

Revised 1-5-16

International Economic Seminar

Economics 183
Spring 2016
Tuesday 4-7 p.m., 5 Evans Hall

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Syllabus

Office hours are Tuesdays and Thursdays, 2:30-3:30 p.m., 605 Evans Hall. Email Cheryl Applewood (capplewood@berkeley.edu) to make an appointment.

Economics 183 is an undergraduate course in international economics for students who have previously taken Economics 181 and 182 or have the consent of the instructor. The course is designed to introduce a set of policy issues in international economics and provide an opportunity for students to apply to current policy controversies the analytical models they have encountered in previous courses.

The grade for the semester is based equally on four components: a class presentation, three weekly papers, a literature review, and a term paper.

Presentation. Each student, individually or with a partner, will take charge of a week and its topic. His/her Powerpoint-based presentation should be discussed with the instructor, during office hours prior to presentation. It will be graded on the basis of how well the student defines the question posed in the articles assigned for the week, presents and analyzes competing points of view, and stimulates and guides classroom discussion.

Weekly Papers. The second component will be based on three weekly papers. Each student will pick three assigned topics, and for each write a three-page analysis. The three-page paper must be turned in *at the beginning* of the class meeting at which the topic is discussed. The paper should state clearly the key question posed by the readings, summarize and critique the authors' views, and state the student's own position on the controversy.

Literature Review. The third component of the grade will be a 10-page literature review *due on Saturday, March 19th*. The student will select one weekly topic and read more widely (read more than simply the assigned items for that week). Using those additional readings, he/she should then attempt to provide a more complete and convincing answer to the question posed by the week's required readings. Clarity of organization and writing will count toward the grade.

Term Paper. In lieu of a final exam, students will turn their literature review into a 20-page term paper, *due on Friday, May 13th*. Whereas a literature review simply surveys and synthesizes the views of others, the term paper should have an original research component. (We will talk in class about what constitutes "an original research component.")

Weights for the grade will be 25 percent classroom presentation, 25 percent for the three weekly papers, 25 percent literature review, and 25 percent term paper. In addition, students are expected to contribute to classroom discussion; informed contributions will be counted as extra credit toward the student's grade.

Readings

Readings are available either on the web or, where there exists no web-based copy, at the [Moffitt Library](#) course reserves during circulation desk hours. There can be high demand for the readings on reserve at peak times, and the library can make available only limited numbers of copies. Access to readings available through JSTOR and other proprietary sources may require you to log on through a university-recognized computer and enter your Calnet ID.

January 19. Introductory Meeting

This meeting will describe the structure and content of the course, provide an introduction to the topics that follow, and allow students to bid for their preferred presentation.

January 26. Trade and Growth

Conventional wisdom is that removing trade barriers and engaging in international trade is good for economic growth. If so, through what channels does trade stimulate growth? What is the evidence on the operation of these mechanisms?

Jeffrey Sachs and Andrew Warner (1995), "Economic Reform and the Process of Global Integration," *Brookings Papers on Economic Activity* 1, pp.1-118.

<http://EconPapers.repec.org/RePEc:bin:bpeajo:v:26:y:1995:i:1995-1:p:1-118>

Sebastian Edwards (1993), "Openness, Trade Liberalization and Growth in Developing Countries," *Journal of Economic Literature* 31, pp.1358-1393.

http://www.jstor.org/stable/2728244?seq=1#page_scan_tab_contents

Dani Rodrik and Francisco Rodriguez (1999), "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence," NBER Working Paper 7081 (April),

<http://papers.nber.org/papers/w7081.pdf>.

Jan De Loecker (2007), "Do Exports Generate Higher Productivity? Evidence from Slovenia," *Journal of International Economics* 73:1, pp.69-98

<http://www.sciencedirect.com/science/article/pii/S0022199607000529>

Michael A. Clemens and Jeffrey G. Williamson (2004), "Why did the Tariff-Growth Correlation Change after 1950? *Journal of Economic Growth* 9:1, pp. 5-46.

<http://link.springer.com/article/10.1023%2FB%3AJOEG.0000023015.44856.a9>

February 2. Capital Flows and Growth

Conventional wisdom similarly has it that financial openness (removing capital controls, exposing domestic markets to international capital flows) is good for growth. But this position is even more controversial than that concerning trade. Some say that international capital flows heighten volatility rather than spurring growth. Are they right?

Peter Blair Henry (2007), "Capital Account Liberalization: Theory, Evidence and Speculation," *Journal of Economic Literature* 45:4, pp.887-935. <http://www.jstor.org/stable/i27646884>

Dani Rodrik (1998), "Who Needs Capital Account Convertibility? In Stanley Fischer et al., *Should the IMF Pursue Capital-Account Convertibility?* Essays in International Finance no. 207, International Finance Section, Department of Economics, Princeton University (May), pp.55-65 https://www.princeton.edu/~ies/IES_Essays/E207.pdf

Eswar Prasad and Raghuram Rajan (2008), "A Pragmatic Approach to Capital Account Liberalization," *Journal of Economic Perspectives* 22:3, pp.149-172. <http://www.jstor.org/stable/27648265>

Moritz Schularick (2006), "A Tale of Two Globalizations: Capital Flows from Rich to Poor in the Two Eras of Global Finance," *International Journal of Finance and Economics* 11, pp.339-354. <http://onlinelibrary.wiley.com/doi/10.1002/ijfe.v11:4/issuetoc>

February 9. Immigrants and Refugees in the Global Economy

How much do we know about the determinants of migratory flows, of refugees and in general. How much do we know about the impact of immigrants on the wages of natives? What light do the answers shed on the current European refugee crisis? Is there a case for an international convention to facilitate the international movement of labor?

Timothy Hatton (2011), *Seeking Asylum: Trends and Policies in the OECD*, London: CEPR, Chapters 4-10, pp.23-96. <http://www.voxeu.org/sites/default/files/file/Hatton%20Seeking%20Asylum.pdf>

Timothy Hatton and Joe Moloney (2015), "Applications for Asylum in the Developed World," CEPR Discussion Paper no. 10678 (June). http://www.cepr.org/active/publications/discussion_papers/dp.php?dpno=10678

David Card (2009), "Immigration and Inequality," *American Economic Review: Papers and Proceedings* 99, pp.1-21. <http://davidcard.berkeley.edu/papers/immigration-and-inequality.pdf>

George Borjas (2015), "The Wage Impact of the Marielitos: A Reappraisal," unpublished manuscript, Harvard University (October). <http://www.hks.harvard.edu/fs/gborjas/publications/working%20papers/Mariel2015.pdf>

Rodrik, Dani (2012), *The Globalization Paradox: Democracy and the Future of the World Economy*, New York: W.W. Norton, pp.251-280. On reserve at Moffitt Library circulation desk.

February 16. Deglobalization?

For the first time in years, international trade and capital flows are growing more slowly than global GDP. Some observers have suggested that globalization is going into reverse. Is the evidence consistent with this hypothesis? If so, what is driving deglobalization?

Cristina Constantinescu, Aaditya Mattoo and Michele Ruta (2015), “The Global Trade Slowdown,” in Bernard Hoekman (ed.), *The Global Trade Slowdown: A New Normal?* London: CEPR, pp.33-54.

http://www.voxeu.org/sites/default/files/file/Global%20Trade%20Slowdown_nocover.pdf

Byron Gangnes, Alyson C Ma and Ari Van Assche (2015), “Global Value Chains and the Trade Income Relationship: Implications for the Recent Trade Slowdown,” in Bernard Hoekman (ed.), *The Global Trade Slowdown: A New Normal?* London: CEPR, pp.111-126.

http://www.voxeu.org/sites/default/files/file/Global%20Trade%20Slowdown_nocover.pdf

Susan Lund, et al. (2013), *Financial Globalization: Retreat or Reset?* New York: McKinsey Global Institute, pp.1-50.

http://www.mckinsey.com/insights/global_capital_markets/financial_globalization

Elliott James, Kate McLoughlin and Ewan Rankin (2014), “Cross-Border Capital Flows since the Global Financial Crisis,” *Reserve Bank of Australia Quarterly Bulletin* (June), pp.65-72.

<http://www.rba.gov.au/publications/bulletin/2014/jun/pdf/bu-0614-8.pdf>

February 23. The Euro Crisis: Causes

What are the different interpretations of the causes of the euro crisis? Are they compatible with one another or inconsistent? Is this crisis like many crises before it, or is there something distinctive owing to the existence of the euro?

Georgios Kouretas and Primos Vlamis (2010), “The Greek Crisis: Causes and Implications,” *Panaeconomicus* 4, pp.391-404. <https://ideas.repec.org/a/voj/journal/v57y2010i4p391-404.html>

Jay Shambaugh (2012), “The Euro’s Three Crises,” *Brookings Papers on Economic Activity* (Spring), pp.157-211.

http://www.brookings.edu/~media/Projects/BPEA/Spring%202012/2012a_Shambaugh.pdf

Philip Lane (2013), “The European Sovereign Debt Crisis,” *Journal of Economic Perspectives* 26:3, pp.49-68, <http://www.aeaweb.org/articles.php?doi=10.1257/jep.26.3.49>

Kevin Featherstone (2011), “The Greek Sovereign Debt Crisis and EMU: A Failing State in a Skewed Regime,” *Journal of Common Market Studies* 49, pp.193-217.

<http://www.cesruc.org/uploads/soft/130221/1-130221151947.pdf>

March 1. The Euro Crisis: Responses

How can the euro crisis be resolved? Through more integration? Through less integration? Through dissolution of the eurozone?

Zsolt Darvas, Jean Pisani-Ferry and Andre Sapir (2011), “A Comprehensive Approach to the Euro-Area Debt Crisis,” Bruegel Policy Brief No 2011/02, February
<http://bruegel.org/2011/02/a-comprehensive-approach-to-the-euro-area-crisis-background-calculations/>

Patrick Artus, et al. (2013), “Completing the Euro,” Les notes du conseil d’analyse économique, no 3, April, <http://www.cae-eco.fr/IMG/pdf/CAE-note003-EN.pdf> .

Ashoka Mody (2013), “A Schuman Pact for the Euro Area,” *Bruegel Essay and Lecture Series*, November 20. http://www.bruegel.org/publications/publication-detail/publication/802-a-schuman-compact-for-the-euro-area/?utm_source=Bruegel+publication+alert&utm_campaign=c62109c04e-131120_Schuman2&utm_medium=email&utm_term=0_1f233d52bd-c62109c04e-275059058

Yannis Ioannides and Christopher Pissarides (2015), “Is the Greek Crisis One of Supply or Demand?” *Brookings Papers on Economic Activity*, Conference Draft, September 10-11, http://www.brookings.edu/~media/projects/bpea/fall-2015_embargoed/conferencedraft_ioannidespissarides_greekdebtcrisis.pdf

March 8. Why Emerging Markets Escaped the Global Financial Crisis (Did They?) but are not Escaping Now

Emerging markets were not affected as adversely as advanced countries by the global financial crisis. Or were they? To the extent that they escaped, what accounts for this success (relatively speaking)? If they escaped the 2008-9 crisis, why are they being affected so adversely by the Fed’s exit from zero interest rates?

Olivier Blanchard, Mitali Das and Hamid Faruqee (2010), “The Initial Impact of the Crisis on Emerging Market Countries,” *Brookings Papers on Economic Activity* (Spring), pp.263-307.
http://www.brookings.edu/~media/Projects/BPEA/Spring-2010/2010a_bpea_blanchard.PDF

Tatiana Didier, Consantino Hevia and Sergio Schmukler (2012), “How Resilient and Countercyclical were Emerging Market Economies during the Global Financial Crisis?” *Journal of International Money and Finance* 30, pp.1-26.
<http://siteresources.worldbank.org/DEC/Resources/Resilientmain.pdf>

Ahmed Shaghil, Brahim Coulibaly and Andrei Zlate (2015), “International Financial Spillovers to Emerging Market Economies: How Important Are Economic Fundamentals?” *International Finance Discussion Paper* no. 1135, Washington, D.C.: Federal Reserve Board.
<http://www.federalreserve.gov/econresdata/ifdp/2015/files/ifdp1135.pdf>

Liliana Rojas-Suarez (2015), "Emerging Market Macroeconomic Resilience to External Shocks: Today versus Pre-Global Crisis," Center for Global Development Essay (February).
http://www.cgdev.org/sites/default/files/CGD-Essay-Rojas-Suarez-Emerging-Market-Stability_0.pdf

March 15. Abenomics

The Japanese economy has been in a two-decade-long slump. Prime Minister Abe's three arrows (three reforms) are designed to bring the slump to an end and restart economic growth. What is the logic of Abenomics? Is it working?

Barry Eichengreen (2013), "Japan Rising? Shinzo Abe's Excellent Adventure," *Milken Review* (Autumn), http://www.milkeninstitute.org/publications/review/2013_10/14-25_MR60.pdf

Willem Buiter and Ebrahim Rahbari (2013), "What to Expect from Abenomics," Citi GPS (15 October). <https://www.citivelocity.com/citigps/ReportSeries.action?recordId=22>

Steven Vogel (2006), *Japan Remodeled: How Government and Industry Are Reforming Japanese Capitalism*. Ithaca, Cornell University Press, Chapter 3, pp. 51-78.
On reserve at the Moffitt Library circulation desk.

Joshua Hausman and Johannes Weiland (2015), "Abenomics: An Update," *Brookings Papers on Economic Activity* (forthcoming), <http://www.brookings.edu/about/projects/bpea/latest-conference>

March 22: Spring Recess, no class

March 29. China and the Global Economy

The rapid growth of the Chinese economy and now its slowdown are two of the most important events affecting the world economy in the 21st century. What explained the rapid growth? What explains the slowdown? Are explanations for the two phases consistent with one another?

Xiaodong Zhu (2012), "Understanding China's Growth: Past, Present and Future," *Journal of Economic Perspectives* 26:4, pp.103-124. <http://www.jstor.org/stable/i23290275>

Dwight Perkins (2015), "Understanding the Slowing Growth Rate of the People's Republic of China," *Asian Development Review* 32, pp.1-30.
<http://www.adb.org/sites/default/files/publication/158090/asian-development-review-vol32-no1-2015.pdf>

Pingyao Lai (2015), "Growth Slowdown in China Since 2008: Will There Be a Hard Landing in the Near Future?" *China and the World Economy* 23, pp.42-58.
<http://onlinelibrary.wiley.com/doi/10.1111/cwe.12113/full>

Barry Eichengreen, Dongyun Park and Kwanho Shin (2011), "When Fast Growing Economics Slow Down: International Evidence and Implications for China," NBER Working Paper no.16919, <http://www.nber.org/papers/w16919>

April 5. India and the Global Economy

Indian is now poised to overtake China as the fastest growing economy. Skeptics point however to the continuing slow pace of economic reform and underperformance of Indian manufacturing, in particular. Who is right?

Kalpana Kochhar, et al. (2006), "India's Pattern of Economic Development: What Happened, What Follows?" *Journal of Monetary Economics* 53:5, pp.981-1019.

<http://www.sciencedirect.com/science/journal/03043932/53/5>

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 12. IMF and World Bank Reform

What are the roles of the IMF and World Bank in the 21st century? How do these institutions have to be reformed to better carry out their tasks? In particular, are these institutions well suited to address sovereign debt problems, or are new arrangements needed?

Lodewijk Smets and Stephen Knack (2014), "World Bank Lending and the Quality of Economic Policy," Policy Research Working Paper no. 6924, Washington, D.C.: World Bank (June).

<http://documents.worldbank.org/curated/en/2014/06/19680397/world-bank-lending-quality-economic-policy>

Barry Eichengreen and Ngaire Woods, "The IMF's Unmet Challenges," *Journal of Economic Perspectives* (forthcoming). Available on bCourse website.

Gelpern, Anna (2013), "A Skeptic's Case for Sovereign Bankruptcy," unpublished manuscript, Georgetown University Law Center (April),

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2198161 .

Carmen Reinhart and Christoph Trebesch (2014), "A Distant Mirror of Debt, Default and Relief," CEPR Discussion Paper no.10195 (October).

http://www.cepr.org/active/publications/discussion_papers/dp.php?dpno=10195

April 19. Renminbi Internationalization

The U.S. dollar currently enjoys the "exorbitant privilege" as the only true global currency, used in a wide variety of cross-border transactions not involving the United States. Arvind Subramanian says that it's about to be dethroned by the Chinese renminbi. Eswar Prasad says that it isn't. Who's right?

Eswar Prasad (2014), "The Dollar Reins Supreme, by Default," *Finance and Development* 51:1, pp.34-37. <http://www.imf.org/external/pubs/ft/fandd/2014/03/prasad.htm>

Arvind Subramanian (2012), "Why the Renminbi Will Be the International Reserve Currency within Fifteen Years," unpublished manuscript, Peterson Institute for International Economics),

<http://www.cf40.org.cn/uploads/111116/20124249.pdf> .

Eswar Prasad and Lei Ye (2012), “The Renminbi’s Role in the Global Monetary System,” unpublished manuscript, the Brookings Institution (February).

<http://www.brookings.edu/research/reports/2012/02/renminbi-monetary-system-prasad>

Barry Eichengreen (2013), “Renminbi Internationalization: Tempest in a Teapot?” *Asian Development Review* 30, pp.148-162.

<http://www.adb.org/sites/default/files/pub/2013/adr-volume-30-number-1-2013.pdf>

Yu Yongding (2014), “How Far Can Renminbi Internationalization Go?” ADBI Working Paper no. 461, Tokyo: Asian Development Bank Institute (February).

<http://www.adb.org/sites/default/files/publication/156316/adbi-wp461.pdf>

April 26. Review of Semester’s Themes

May 13. Research papers due