

# International Economics (Economics 270)

Wesleyan University, Spring 2012

Course meets Tuesday and Thursday, 2:40-4:00 pm, in SCIE 141

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Office hours: Wednesdays 1:00-2:30 pm; Thursdays, 1:00-2:00 pm; and by appointment

This course examines the interaction among national economies. This occurs through exchange of goods and services (international trade) and borrowing and lending (international finance). Much of this interaction occurs between countries of differing levels of income and therefore may have consequences for economic growth and development. The class will also examine some of the institutions that mediate international economic relations, such as the World Trade Organization and the International Monetary Fund. A number of related policy issues that will be considered, including tariff policy and foreign exchange market intervention.

The course does not have a required textbook. For those who wish to have a textbook as a reference, *International Economics* by Robert Carbaugh is recommended. We will read significant portions of *Free Trade Under Fire* by Douglas Irwin and *And the Money Kept Rolling In (and Out)* by Paul Blustein. Other readings will be available through Moodle or library reserve. Students are expected to come to class prepared to discuss the assigned readings.

Approximately 4-6 problem sets will be assigned during the semester. Students may work together, but must turn in the assignments individually. Late assignments will not be accepted and no extensions will be granted. Each student's lowest problem set grade will be dropped from the final grade calculation.

Final grades will be calculated as a weighted average of the grades for problem sets (10%), class participation, including participation on Moodle, (5%), two short writing assignments (5% each) two in-class midterm exams (20% each) and a comprehensive final exam (35%). Midterm exams will not be given late; in the event of a serious illness, family emergency or university-sponsored travel, students may ask, in advance, for permission to take exams early or to have weight added to the final exam grade in place of the midterm. In the event of a perceived mistake in grading, a written explanation should be attached to the exam and submitted within 5 business days after the exams are returned to the class. The final exam is scheduled for Thursday, May 17 at 7:00 pm.

The use of computers and mobile telephones – *including for text-messaging* – is *not* permitted in class.

The syllabus and course outline are subject to revisions, which will be announced in class.

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Course outline and reading list

“Irwin” refers to Douglas Irwin, *Free Trade Under Fire*, 3<sup>rd</sup> ed., Princeton UP, 2009

“Blustein” refers to Paul Blustein, *And the Money Kept Rolling In (and Out)*, PublicAffairs, 2006

Readings marked (o) are optional

## I. International Trade

### A. Introduction

*The Economist*, “The Battle of Smoot-Hawley,” Dec. 18, 2008

J. Fernald and V. Greenfield, “The Fall and Rise of the Global Economy,” *Chicago Fed Letter* No. 164, April 2001

### B. Comparative Advantage and Ricardian Trade Theory

Irwin, p. 28-50

### C. Tariffs and Quotas

Irwin, ch. 3

A. Blumberg, “Sawing Apart Gym Shoes at the Port of Long Beach,” NPR, Jan. 18, 2011

### D. The World Trade Organization

*The Economist*, “Dead Man Talking,” Apr. 28, 2011

W. Greider, “Why the WTO Is Going Nowhere,” *The Nation*, Sept. 22, 2003

Irwin, p. 219-244

P. Blustein, *Misadventures of the Most Favored Nations* (PublicAffairs, 2009), chs. 2 and 8

K. Bradsher, “After Carmakers Adapt, China Trade Dispute Ends,” *New York Times*, Aug. 30, 2009

S. Chan, “US and Brazil Reach Agreement on Cotton Dispute,” *New York Times*, April 6, 2010

### E. Neoclassical Trade Theory

J. Bernstein and J. Bivens, “The Pain of Globalization,” *The Guardian*, Nov. 8, 2007

### F. Trade and the Environment

Irwin, p. 58-69; 244-260

L. Wallach and P. Woodall, *Whose Trade Organization?* (New Press, 2004), ch. 1

*Bridges Weekly Trade News Digest*, “Panel Rules US ‘Dolphin Safe’ Label Too Trade Restrictive,” Sept. 21, 2011.

### G. Preferential Trade Agreements

Irwin, p. 260-269.

*The Economist*, “Afta Doha,” September 4, 2008

J. Bhagwati, *Termites in the Trading System* (Oxford UP, 2008), ch. 3.

C. Evans, “Bilateralism, Multilateralism, and Trade Rules,” *FRBSF Economic Letter*, Jan. 9, 2012

(o) R. Baldwin, “Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on the Path to Global Free Trade,” *The World Economy* (Nov. 2006)

(o) W. Ethier, “The New Regionalism,” *Economic Journal* (July 1998)

### H. New Trade Theory

*The Economist*, “Bold Strokes,” Oct. 16, 2008

## I. Antidumping, Safeguard Tariffs and Countervailing Duties

Irwin, ch. 5

*The Economist*, "Playing With Fire," Sept. 17, 2009

H. Meyerson, "The Rubber Meets the Road for Obama," *Washington Post*, Sept. 2, 2009

J. B. DeLong, "Barack Obama Does a Really Stupid Thing," *Grasping Reality with Opposable Thumbs*, Sept. 13, 2009

S. Chan, "World Trade Organization Upholds American Tariffs on Tires From China," *New York Times*, Dec. 13, 2010

## II. International Finance

### A. The Balance of Payments

W. Buffett and C. Loomis, "America's Current Account Deficit is Selling the Nation Out From Under Us," *Fortune*, Nov. 10, 2003

S. Mallaby, "The Next Globalization Backlash," *Washington Post*, June 25, 2007

J. Surowiecki, "Sovereign Wealth World," *The New Yorker*, Nov. 26, 2007

(o) B. Bernanke, "The Global Savings Glut and the US Current Account Deficit," Speech, April 14, 2005

### B. "Review" of Money, Monetary Policy, Interest Rates and Inflation

### C. Exchange Rates

### D. Macroeconomics of the US-China Trade Imbalance

J. Fallows, "The \$1.4 Trillion Question," *Atlantic Monthly*, Jan.-Feb. 2008

N. Scheiber, "Peking Over Our Shoulder," *The New Republic*, Sept. 15, 2009

P. Krugman, "Taking on China," *New York Times*, Mar. 14, 2010

J. Stiglitz, "No Time for a Trade War," *Project Syndicate*, April 6, 2010

K. Bradsher, "Rising Chinese Inflation to Show Up in US Imports," *New York Times*, Jan. 12, 2011

(o) P. Krugman, "Immaculate Transfer Strikes Again," *Conscience of a Liberal*, April 6, 2010

(o) D. Leonhardt, "The China Puzzle," *New York Times*, May 13, 2009

### E. Exchange Rates, Monetary Policy and the Macroeconomy in the Short Run

### F. Exchange Rates, Monetary Policy and the Macroeconomy in the Long Run

*The Economist*, "Beefed Up Burgernomics," July 30, 2011

M. Pakko and P. Pollard, "Burgernomics: A Big Mac Guide to Purchasing Power Parity," *St. Louis Fed Review*, Nov.-Dec. 2003

### G. Exchange Rate Regimes

N. Gregory Mankiw, "The Trilemma of International Finance," *New York Times*, July 10, 2010

J. Grant, "How to Make the Dollar Sound Again," *New York Times*, Nov. 13, 2010.

J. Frankel, "Gold: A Rival to the Dollar," *Jeff Frankel's Weblog*, Nov. 9, 2010

G. Bowley, "As Dollar's Value Falls, Currency Conflicts Rise," *New York Times*, Oct. 20, 2010

*The Economist*, "Beyond Bretton Woods 2," Nov. 6, 2010

B. Eichengreen, "Why the Dollar's Reign is Near an End," *Wall Street Journal*, March 2, 2011

### H. International Financial Crises and the IMF

Blustein, chs. 1-3, 5-9

*The Economist*, "A Good War," Sept. 17, 2009

- (o) P. Krugman, *The Return of Depression Economics and the Crisis of 2008* (Norton, 2009) chs. 4 & 5

#### I. The Euro Crisis

- P. Krugman, "Can Europe Be Saved?" *New York Times Magazine*, Jan. 16, 2011
- T. Catan, "Myth and Reality About the Euro Crisis," *Wall Street Journal*, Dec. 9, 2011
- F. Norris, "How Greece Could Escape the Euro," *New York Times*, Oct. 6, 2011
- J. Surowiecki, "An Avoidable Crisis," *The New Yorker*, Dec. 5, 2011
- J. Cochrane, "How Bad Ideas Worsen Europe's Debt Meltdown," *Bloomberg*, Dec. 21, 2011
- Spiegel Online*, "Germany's Central bank Against the World," Nov. 15, 2011
- C. F. Bergsten and J. Kirkegaard, "The Coming Resolution of the European Crisis," Peterson Institute for International Economics Policy Brief PB12-1, January 2012
- N. Kulish, "Central Bank Gives Euro Nations Some Breathing Room," *New York Times*, Jan. 20, 2012

### III. Economic Growth and Development

#### A. Measuring Income and Income Growth

- P. Krugman, "America Comes Up Short," *New York Times*, June 15, 2007
- The Economist*, "The Pursuit of Happiness," Dec. 16, 2004

#### B. Growth Theory

#### C. Institutions, Foreign Aid and Growth

- The Economist*, "Order in the Jungle," Mar. 13, 2008
- N. Kristof, "Aid: Can it Work?" *New York Review of Books*, Oct. 5, 2006
- T. Cowen, "A Way for Resource-Rich Countries to Audit Their Way Out of Corruption," *New York Times*, July 12, 2007

#### D. Trade, Development and the "Washington Consensus"

- Irwin, ch. 6
- H. Chiang, *Bad Samaritans* (Bloomsbury, 2008), ch. 2
- D. Rodrik, "Making Room for China," *Project Syndicate*, Dec. 11, 2009
- W. Easterly, "Asian Success Mythology," *Aid Watch*, Feb. 26, 2008
- (o) D. Rodrik, "The Global Governance of Trade as if Development Really Mattered," United Nations Development Programme, Oct. 2001
- (o) J. Williamson, "What Washington Means by Policy Reform," Peterson Institute for International Economics, 1990
- (o) J. Bhagwati, "The Capital Myth: The Difference Between Trade in Widgets and Dollars," *Foreign Affairs*, May/June 1998
- (o) R. Hall and C. Jones, "Why Do Some Countries Produce So Much More Output Per Worker Than Others," *Quarterly Journal of Economics* (Feb. 1999)