

Kansas State University
Department of Economics
Advanced International Economics (International Economic Policy)
Economics 823
Fall 2002
E. W. Nafziger (nafwayne@ksu.edu)
8:05-9:20 MW, Waters 329
Office hours: 9:30-10:15 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>). 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, U.S.-Japanese bilateral economic relationships, trade and income distribution, regional economic integration, the international monetary system, the U.S. balance of payments problem, and globalization. The goal is to provide students with the background, experience, and tools for future analysis of international economic problems and policies.

REQUIRED MONOGRAPHS

Clafin Books and Copies (CBC), *Economics 823: Advanced International Economics: Professor E. Wayne Nafziger. Fall 2002.*

For orders for the following, see <http://www.iie.com/> or the bookstore:

Morris Goldstein, *Managed Floating Plus* (Washington, D.C.: Institute for International Economics, 2002). ISBN 0-88132-336-5.

Dani Rodrik, *Has Globalization Gone too Far?* (Washington D.C.: Institute for International

Economics, 1998). ISBN 0-88132-241-5

Catherine L. Mann, *Is the U.S. Trade Deficit Sustainable?* (Washington D.C.: Institute for International Economics, 1999). ISBN 0-88132-265-2

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

William R. Cline, *Trade and Income Distribution* (Washington D.C.: Institute for International Economics, 1998). ISBN 0-88132-216-4

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

The Balance of Payments: Equilibrium and Adjustment (Mon., Aug. 26-Wed., Aug. 28)

Peruse U.S. President, Council of Economic Advisors, Economic Report of the President, 2002, overview & ch. 1, pp. 15-64; ch. 3, pp. 125-143; ch. 5, pp. 251-300; tables on pp. 438-448 (with emphasis on examining US’s international position in context), <http://www.access.gpo.gov/eop/> or govt publications office, Hale Library, 3rd floor, for Wednesday, August 28, 2002. Lecture will focus on meaning and concepts pertaining to the balance of payments, especially that of the US.

Is the U.S. Trade Deficit Sustainable?

Catherine L. Mann, *Is the U.S. Trade Deficit Sustainable?* (Washington D.C.: Institute for International Economics, 1999). ISBN 0-88132-265-2

C. Fred Bergsten, “Let the Dollar Fall,” *Financial Times*, July 17, 2002, <http://www.iie.com/papers/bergsten0702.htm>, and “The Dollar and the U.S. Economy,” Testimony before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, May 1, 2002, <http://www.iie.com/papers/bergsten0502.htm>

The Global Financial Crisis

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

Frederic S. Mishkin, "Global Financial Instability: Framework, Events, Issues," *Journal of Economic Perspectives* 13(4) (Fall 1999): 3-20, in CBC, pp. 7-24.

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

Kenneth Rogoff, "International Institutions for Reducing Global Financial Instability," *Journal of Economic Perspectives* 13(4) (Fall 1999): 21-42, in CBC, pp. 15-46.

Barry Eichengreen, *Toward a New International Financial Architecture: A Practical Post-Asia Agenda* (Washington, D.C.: Institute for International Economics, 1999), CBC, pp. 47-56.

Anne Krueger, IMF First Deputy Managing Director, "Sovereign Debt Restructuring and Dispute Resolution," Bretton Woods Committee Annual Meeting, June 6, 2002, <http://www.imf.org/external/np/speeches/2002/060602.HTM>.

Milton Friedman, "The Case for Flexible Exchange Rates," in AEA, *Readings in International Economics* (Homewood, Ill.: Irwin, 1968), pp. 413-37, in CBC, pp. 57-69.

Stanley Fischer, "Exchange Rate Regimes: Is the Bipolar View Correct," *Journal of Economic Perspectives* 15(2) (Spring 2001): 3-24 (or <http://www.imf.org/external/np/speeches/2001/010601a.htm>).

Morris Goldstein, *Managed Floating Plus* (Washington, D.C.: Institute for International Economics, 2002). ISBN 0-88132-336-5.

Joseph E. Stiglitz, "Capital Market Liberalization, Economic Growth, and Instability," *World Development* 28(6) (June 2000): 1075-1086, in CBC, pp. 70-81.

Sebastian Edwards, "How Effective are Capital Controls?" *Journal of Economic Perspectives* 13(4) (Fall 1999): 65-84, in CBC, pp. 82-101.

Gerard Caprio and Patrick Honohan, "Restoring Banking Stability: Beyond Supervised Capital Requirements," *Journal of Economic Perspectives* 13(4) (Fall 1999): CBC, pp. 102-23.

Stanley Fischer, "On the Need for an International Lender of Last Resort," *Journal of Economic Perspectives* 13(4) (Fall 1999): 85-104, in CBC, pp. 124-143.

Percy S. Mistry, "Coping with Financial Crises: Are Regional Arrangements the Missing Link?" in United Nations Conference on Trade and Development, *International Monetary and Financial Issues for the 1990s*, X (Geneva, 1999), pp. 93-116, in CBC, pp. 144-167.

Stabilization, Debt, and Reform in Developing Countries

Jeffrey D. Sachs, "External Debt, Structural Adjustment, and Economic Growth," in United Nations Conference on Trade and Development, *International Monetary and Financial Issues for the 1990s*, IX (Geneva, 1998), pp. 45-55, in CBC, pp. 168-178.

EXAMINATION

Has Globalization Gone too Far?

Deepak Nayyar, "Globalisation: What Does it Mean for Development," Rajiv Gandhi Institute for Contemporary Studies Paper No. 42, 1997, pp. 1-29, in CBC, pp. 179-206.

Dani Rodrik, *Has Globalization Gone too Far?* (Washington D.C.: Institute for International Economics, 1998).

Trade and Income Distribution

William R. Cline, *Trade and Income Distribution* (Washington D.C.: Institute for International Economics, 1998).

Dani Rodrik, "Why is Trade Reform so Difficult in Africa," *Journal of African Economies* 7, Supp. 1 (May 1998), pp. 43-69, in CBC, pp. 207-220.

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

Anne O. Krueger, "Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?" *Journal of Economic Perspectives* 13(4) (Fall 1999): 105-124, in CBC, pp. 221-240.

Jeffrey A. Frankel and David Romer, "Does Trade Cause Growth?" *American Economic Review* 89(3) (June 1999): 379-399, in CBC, pp. 242-261.

Jacques J. Polack, "The Significance of the Euro for Developing Countries," in United Nations Conference on Trade and Development, *International Monetary and Financial Issues for the 1990s*, IX (Geneva, 1998), pp. 57-69, in CBC, pp. 262-275.

Charles Wyplosz, "The Euro's Impact on Developing and Transition Economies," World Institute for Development Economics Research WIDER Angle, 2002, <http://www.wider.unu.edu/welcome.htm>, p. 15.

U.S.-Japanese Economic Conflict

Adam S. Posen, "The Looming Japanese Crisis," Institute for International Economics International Economics Policy Briefs #PB02-5, May 2002, <http://www.iie.com/policybriefs/news02-5.pdf>.

Class Presentations (Mon. Dec. 2-Wed., Dec. 11)

FINAL EXAMINATION, Tuesday, December 17, 2002, 11:50-1:40, in Waters 329

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). Indicate a tentative topic by Wednesday, August 28, and an outline 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 Friday, December 13 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/>. Also, http://www.iie.com/publications/publication.cfm?pub_id=31 indicates a source on the cost of protection in China; http://www.iie.com/publications/publication.cfm?pub_id=79 indicates a source that discusses agricultural trade policy for the WTO. 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/>.