

ECON 162
TOPICS IN INTERNATIONAL ECONOMICS

Spring 2006
11:00 – 12:15 T, TH
Gardner 308

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Office Hours: By Appointment
(Tues, Wed and Thurs only)

Econ 162 is the second course in international economics and is designed as an “advanced course” in economics. The purpose of the advanced courses is to give you a different learning experience than you generally find in non-advanced courses. More specifically, we will be able to explore several topics in greater depth that was permitted in Econ 161, **WHICH IS A PREREQUISITE FOR THIS COURSE**. The class will operate in a mixed format with much greater weight placed on class discussion than would be the case in a traditional lecture approach. Further, each student will carry out an independent study project and prepare a research paper. The project/research paper will be on an international topic of your choice, in consultation with your instructor. Deadlines for the various stages of the project are available in the class outline that follows. Students will give an in-class presentation of their papers at the end of the semester and the final paper will be due on the last day of class.

This semester I propose to focus on four areas:

1. Globalization, Competitiveness and the role of International Trade and Trade Policy
2. Economic Integration in the Western Hemisphere: NAFTA, CAFTA and Latin America
3. Economic Policy, Global Interdependence, Exchange Rates and Prices
4. The Global Monetary System and the Role of International Institutions

I have selected the following resources to provide a foundation for these topics:

Douglas Irwin, *Free Trade Under Fire* 2nd Edition, Princeton University Press, 2005

Dani Rodrik, *Has Globalization Gone Too Far?*, Inst. for International Economics, 1997

Joseph E. Stiglitz, *Globalization and Its Discontents*, WW Norton, 2003

The Wall Street Journal

In Addition to these *International Economics* 4th or 5th edition by Appleyard and Field is the required background reference. In addition I will had out, or make available to you additional readings from time to time, primarily from sources such as The New York Times, The Economist, etc. *Class members are **strongly encouraged to bring relevant news articles etc. to the attention of the class.*** Because of the seminar nature of this course, students are expected to have read the assigned material prior to coming to each class and to be active participants in class discussions.

Your grade in this class will be determined by your grades on two exams, your project/term paper grade and my evaluation of your class participation. Your exams will consist of a midterm and a final both of which will be take home exams worth 100 points. In addition your term paper will be worth 100 points and class participation will be count for 50 points. **No Late Assignments or Exams will be Accepted.**

Class Outline

I. Globalization, Competitiveness and the role of International Trade and Trade Policy

T 1/17 – Introduction

John Tagliabue, *Thousands Rally in France, Trade Battle in Mind*, New York Times, 8/9/03, p. A2

Rodrik, Chapter 1

Is Economic Growth Desirable?

TH 1/19 – Globalization: Definition, Measures and Opinions

Irwin, Chapter 1

Krugman, *The Accidental Theorist*, pp. 75-86 (“We are not the World”)

Economics Focus: *Catching Up*, The Economist, Aug 23, 2003, p 62

Philippe Legrain, “*In Defense of Globalization*,” The International Economy, Summer 2003, pp. 62 – 65.

T 1/24 – International Competitiveness: Concepts and Measurement

The World Economic Forum, The Growth Competitiveness Index

Krugman, *Pop Internationalism*, Chapter 1, Chapter 8

Edward M. Graham and J. David Richardson, *Global Competition Policy*, Chapter 1 (Introduction), Chapter 10 (US and EU Competition Law: A Comparison)

TH 1/26 – Globalization within a Social Systems Framework; The Importance of Institutions

Rodrik, Chapter 3

Dani Rodrik and Arvind Subramanian, *The Primacy of Institutions*, Finance and Development, June 2003, pp. 31 – 34

Anwar Shah and Mark Schacter, *Combating Corruption: Look Before You Leap*, Finance and Development, December 2004.

T 1/31 – Review of the Classics

Excerpts from The Wealth of Nations and On Foreign Trade

A/F Chapters 2, 3, & 4

TH 2/2 – The Case for Reduced Trade Restrictions

Irwin, Chapter 2

USITC, The Economic Effects of Significant U.S. Import Restraints: Fourth Update 2004, Executive Summary, Chapter 1, Chapter 7.

SUBMIT PROPOSED TOPICS FOR TERM PAPER

T 2/7 – Trade, Labor and Wages: The Political Economy of Trade Policy

Irwin, Chapter 3

Thomas L. Friedman, *The Lexus and the Olive Tree*, Chapter 14, “Winners Take All”

Lori Kletzer, *Job Loss from Imports: Measuring the Costs*, Chapter 3, “Who are Import-Competing Workers?”

TH 2/9 – Review of Heckscher-Ohlin and Post Heckscher-Ohlin Models

A/F Chapter 8, 10

T 2/14 – Foreign Competition and Outsourcing

Irwin, Chapters 4 & 5

Mary Amity and Shang-Jin Wei, Demystifying Outsourcing, *Finance and Development*, December 2004.

Milton Ezrati, Misplaced Fears: Why the Outsourcing Scare is Overblown, *The International Economy*, Fall 2004.

WSJ, “The ‘Insourcing’ Problem”, December 1, 2004, p. A10.

TH 2/16 – Focus on Textiles and Apparel and the North Carolina Experience

J. M. Finger and Ann Harrison, “Import Protection for U.S. Textiles and Apparel: Viewed from the Domestic Perspective.”

USITC, The Economic Effects of Significant U.S. Import Restraints: Fourth Update 2004, Chapter 3, Textiles and Apparel.

WSJ, “How the Textile Industry Alone Won Quotas on Chinese Imports”, November 10, 2005

- II. Economic Integration and Trade Movements in the Western Hemisphere.
This will utilize the information in IDB, *Beyond Borders: The New Regionalism in Latin America* and Pastor, *Toward a North American Community*.

T 2/21 – Intro/Review of Economic Integration

Appleyard and Field (A/F), *International Economics*, Chapter 18,
Economic Integration

IDB, *The Business of Growth* Chapter 1, “Growth, Productivity and
Competitiveness in Latin America”

-----END OF MATERIAL FOR MIDTERM EXAM-----

TH 2/23 – Integration Movements in Latin America

IDB, *Beyond Borders:....*,Chapter 2, “The New Regionalism in Latin
America”

John Williamson, Beyond Reform Agenda to Damaged Brand Name,
Finance and Development, September 2003.

Guillermo Ortiz, Overcoming Reform Fatigue, *Finance and Development*,
September 2003.

PERLIMINARY OUTLINE AND BIBLIOGRAPHY DUE

T 2/28 – Effects of Regional Integration in Latin America

TURN IN MIDTERM EXAMS

TH 3/2 – FTA/NAFTA/CAFTA

Pastor, Chapters 1,2, 4.

“The Trouble With Regionalism,” *The Economist*, June 27, 1992, p. 79.

“Special Report: Ten Years of NAFTA,” *The Economist*, January 3, 2004,
pp. 13-16.

Ken Geppert, “Maybe NAFTA Was Actually a Good Thing for Region,”
WSJ, September 18, 1999.

“In the Debate About NAFTA, Just the Facts Please” *WSJ*, June 19, 1997,
p. A19

- III. Economic Policy, Global Interdependence, Exchange Rates and Prices

T 3/7– Brief presentation of term paper topics; Beginning review of international
finance and policy (IS/LM/BP)

A/F Chapters 26 & 27

TH 3/9 – Incorporating Prices in the Macro Policy Model, Aggregate Supply and
Demand

A/F, Chapter 28

T 3/14 – SPRING BREAK

TH 3/16 – SPRING BREAK

T 3/21 – Macro-policy and economic shocks in the open economy
A/F, Chapter 29; Chapter 30 (pp. 699 – 719)

TH 3/23 – Introduction/Review of the Foreign Exchange Market
A/F, Chapter 21, and Foreign Exchange Derivatives

T 3/28 – Introduction to International Financial Markets and Financial Derivatives
A/F, Chapter 22
Renè Stulz, “Should We Fear Derivatives?”, *The Journal of Economic Perspectives*, Summer 2004.

IV. The Global Monetary System and the Role of International Institutions.
This section will focus heavily on Joseph E. Stiglitz *Globalization and its Discontents*.

TH 3/30 – International Organizations Overview
Organizational Handouts on the IMF, World Bank and WTO
Irwin, Chapter 6
Stiglitz, *Globalization...*, Chapter 1

T 4/4 – Stiglitz Critique of Globalization
Stiglitz, *Globalization...*, Chapters 2 & 3
Allen Lane, Financial Times

TH 4/6 – Stiglitz Critique Continued
Stiglitz, *Globalization...*, Chapters 4, 5, & 6
Martin Wolf, “Self-Satisfied, Simplistic, Cogent”

T 4/11 – Stiglitz Critique Continued
Stiglitz, *Globalization...*, Chapters 7, 8, & 9
The Economist, “Bad Faith” book review
Ken Rogoff, “An Open Letter”

TH 4/13 – Wrap up on Stiglitz and Issues Related to the International Monetary System

T 4/18 – Student Paper Presentations

TH 4/20 – Student Paper Presentations

T 4/25 – Student Paper Presentations

TH 4/27 – Student Paper Presentations

LAST DAY OF CLASS

TERM PAPERS ARE DUE

TAKE HOME FINAL AVAILABLE WHEN YOU HAND IN YOUR PAPER

TH 5/2 – 12:00 – 3:00 pm FINAL EXAM

We will meet to turn in exams and complete student paper presentations