide by the highest standards of intellectual honesty in all academic exercises. Intellectual honesty assumes that students do their own work and that they credit properly those upon whose work and thought they draw. It is the responsibility of each student to make sure that he or she is fully aware of what constitutes intellectually honest work in every examination, quiz, paper, laboratory report, homework assignment, or other academic exercise submitted for evaluation in a course at Yale University.

- **General Schedule**

I. Issues and Problems in International Trade Theory and Policy: July 2nd – July 11th.

- Reading Materials (**RM**): Krugman, Chang and Grossman; Mah, Rodrik, Zhu, and Lee et al.
- 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.

Clausing, Kimberly, **Open: The Progressive Case for Free Trade, Immigration, and Global Capital**. Cambridge, Mass.: Harvard University Press, 2019, Chps. 2 and 3.

Feenstra, Robert, “Alternative Sources of the Gains from International Trade: Variety, Creative Destruction, and Markups,” **Journal of Economics Perspectives**, Vol. 32, No. 2, Spring 2018: 25-46.

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

Lamba R. and A. Subramanian, “Dynamism with Incommensurate Development: The Distinctive Indian Model,” **Journal of Economic Perspectives**, Vol. 34, No. 1, Winter 2020: 3-30.

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

Rodrik, Dani, **Straight Talk on Trade**. Princeton: Princeton University Press, 2018, Chp. 5.

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

II. Globalization, Trading Blocks, and Inequality: July 16th - July 23rd .

- **RM**: Harrison, Schott and Sampson; Chari, Goldfajn, and Spence; Rodrik and Irwin: Chps. 4 and 6.

Suggested Readings:

Dragusanu, R. “The Economics of Fair Trade,” **Journal of Economic Perspectives**, Vol. 28, No. 3 (Summer 2014): 217-236.

Chari, A, et. Al., “The Baker Hypothesis: Stabilization, Structural Reforms, and Economic Growth,” **Journal of Economic Perspectives**, Vol. 35, No. 3, Summer 2021: 83-108.

Goldfajn, Ilan, et. al., “Washington Consensus in Latin America: From Raw Model to Straw Man,” **Journal of Economic Perspectives**, Vol. 35, No. 3, Summer 2021:109-132.

Hanson, G. “Why Isn’t Mexico Rich?” **NBER Working Paper Series**, 16470, October 2010, pp. 1-34.

Rodrik, Dani. “Populism and the Economics of Globalization,” **Faculty Research Working Papers, Harvard Kennedy School**, RWP17-026, June 2017, pp. 1-42.

Rodrik, Dani, “What do Trade Agreements Really do?” **Journal of Economic Perspectives**, Vol. 32, No.1, Spring 2018: 73-90.

Weisbrot, Mark et al. “Did NAFTA Help Mexico? An Update After 23 Years. **Center for Economic and Policy Research**. Washington, D.C.: CEPR, March 2017, pp. 1-24.

III. Exchange Rate Regimes, Speculative Capital Flows, and Volatility: July 25th - July 30th

- **RM:** Bird, Friedman, Hanke, Vernengo, and Wang; Calvo and Mishkin; Makin, Cline, Davis, and Das.

Suggested Readings:

Bird, Graham, “Exchange Rate Policy in Emerging Economies Facing Capital Reversals,” **World Economics**, Vol. 20, No.4, October-December 2019: 99-122.

Clausing, K., **Open: The Progressive Case for Free Trade, Immigration, and Global Capital**. Cambridge, Mass: Harvard University Press, 2019, Chp. 7.

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.

Das, S., “China’s Evolving Exchange Rate Regime,” **IMF Working Paper**, No. 50, March 2019, pp. 1-29.

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.

Kilian, L. and M.P. Taylor. "Why is it so Difficult to Beat a Random Walk Forecast of Exchange Rates," **Journal of International Economics**, 60, 2003: 85-107.

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: 143-162.

Sarno, L. and M.P. Taylor. "Purchasing Power Parity and the Real Exchange Rate," **IMF Staff Papers**, 49, 2002: 65-105.

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 30th – August 1st .

- **RM:** Whitt and Kaminsky and Reinhart; Lane, and Colantone and Stanig; Arghyrou and Tsoukalas Sampson and Eichengreen; O'Rourke and Taylor.
- **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.

Eichengreen, Barry and N. Woods, "The IMF's Unmet Challenges," **Journal of Economic Perspectives**, Vol. 30, No. 1, Winter 2016, pp. 29-52.

Colantone, I. and Piero Stanig. "The Surge of Economic Nationalism in Western Europe," **Journal of Economic Perspectives**, Vol. 33, No. 4, Fall 2019: 128-151.

Clausing, K., **Open: The Progressive Case for Free Trade, Immigration, and Global Capital**. Cambridge, Mass: Harvard University Press, 2019, Chp. 6.

Guriev, Sergei, and Elias Papaioannou, "The Political Economy of Populism." **Journal of Economic Literature**, 60, 2022 (3): 753-832.

Lane, P.R., "The Resilience of the Euro," **Journal of Economic Perspective**, Vol. 35, No. 2, Spring 2021, pp. 3-22.

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: 3-28.

Rodrik, Dani, **Straight Talk on Trade**. Princeton: Princeton University Press, 2018, Chp. 3.

Rogoff, Kenneth. "Emerging Market Sovereign Debt in the Aftermath of the Pandemic." **Journal of Economic Perspectives**, 36, No. 4, Fall 2022: 147-66.

Sampson, T., "Brexit: The Economics of International Disintegration," **Journal of Economic Perspectives**, Vol. 31, No. 4 (Fall 2017): 163-184.

Stiglitz, J. **The Euro**. New York: W.W. Norton & Company, Inc., 2016, Chps. 3-4.