

## IMEP 2014 Reading List

The list below is split into two categories: (1) essential reading, (2) further reading. More advanced or technically-challenging material is highlighted using the \* superscript. All the papers will be made available on Moodle.

### Lecture 1 – Globalisation and History: An Overview

#### *Essential reading:*

O.Rourke, K.H. and J.G. Williamson (O&W). Globalization and History, Chapters 1 and 2.

After we have covered the material in Lectures 1 to 6, you should also read:  
O&W, Chapter 14: Lessons from History

### Lecture 2 – The First Era of Globalisation (1850-1914): Transport and Trade

#### *Essential reading:*

O&W, Chapter 3

Prof. Nolan's *Notes on Globalization*, Section 3.3: Trade during the Industrial Revolution

#### *Further reading:*

O&W, Chapters 5 and 6

### Lecture 3 – Factor prices and the first globalisation: Were Heckscher and Ohlin right?

#### *Essential reading:*

O&W, Chapters 4 and 8

#### *Further reading:*

\*O.Rourke, K.H., Taylor, A.M. and J.G. Williamson 1996. Factor price convergence in the late nineteenth century. *International Economic Review* 37(3), pp. 499 –530.\*

### Lecture 4 – The first and second eras of globalization compared

#### *Essential reading:*

Baldwin, R.E. and Martin, P. 1999. Two waves of globalisation: superficial similarities, fundamental differences. NBER working paper 6904.

Martin Wolf: Is today's globalisation different from what has gone before?

\*Head, K. and Mayer, T. 2013. Innis Lecture: What separates us? Sources of resistance to globalization. *Canadian Journal of Economics* 46(4), pp. 1196–1231.\*

#### *Further reading:*

Mishkin, F. S. 2008. The Next Great Globalization, Chapter 1 (on Moodle)

### Lecture 5 – Globalization, inequality and convergence

#### *Essential reading:*

Lindert, P.H. and Williamson, J.G. 2001. Does globalization make the world more unequal? NBER working paper 8228.

O&W, Chapter 9

**Further reading:**

\*Taylor, A.M. and Williamson, J.G. 1997. Convergence in the age of mass migration. *European Review of Economic History* 1, pp. 27-63.\*

Pritchett, L. 1997. Divergence, big time. *Journal of Economic Perspectives* 11(3), 3-17.

**Lecture 6 – Globalization and capital markets**

**Essential reading:**

Obstfeld, M. and Taylor, A. M. 2002. Globalization and capital markets. NBER working paper 8846.

O&W, Chapters 11 and 12

**Lecture 7 – Why doesn't capital flow to poor countries?**

**Essential reading:**

Lucas, R.E. 1990. Why doesn't capital flow from rich to poor countries? *American Economic Review* 80(2), pp. 92-96.

Alfaro, L., Kalemli-Ozcan, S. and V. Volosovych 2008. Why doesn't capital flow from rich to poor countries? An empirical investigation. *Review of Economics and Statistics* 90(2), pp. 347-68.

**Further reading:**

Schularick, M. 2006. A tale of two 'globalizations': capital flows from rich to poor in two eras of global finance. *International Journal of Finance and Economics* 11, pp. 339-54.

**Lecture 8 – The current account and consumption**

**Essential reading:**

Obstfeld, M and K. Rogoff. Foundations of International Macroeconomics, MIT Press. Chapter 1.1 to 1.1.6.

**Lecture 9 – The current account and investment**

**Essential reading:**

Obstfeld and. Rogoff, Ch. 1.2 to 1.2.4.

**Lecture 10 – Purchasing power parity (PPP) and the PPP puzzle**

**Essential reading:**

Rogoff, K. 1996. The purchasing power parity puzzle. *Journal of Economic Literature* 34(2), pp. 647-68.

For a gentle introduction to PPP:

Copeland, L. Exchange rates and international finance, Ch 2: Prices in the open economy

***Further reading:***

Obstfeld and Rogoff, Ch. 4.1

Lafrance, R. and Schembri, L. 2002. Purchasing power parity: definition, measurement and interpretation. *Bank of Canada Review* (Autumn), pp. 27-33.

For a more recent survey of the literature than Rogoff, see one of the following papers:

Taylor, A.M. and Taylor, M.P. 2004. The purchasing power parity debate. *Journal of Economic Perspectives* 18(4), pp. 135-58.

\*Sarno, L. and Taylor, M.P. 2002. Purchasing power parity and the real exchange rate. *IMF Staff Papers* 49(1), pp. 65-105. \*

**Lecture 11 – Can the Balassa-Samuelson model explain the PPP puzzle?**

***Essential reading:***

Obstfeld and Rogoff, Ch. 4.1 and Ch. 4.2.3

**Lecture 12 – Uncovered interest parity (UIP) and flex-price models of exchange rates**

***Essential reading:***

Obstfeld and Rogoff, Ch. 8.2 to 8.2.2 and Ch. 8.2.7

Copeland, Ch. 3.1 (UIP only)

***Further reading:***

Bank of England 1999. The transmission mechanism of monetary policy. Section on Exchange Rates starts on page 4.

**Lecture 13 – The sticky-price model of the exchange rate (the Dornbusch model)**

***Essential reading:***

Obstfeld and Rogoff, Ch. 9.1 to 9.2.1

**Lecture 14 – Exchange rate overshooting in the Dornbusch model**

***Essential reading:***

Obstfeld and Rogoff, Ch. 9.2.2 to 9.2.5

***Further reading:***

Rogoff, K. 2001. Dornbusch's overshooting model after 25 years. *IMF Staff Papers* 49, 1-34.

**Lecture 15 – Stylized facts of exchange rates**

***Essential reading:***

Frankel and Rose (1994), Sections 1.A to 1.B.1.a (pages 1-8)

## **Lecture 16 – Empirical tests of monetary models of exchange rates**

### ***Essential reading:***

Obstfeld and Rogoff, Ch. 9.3 to 9.3.2 (pages 621 to 626)

Rogoff, K. 2001. The failure of empirical exchange rate models: no longer new but still true. *Economic Policy* web essay 1, no. 1 (6 pages).

Frankel and Rose (1994), Sections 1.B.1.b to III (pages 8-32), except Section 1.B.1.c.

### ***Further reading:***

\*Meese, R. and Rogoff, K. 1983. Empirical exchange rate models of the 1970s: do they fit out of sample? *Journal of International Economics* 14, pp. 3-24.\*

\*Meese, R. and Rogoff, K. 1988. Was it real? The exchange rate-interest differential relation over the modern floating rate period. *Journal of Finance* 43(4), pp. 933-48.\*

## **Lecture 17 – Modern developments: New Keynesian models and Taylor rules**

### ***Essential reading:***

Hatcher and Minford (2014), Section 2.1 (pp. 3-6)

Taylor, J.B. 1993. Discretion versus policy rules in practice. *Carnegie-Rochester Conference Series on Public Policy* 39, pp. 195-214.

### ***Further reading:***

Taylor, J.B. 2001. The role of the exchange rate in monetary policy rules. *American Economic Review* 91(2), pp. 263-67.

## **Lecture 18 – Taylor rule models of the exchange rate**

### ***Essential reading:***

Engel, C. and West, K.D. 2006. Taylor rules and the deutschmark-dollar real exchange rate. *Journal of Money, Credit and Banking* 38(5), pp. 1175-94.

Molodtsova, T. and D.H. Papell 2009. Out-of-sample exchange rate predictability with Taylor rule fundamentals. *Journal of International Economics* 77, pp. 167-80.

### ***Further reading:***

Molodtsova, T., Nikolsko-Rzhevskyy, A. and Papell, D.H. 2011. Taylor rules and the Euro. *Journal of Money, Credit and Banking* 43(2-3), pp. 535-52.

## **Lectures 19 and 20 – Summing up and the final exam**

- Review the lecture slides from this term
- Read the past exam papers I have uploaded to Moodle and think about how you would answer them. (You will be able to ask any questions you have in the lecture.)