

-Economics 115: The World Economy in the Twentieth Century

Spring 2006

SYLLABUS and READING LIST

Economics 115 is an upper division course for undergraduates. Although advanced concepts, where used, are developed from first principles, students who have taken Intermediate Macroeconomics and Microeconomics will find the material most accessible. Some knowledge of International Economics is also helpful. Class meets three hours a week, section one hour a week.

Admission. According to Department policy, you must attend your first section meeting or your space in this course automatically will be given to another student. The instructor and TAs do not have the power to admit students to the course (or to readmit you if you are dropped). Students not already enrolled and wishing admission must consult the following website for instructions: <http://emlab.berkeley.edu/econ/ugrad/enrollmentprocs.html>. Economics Department policies determine admissions priorities.

Sections. Consult the online schedule of classes for the most up-to-date information.

Readings. Most of the items that contain web links are accessible from campus by linking through <http://sunsite2.berkeley.edu:8000>.

Readers. Readers are available from *Copy Central North* on Hearst at Euclid by North Gate. Items that can be downloaded directly from the web are bound separately in a second volume. A few items are not available in the reader (or the web) because permission to reprint (or link) was denied. Copies of these items are on reserve at Moffitt Library. The text for the course is Barry Eichengreen, *Globalizing Capital* (Princeton 1998, paperback edition), for sale at the ASUC store and your favorite on-line bookseller. The book and reader are also on reserve at Moffitt.

Grades. Your grade will be based on one problem set and two in-class midterms (each of which will account for 20% of the grade), and the final exam (40%).

In Lieu of Handouts. This syllabus, the midterms, and the final are the only materials that will be distributed in class. All other materials, including the problem set, will be available exclusively on the Economics 115 web page. Go to blackboard.berkeley.edu and add economics 115 to your list of classes. Create a Blackboard account if you do not already have one. PowerPoint presentations will be available following each lecture (barring server problems). The class website is password protected. The password will be given out in class.

Office Hours. The instructor's office hours for this course are on Wednesdays 1-3 PM, in 603 Evans Hall. Appointments are necessary and may be made by visiting 605 Evans.

Make-Up Exams, etc. Make-up midterms and finals will be administered to students who provide a documented medical excuse for missing the regular exam. You must contact your TA by the following day or you will receive a zero for the exam. Written documentation (from Student Health Services or equivalent) should be submitted to your TA. If you require special accommodation for exams due to learning or other disability, you should speak with your TA at the beginning of the semester. You will also need to obtain documentation from the Disabled Students Program.

Many students have special circumstances (family events, job interviews, campus activities) that cause them to request to take the exam on alternative dates. If we accede to one such request then we are ethically obliged to accept all of them, and we lack the resources to write and proctor so many separate exams. This is advance notice that make-up exams are given only for students with valid medical excuses. If you may have a conflict, you may want to consider a different course.

On Academic Honesty. Any form of cheating will result in a score of zero on that assignment or exam and in the student being reported to the Office of Student Conduct. Cheating on the final exam will automatically result in an "F" for the course.

Jan. 17: Introductory Meeting (goals of the course, mechanics)

Paul David, "Clio and the Economics of QWERTY," *American Economic Review Papers and Proceedings* 75: 2 (May 1985), pp. 332-337, <http://uclibs.org/PID/877>.

Jan. 19: Preconditions for 20th Century Growth

Lant Pritchett, "Divergence, Big Time," *Journal of Economic Perspectives* (Summer 1997), pp. 3-17, <http://uclibs.org/PID/1011>.

Moses Abramovitz, "Catching Up, Forging Ahead, and Falling Behind," *Journal of Economic History* 46 (1986), pp. 385-406, <http://uclibs.org/PID/907>.

Richard Sylla and Gianni Toniolo, "Introduction," in Richard Sylla and Gianni Toniolo (eds), *Patterns of European Industrialization During the 19th Century*, London: Routledge (1991), in pp.1-26 . On Reserve at Moffitt

Jan. 24: Globalization at the Beginning and End of the Century

Richard E. Baldwin and Philippe Martin, "Two Waves of Globalisation: Superficial Similarities, Fundamental Differences," NBER Working Paper no. 6904 (January 1999), <http://papers.nber.org/papers/w6904.pdf>.

David Dollar, "Globalization, Poverty and Inequality Since 1980," unpublished manuscript (2004), the World Bank. http://www-wds.worldbank.org/servlet/WDSCContentServer/WDSP/IB/2004/09/28/000112742_20040928090739/Rendered/PDF/wps3333.pdf.

Jan. 26: International Capital Markets

Barry Eichengreen, "A Century of Capital Flows," in Barry Eichengreen, *Capital Flows and Crises* (MIT Press, 2003), pp.13-46. On Reserve at Moffitt.

Jan. 31: The International Monetary Architecture

Barry Eichengreen, *Globalizing Capital* (Princeton University Press, 1996), chapter 2, pp. 7-44. On Reserve at Moffitt.

Feb. 3: The End of the First Age of Globalization

Patricia Clavin, *The Great Depression in Europe* (St. Martin's, 2000), chapters 1-3, pp. 7-87. On Reserve at Moffitt.

Feb. 7: Onset of the Great Depression

Jeremy Atack and Peter Passell, *A New Economic View of American History* (W.W. Norton, 1994), chapter 21, pp. 583-624. On Reserve at Moffitt.

Barry Eichengreen, "The Origins and Nature of the Great Slump Revisited," *Economic History Review* XLV (1992), pp. 213-239, <http://uclibs.org/PID/8711>.

Feb. 9: Recovery from the Great Depression

Barry Eichengreen, *Globalizing Capital*, chapter 3, pp. 45-92. On Reserve at Moffitt

Problem set posted.

Feb, 14: Interwar Unemployment

John Garraty, *The Great Depression* (Harcourt-Brace, 1986), pp. 100-126.

Daniel Benjamin and Levis Kochin, "Searching for an Explanation for Unemployment in Interwar Britain," *Journal of Political Economy* 87 (1979), pp. 441-478, <http://uclibs.org/PID/918>.

Feb. 16: Reconstructing the World Economy

Peter Howlett, "The Legacy of the Second World War," in Max-Stephan Schulze (ed.), *Western Europe: Economic and Social Change Since 1945* (Longman, 1999), chapter 1, pp. 5-22. On Reserve at Moffitt.

Till Geiger, "Reconstruction and the Beginnings of European Integration," in Max-Stephan Schulze (ed.), *Western Europe: Economic and Social Change since 1945*, chapter 3, pp. 23-41. On Reserve at Moffitt.

Problem set collected at the beginning of class.

Feb. 21: Europe's Golden Age

N.F.R Crafts, "The Great Boom, 1950-73," in Max-Stephan Schulze (ed.), *Western Europe: Economic and Social Change since 1945*, chapter 4, pp. 42-62. On Reserve at Moffitt.

Feb. 23: The Japanese Miracle

David Flath, *The Japanese Economy* (Oxford University Press, 2000), chapter 4, pp. 71-93.

Edward Lincoln, *Japan: Facing Economic Maturity* (Brookings, 1987), chapter 2, pp. 14-68. Concentrate on pp. 14-25. On Reserve at Moffitt

Feb. 28: First Midterm**March 2: The Asian Miracle**

James Riedel, "Economic Development in East Asia: Doing What Comes Naturally?" in Helen Hughes (ed.), *Achieving Industrialization in East Asia*, (Cambridge, 1988), pp.1-38. On Reserve at Moffitt.

Dani Rodrik, "Getting Interventions Right: How South Korea and Taiwan Grew Rich," *Economic Policy* 20, (1995) pp. 55-107, <http://papers.nber.org/papers/w4964.pdf>.

March 7: Rise and Fall of Bretton Woods

Barry Eichengreen, *Globalizing Capital*, chapter 4, pp. 93-135. On Reserve at Moffitt

Michael Dooley, David Folkerts-Landau and Peter Garber, "An Essay on the Revived Bretton Woods System," NBER Working Paper no. 9971 (September 2003), <http://papers.nber.org/papers/w9971.pdf>.

March 9: European Integration

Daniel Barbazat and Larry Neal, *The Economics of the European Union and the Economies of Europe* (Oxford University Press, 1998), chapter 4, pp. 70-87. On Reserve at Moffitt

Barry Eichengreen, *Globalizing Capital*, chapter 5, pp. 136-187. On Reserve at Moffitt

Mar. 14: Monetary Union in Europe

Paul De Grauwe, *Economics of Monetary Union*, (Oxford, 2000, 4th ed.), chapters 1 and 3, pp. 5-22 and 58-76.

Barry Eichengreen, "The Euro: Is the Water Glass Half Empty or Half Full?" *Milken Review* (Fall 2003), pp.47-55, On Reserve at Moffitt.

Mar. 16: Decline and Rise of the Eastern Bloc

Richard Ericson, "The Classical Soviet-Type Economy: Nature of the System and Implications for Reform," *Journal of Economic Perspectives* 5 (Fall 1991), pp. 11-28, <http://uclib.org/PID/1011>.

William Easterly and Stanley Fischer, "The Soviet Economic Decline," *World Bank Economic Review* 9 (September 1995), pp. 341-371. <http://www.nber.org/papers/w4735.pdf>.

Stanley Fischer and Ratna Sahay, "The Transition Economies after Ten Years," NBER Working Paper no. 7664 (April 2000), <http://papers.nber.org/papers/w7664.pdf>.

Mar. 21: German Economic and Monetary Unification

Hans-Werner Sinn, "Germany's Economic Unification: An Assessment after Ten Years," NBER Working Paper no. 7586 (March 2000), <http://papers.nber.org/papers/w7586.pdf>.

Mar. 23: Emerging Market Crises of the 1990s

Steven Radelet and Jeffrey Sachs, "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects," *Brookings Papers on Economic Activity* 1 (1998), pp. 1-74, 88-90, http://www.sussex.ac.uk/Units/economics/ma_int2/bpeasia2.pdf.

Michael Bordo and Anna J. Schwartz, "Why Clashes Between Internal and External Stability Goals End in Currency Crises," *Open Economies Review* 7 (suppl. 1, 1996), pp.437-468, <http://papers.nber.org/papers/w5710.pdf>.

April 4: The Role of the IMF

Martin Feldstein, "Refocusing the IMF," *Foreign Affairs* 77 (March/April 1998), pp. 20-33, <http://uclib.org/PID/6913>.

Jeffrey Sachs, "How to Run the IMF," *Foreign Policy* 143 (July/August 2004), pp. 60-64. <http://search.epnet.com/login.aspx?direct=true&db=buh&an=13670983>

Kenneth Rogoff, "The Sisters at 60," *The Economist*, London: July 24, 2004.
Vol.372, Iss. 8385; pg. 66-73.
http://post.economics.harvard.edu/faculty/rogoff/papers/Sisters_at_60.pdf

April 6: China

Jeffrey Sachs and Wing Thye Woo, "Understanding China's Economic Performance," NBER Working Paper no. 5935 (February 1997), <http://papers.nber.org/papers/w5935.pdf>.

John McMillan and Barry Naughton, "How to Reform a Planned Economy: Lessons from China," *Oxford Review of Economic Policy* 8 (1992), pp.130-143, <http://uclibs.org/PID/30891>.

International Monetary Fund (2004), "China's Emergence and its Impact on the Global Economy," *World Economic Outlook* (April), Chapter 2, pp.20-40.
<http://www.imf.org/external/pubs/ft/weo/2004/01/pdf/chapter2.pdf>

April 11: SECOND MIDTERM

April 13: India

Brad DeLong, "India since Independence: An Analytical Growth Narrative," unpublished manuscript, UC Berkeley,
http://www.j-bradford-delong.net/Econ_Articles/India/India_Rodrik_DeLong.html.

Dani Rodrik and Arvind Subraminaian, "From 'Hindu Growth' to Productivity Surge: The Mystery of the Indian Growth Transition," NBER Working Paper no. 10376 (March 2004),
<http://papers.nber.org/papers/w10376.pdf>.

April 18: Latin America: Crisis, Adjustment, and Reform

Arminio Fraga, "Latin America since the 1990s: Rising from the Sickbed?" *Journal of Economic Perspectives* 18, (Spring 2004), pp. 89-106,
<http://miranda.ingentaselect.com/vl=3450435/cl=12/nw=1/rpsv/cw/aea/08953309/contp1-1.htm>.

Luis Servén and Guillermo Perry, "Argentina's Macroeconomic Collapse: Causes and Lessons" unpublished manuscript, (The World Bank, March 2004).

April 20: Africa

Jeffrey Sachs et al. "Ending Africa's Poverty Trap," *Brookings Papers on Economic Activity* (2004) 1, pp.117-216. <http://www.cefe.net/forum/EndingAfricasPovertyTrap.pdf>

Daron Acemoglu, Simon Johnson and James A. Robinson, "The Colonial Origins of Comparative Development," NBER Working Paper no. 7771 (June 2000),
<http://papers.nber.org/papers/w7771.pdf>.

April 25: Problems of the Japanese Economy

Thomas F. Cargill, Michael M. Hutchison and Takatoshi Ito, *Financial Policy and Central Banking in Japan*, Chapter 2," pp.9-37. On Reserve at Moffitt.

Takao Hoshi and Anil Kashyap, "Japan's Financial Crisis and Economic Stagnation," *Journal of Economics Perspectives* 18.1 (Winter 2004), pp. 3-27.
http://web.nps.navy.mil/~relooney/3041_Japan_7.pdf

April 27: Prospects for Europe

Olivier Blanchard, "Europe's Economic Future," NBER Working Paper no. 10310 (March 2004).
<http://papers.nber.org/papers/w10310.pdf>

Olivier Blanchard "European Unemployment: The Evolution of Facts and Ideas," unpublished manuscript, MIT (October 2005), <http://www.nber.org/papers/w11750>.

May 2: A New Economy?

Nicholas Crafts, "The Solow Productivity Paradox in Historical Perspective," CEPR Discussion Paper no. 3142 (January 2002), www.cepr.org/pubs/dps/DP3142.asp and
http://www.j-bradford-delong.net/articles_of_the_month/pdf/Newsolow.pdf.

Menzie D. Chinn, "Getting Serious About the Twin Deficits," Council Special Report Number 10, New York: Council on Foreign Relations (September 2005). On Reserve at Moffitt.

May 4: Review of Semester's Themes