

Kansas State University
 Department of Economics
 Advanced International Economics
 Economics 823
 Fall 2003

E. W. Nafziger (nafwayne@ksu.edu)
 12:30-1:45 MW, Waters 329

Office hrs: 3:30-4:20 MW, 1:30-2:20 F, or appointment, Waters 312 (no office hours October 15)

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

Economics 823: Advanced International Economics: Professor E. Wayne Nafziger. Fall 2003.
 Eisenhower 11 (**Eis**) packet.

C. Fred Bergsten & John Williamson, eds., *Dollar Overvaluation and the World Economy*
 (Washington: Institute for International Economics, 2003). ISBN paper 0-88132-351-9.

Morris Goldstein, *Managed Floating Plus* (Washington, D.C.: Institute for International Economics, 2002). ISBN 0-88132-336-5. \$16

Dani Rodrik, *Has Globalization Gone too Far?* (Washington D.C.: Institute for International Economics, 1998). ISBN 0-88132-241-5.

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

Institute for International Economics monographs are at the bookstore or at www.iie.com/.

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 (Wed., Aug. 20-Mon., Aug. 25)

Peruse U.S. President, Council of Economic Advisors, *Economic Report of the President, 2003*, pp. 3-4, 15-25, 45-51, 59-63, 132-34, 208-11, 213-55, 394-402 (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 Monday, August 25, 2003. 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? Is the Dollar Overvalued or Undervalued Since Bergsten and Williamson wrote their book, the dollar has devalued, necessitating an extension of Figure 3.5, p. 69. Nevertheless, issues concerning the U.S. current account deficit and valuation of the dollar are still current.

Catherine L. Mann, “Is the U.S. Trade Deficit Sustainable?” *Finance and Development* 37(1) March 2000), <http://www.imf.org/external/pubs/ft/fandd/2000/03/mann.htm>.

C.Fred Bergsten and John Williamson, “Overview,” in Bergsten & Williamson, *Dollar Overvaluation and the World Economy*, pp. 1-13.

Jim O’Neill, “Features of a Dollar Decline,” in Bergsten and Williamson, pp. 15-34.

Michael R. Rosenberg, “The Dollar’s Equilibrium Exchange Rate: A Market View, in Bergsten and Williamson, pp. 35-56.

Catherine L. Mann, “How Long the Strong Dollar?” in Bergsten and Williamson, pp. 57-79.

I.M. Destler, “The Dollar and US Trade Politics,” in Bergsten and Williamson, pp. 77-79.

Martin Neil Baily, "Persistent Dollar Swings and the US Economy," in Bergsten and Williamson, pp. 81-134.

Thomas I Palley, "The Overvalued Dollar and the US Slump," in Bergsten and Williamson, pp. 145-63.

Kathryn M. Dominguez, "Foreign Exchange Intervention: Did it Work in the 1990s?" in Bergsten and Williamson, pp. 217-47.

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).

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

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

Stanley Fischer, "Globalization and Its Challenges," *American Economic Review* 93(2) (May 2003): 1-30, **Eis**.

Anne Krueger, "Sovereign Debt Restructuring: Messy or Messier?" *American Economic Review* 93(2) (May 2003): 70-74, **Eis**.

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

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>).

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

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

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

Gerard Caprio and Patrick Honohan, "Restoring Banking Stability: Beyond Supervised Capital

Requirements,” *Journal of Economic Perspectives* 13(4) (Fall 1999): 43-64, **Eis**.

Stanley Fischer, “On the Need for an International Lender of Last Resort,” *Journal of Economic Perspectives* 13(4) (Fall 1999): 85-104, **Eis**.

John Williamson, “An Agenda for Restarting Growth and Reform,” in Pedro-Pablo Kuczynski and John Williamson, eds., *After the Washington Consensus: Restarting Growth and Reform in Latin America* (Washington, D.C.: Institute for International Economics, 2003), pp. 1-19 in **Eis**.

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, **Eis**.

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, **Eis**.

EXAMINATION

Has Globalization Gone too Far?

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, **Eis**.

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

Jeffrey A. Frankel and David Romer, “Does Trade Cause Growth?” *American Economic Review* 89(3) (June 1999): 379-399, **Eis**.

Anne O. Krueger, “Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?” *Journal of Economic Perspectives* 13(4) (Fall 1999): 105-124, **Eis**.

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, **Eis**.

Charles Wyplosz, “The Euro’s Impact on Developing and Transition Economies,” World Institute for Development Economics Research WIDER Angle, 2002, pp. 15-16, in **Eis**.

Class Presentations

FINAL EXAMINATION, WEDNESDAY, DECEMBER 18, 4:10-6:00 P.M.

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 27, and an outline one week before your oral presentation.

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

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 12 at 12:30 p.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/>. Perusal of <http://www.iie.com/> might suggest topics. Other topics, for example, might include agricultural trade policy for the WTO, the new classical macroeconomics: its implications for international trade; a critique of the neoclassical approach to international trade; credibility and stabilization; the international economics of the environment (including the international economics of global warming), and the cost of protection in China.

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/>.