

Kansas State University
 Department of Economics
 Advanced International Economics (International Economic Policy)
 Economics 823
 Spring 2006
 E. W. Nafziger (nafwayne@ksu.edu)
 8:05-9:20 MW, Waters 329
 Office hours: 11:30-12:20 MWF, or appointment - Waters 312.

I will calculate your semester grade by weighing the mid-term examination one unit, your class presentations based on a research paper (see last section) one unit, and your final examination one unit (old exams are at <http://www.ksu.edu/economics/nafwayne/class.htm>) (KSU computing ID and password required). Additionally, I will raise your semester numerical score if you make an excellent contribution to class.

RELATIONSHIP OF THE COURSE TO OTHER INTERNATIONAL ECONOMICS COURSES

The prerequisite for this course is Economics 681 or equivalent. The course does not cover the same ground as, but is complementary to, International Economics (Economics 681), International Trade Theory and Policy (Economics 981), and International Markets and Agricultural Trade (Agec 840).

The major objective of the course is to help students acquire an analytical framework to examine contemporary international economic issues, such as the global (especially Asian, Latin, and Russian) financial crisis, international adjustment and reform in developing and transitional economies, trade and income distribution, the international monetary system, exchange rates, trade and agricultural subsidy policies, IMF reform, regional economic integration, and the U.S. balance of payments problem. The goal is to provide students with the background, experience, and tools for future analysis of international economic problems and policies.

REQUIRED MONOGRAPHS

Economics 823: Advanced International Economics, Spring 2006. Eisenhower 11 (**Eis**) packet. Morris Goldstein, *Managed Floating Plus* (Washington, D.C.: Institute for International Economics, 2002). ISBN 0-88132-336-5 (www.iie.com/ or bookstore for this & below).

Michael Mussa, *Argentina and the Fund: From Triumph to Tragedy* (Washington, D.C.: Institute for International Economics Analyses in IE 67, July 2002). ISBN 0-88132-339-x.

William R. Cline, *Trade and Income Distribution* (Washington: IIE, 1998). ISBN 0-88132-216-4.

Pdfs off the internet, including *Economic Report of the President 2005*, Mann on sustainability of

the U.S. current account, and Mann on globalization of IT services and white-collar jobs..

PLAGIARISM

Plagiarism: University policy is: “Plagiarism and cheating are serious offenses and may be punished by failure on the exam, paper, or project; failure in the course; and/or expulsion from the university.” For more information refer to “Academic Dishonesty,” <http://www.ksu.edu/uau/fhbook/fhxf.html>.

REQUIRED READING ASSIGNMENTS (also www.ksu.edu/economics/nafwayne/csyllabi.htm)

The Balance of Payments: Equilibrium and Adjustment (Wed., Jan. 18-Mon., Jan. 30)

Peruse U.S. President, Council of Economic Advisors, Economic Report of the President, 2005, pp. 3-5, 31-48, 93-116, 173-188, peruse appendix with emphasis on statistics on the U.S.’s international position. Also available at govt publications office, Hale Library, 3rd floor, for Mon., Jan. 23.

Lecture will focus on meaning and concepts pertaining to the balance of payments, especially that of the US.

C.L. Mann, “The US Current Account, New Economy Services, and Implications for Sustainability,” *Review of International Economics* 2005, <http://www.iie.com/publications/papers/mann0104.pdf>

C.L. Mann, “Globalization of IT Services and White Collar Jobs,” International Economics Policy Brief PB03-11, Washington, D.C.: Institute for International Economics, December 2003, <http://www.iie.com/publications/pb/pb03-11.pdf>

The Global Financial Crisis

M. Mussa, *Argentina and the Fund: From Triumph to Tragedy* (Washington, D.C.: IIE 67, 2002)
F.S. Mishkin, “Global Financial Instability: Framework, Events, Issues,” *JEP* 13(4): 3-20, **Eis** 7-24.

The International Monetary System, Exchange Rates, and Reform of the IMF

S. Fischer, “Globalization and Its Challenges,” *AER* 93(2) (2003): 1-30, **Eis** 25-40.

A.O. Krueger, “Sovereign Debt Restructuring: Messy or Messier?” *AER* 93(2) (2003): 70-74, **Eis** 41-43.

M. Goldstein, *Managed Floating Plus* (Washington, D.C.: IIE, 2002).

M. Friedman, “The Case for Flexible Exchange Rates,” AEA, *Readings*, pp. 413-37, **Eis** 44-56.

S. Fischer, “Exchange Rate Regimes: Is the Bipolar View Correct,” *JEP* 15(2) (2001): 3-24 (or <http://www.imf.org/external/np/speeches/2001/010601a.htm>).

J.E. Stiglitz, “Capital Market Liberalization, Economic Growth, & Instability,” *WD* 28:1075-86, **Eis** 57-68.

S. Edwards, “How Effective are Capital Controls?” *JEP* 13(4) (1999): 65-84, **Eis** 69-88.

G. Caprio & P. Honohan, “Restoring Banking Stability: Beyond Supervised Capital

Requirements,” *JEP* 13(4) (1999): 43-64, **Eis.** 89-110.

S. Fischer, “On the Need for an International Lender of Last Resort,” *JEP* 13 (1999): 85-104, **Eis** 111-30.

P.S. Mistry, “Coping with Financial Crises: Are Regional Arrangements the Missing Link?” in United Nations Conference on Trade and Development (UNCTAD), International Monetary and Financial Issues for the 1990s, X (Geneva, 1999), pp. 93-116, **Eis.** 131-154 (Ap 5).

Stabilization, Debt, and Reform in Developing Countries

J.D. Sachs, “External Debt, Structural Adjustment, and Economic Growth,” in UNCTAD, International Monetary and Financial Issues for the 1990s, IX (Geneva, 1998), pp. 45-55, **Eis.** 155-265.

EXAMINATION

Trade Policy and Global Poverty (or Trade and Income Distribution)

W.R. Cline, *Trade and Income Distribution* (IIE, 1998).

D. Rodrik, “Why is Trade Reform so Difficult in Africa,” *JAE* 7 (1998): 43-69, **Eis.** 166-179.

The EU, NAFTA, and APEC: The Effect of Regional Trading Blocs

A.O. Krueger, “Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?” *JEP* 13 (1999): 105-124, **Eis.** 180-199

J.A. Frankel & D. Romer, “Does Trade Cause Growth?” *AER* 89(3) (1999): 379-399, **Eis.** 200-220.

H.Faruqee, “Euro Turns Five: Europe’s Grand Experiment, *Finance and Development* 41(2) (June 2004): 14-15. www.imf.org/external/pubs/ft/fandd/2004/06/index.htm

Class Presentations (tentatively Wed., Apr. 26-Wed., May 3)

FINAL EXAMINATION, Friday, May 12, 2006,, 11:50-1:40, in Waters 329

Lecture material not included in your reading will be included on exams.

CLASS PRESENTATIONS

You will be expected to make a class presentation on research (empirical, conceptual or analytical) related to a topic on international economics once during the semester. One student is to make a presentation on “Does Trade Cause Growth?”, based on Frankel and Romer, *AER* (June 1999). For other students, indicate a tentative topic by Monday, January 30; hand in a 1-2 page outline by Wednesday, February 8; and hand in a more substantial outline or prospectus one week before your oral presentation.

You can present empirical, conceptual, or analytical work on a topic close to the time related topics are discussed in class; as an alternative, you can present your topic during the last

few class periods. You are required to provide both written and oral versions of your work, but the written version can be revised to be handed in to the instructor or e-mailed to him on or before Monday, May 8 at 8:05 a.m.

Your paper should have ample references to literature in the field (except the Frankel-Romer presentation is not expected to have so many references to other papers). You are to use standard bibliographical and citation procedures (if in doubt, use the procedures of a recent *American Economic Review*). For material on the web, the bibliographical citation must be complete, for example, Stanley Fischer, "The Asian Crisis: the Return of Growth," International Monetary Fund, Washington, D.C., paper presented to the Asia Society, Hong Kong, June 17, 1999., <http://www.imf.org/external/np/speeches/1999/061799.HTM>. Feel free to hand in an earlier draft so that I can give you comments that will allow you to improve your paper (but give me a few days to respond), or ask questions about your progress at earlier stages of work on your paper.

Following are internet sources that may help you in brainstorming for topics: <http://www.iie.com/publications/toc.cfm>; <http://altaplana.com/Gate.international.html> indicates international agencies, which might suggest possible topics; <http://www.ksu.edu/economics/nafwayne/edc.htm>, although listed for another course, has sources in international economics that might aid you in finding topics, including a description of <http://www.econlit.org/>, available on the library's website, <http://www.lib.ksu.edu/>. See also <http://ideas.repec.org/>, a large bibliographical database dedicated to economics and items available on the internet. Other topics might include the new classical macroeconomics: its implications for international trade; a critique of the neoclassical approach to international trade; credibility and stabilization; and the international economics of the environment (including the international economics of global warming).

Sites on journals from the IMF include the *IMF Staff Papers* (<http://www.imf.org/external/pubs/ft/staffp/2000/00-02/index.htm>), the *IMF Survey* (<http://www.imf.org/external/pubs/ft/survey/surveyx.htm>), and the IMF's *Finance and Development* (<http://www.imf.org/external/pubs/ft/fandd/2001/03/index.htm>), and papers by the IMF related to its view of the global financial crisis (<http://www.imf.org/external/>).

Journals from the World Bank consist of the *World Bank Research Observer* and *World Bank Economic Review* (<http://www.worldbank.org/research/journals/index.htm>). The IMF website www.imf.org/, includes the semi-annual *World Economic Outlook*. Data on the US balance of payments can be found on <http://www.bea.doc.gov/>.