

Harvard University
Fall Semester 2017
Economics 1400 / BGP 625
The Future of Globalization: Issues, Actors, and Decisions
Tuesday/Thursday 10:00-11:30am, Menschel Hall in the Harvard Art Museum

Professors Robert Lawrence and Lawrence Summers

Our lives today are deeply intertwined with global economic and political forces. We cannot fully understand any of the economic policy issues facing the United States – jobs, economic inequality, the financial crisis, US government debt and deficits – without understanding America’s engagement in the global system. The same is true for citizens of every country. Europe is living through the consequences of commitments to a common currency, and renegotiating trade-offs between sovereignty and economic integration. International trade and foreign investment has enabled parts of Asia, most importantly China, to transition from famine to feast in one generation. The world as a whole is struggling with global challenges such as climate change and migration. Everyone is embedded, for good or ill, in a constantly evolving global economy that shapes and constrains their opportunities and those of the societies they live in.

Starting with the economic aspects of globalization, this course examines the issues raised by deepening integration – its impact on living standards, jobs, inequality, poverty, and the environment – for citizens, societies, and nations. The course focuses on the economic interests and political power of the actors that constitute the international system, including sovereign national governments, international organizations, multinational corporations, financial institutions, non-governmental organizations, and social networks – and the institutions within which those actors operate.

This course is based on the premise that reasoning through solid analytics and rigorous empirical evidence will lead to better choices about the institutions of globalization and better outcomes for human global well-being. The course provides the necessary conceptual and empirical foundations to understand today’s global challenges, focusing heavily on analyzing current debates. We hope that you will leave the course with both the knowledge and the tools to discuss, debate, and confront the opportunities—and challenges—that globalization will create over your lifetime.

Lectures will be supplemented by simulation exercises, in which students are asked to play the role of governments, stakeholders, or institutions and come to a decision on a key issue of the day. We will also have prominent experts and practitioners visit the class to discuss some of the most hotly debated current controversies.

PLEASE NOTE: The course outline and reading list may be updated further during the semester. You will receive an email and a Canvas notification each time the syllabus is updated. The syllabus posted on Canvas will always be the latest version. Please be sure to work from the latest version.

Course Prerequisites. We will assume a working understanding of basic introductory economics. Thus, Ec10 (or the equivalent); AP Economics; or permission of instructor is required. A list of topics we expect you to know, and their corresponding chapters in the Mankiw textbook, is found at the end of this syllabus. You should take the time to refresh these topics in advance of the class if needed.

Lectures. The lectures will be held in Menschel Hall at the Harvard Art Museum on Tuesdays and Thursdays, 10:00-11:30am, with both professors regularly attending.

Sections. Students will be divided into sections of approximately 18 students each, with different sections for those enrolled in Ec 1400 (undergraduates) and BGP 625 (HKS students and all other cross-registered graduate students).

Simulations: Four of the sections will be devoted to graded simulation exercises. Each of these sections will be 1.5 hours long. The first simulation will focus on the negotiations around the UK's exit from the European Union. This will take place over two sections in the weeks beginning September 25th and October 2nd. The second simulation will focus on an internal US government negotiation around the US' strategic and economic relationship with China. It will take place over two sections in the weeks beginning November 6th and November 13th (*except the HKS Friday section which will have its simulations on November 3rd and November 17th*). Students are assigned specific roles in each simulation, which are necessary for the proper functioning of the negotiation: therefore, **simulation participation is mandatory.**

Taught sections: The rest of the sections will be devoted to revising and deepening students' understanding of the key analytical concepts from the class. Each of these will be 1 hour long. Rather than being simple reviews of lectures, sections will be structured in a question-answer format, both to help students apply and integrate the analytical concepts learned in lecture, and explicitly designed to help prepare for the exams. Attendance of these sections is not mandatory, but is strongly encouraged.

Course requirements. Over the course of the semester, students will be responsible for:

- Two group presentations: one in each simulation.
- Two single-authored 4-5 page (double spaced) policy briefs, one for each simulation. Each brief will be due on the first day of the simulation.
- A midterm examination **in class on October 10th** covering all of the course material up to that point (lectures, readings and section exercises). Students may not miss or reschedule this exam.
- A 3-hour final examination **on December 12th 9am-12 noon**, covering all of the course material from the class (lectures, readings and section exercises). The date has been scheduled by the registrar in the Fall exam period. Students may not miss or reschedule this exam.
- Two 1-page (double spaced) response papers prior to lectures. (UNGRADED). These are not for evaluation: they are designed to encourage engagement with the issue of the day and to help the professors learn which issues students are particularly interested in.

Grading. The final examination will count for 35 percent of the grade, and the midterm examination will count for 15 percent of the grade. Each of the two briefs for the simulations will count for 20 percent of your grade, with the remaining 10 percent of your grade devoted to participation in simulations and section and submission of response papers.

Readings. Readings are listed on the syllabus. All readings are accessible free online to Harvard students. Almost all readings are hyperlinked on the syllabus. If they are not hyperlinked or the hyperlink does not work, you can access the readings as follows:

- For Douglas Irwin's book *Free Trade Under Fire*, we recommend using the 4th edition (2015). It is on reserve at Lamont library and the Kennedy School library, and available for purchase at the COOP. The 3rd edition (2009) is available as a free eBook on Harvard's Hollis+ library database.
- All academic journal articles can be accessed with a search in the Hollis+ database.
- All newspaper or magazine articles can be accessed either with a search in the Hollis+ database or through the links provided at <http://guides.library.harvard.edu/hks/news/indpub>.
- All book chapters (except from Irwin's book) will be made available in advance of the relevant class as a scanned PDF on the Canvas course site.
- If you are still unable to access the readings after trying this, please tell Anna (the head TF).

We have selected the readings to provide important perspectives and analytical material, but also to be cognizant of students' time. While some readings will be discussed explicitly in lecture and section, many are designed instead to complement your knowledge of the topic at hand. It is up to you to keep up with readings as they will be an important part of both the midterm and the final exam.

(The optional readings will not be evaluated, but may be helpful to you to gain a fuller understanding of the topic at hand).

How to use this syllabus. Before each lecture, please take time to:

- Read the description of the class. Make sure that you know the EC10-level economics concepts required to understand the material.
- Do the mandatory readings.
- In some lectures, there is a "topic brief", where you are asked to take the vantage point of a particular policy-maker at a particular point in history. Please think about this before the class. Part of the class will be spent applying the concepts learned to this real-world policy question. The more you think about the question in advance, the more likely you will be to find the class worthwhile and engaging, and to learn thoroughly how the analytical concepts apply to policy questions.

Economics Concentration Writing Requirement.

This course **FULFILLS** the Economics concentration writing requirement.

Auditors

Auditors are welcome to attend the lectures. To gain access to the course page for the most up to date syllabus and reading list, email Anna Stansbury (email overleaf). Auditors may not participate in the simulations or attend sections, submit assignments, or sit the midterm or final exam.

Teaching team office hours and contact information:

Professor Lawrence's office hours are 1:30 pm– 3:30 pm on Wednesdays. A sign-up sheet is posted on his door. Professor Lawrence's email address is Robert_Lawrence@harvard.edu.

Professor Summers' office hours are by appointment, 2:00pm-3:30pm on Tuesdays. Please contact Julie Shample at Julie_Shample@harvard.edu or Sarah Mapes at Sarah_Mapes@hks.harvard.edu to schedule an appointment. Professor Summers' email address is Lawrence_Summers@harvard.edu.

Once the semester begins, TF office hours will be posted on the course website. The TFs can be contacted via email as follows:

Anna Stansbury, the head TF, can be reached at annastansbury@g.harvard.edu

Patrick Behrer can be reached at behrer@g.harvard.edu

Holly Dykstra can be reached at dykstra@g.harvard.edu

Gonzalo Huertas can be reached at gonzalo_huertas@hks18.harvard.edu

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Michael-David Mangini can be reached at mangini@g.harvard.edu

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Haiyang Zhang can be reached at Haiyang_zhang@hks18.harvard.edu

ACADEMIC INTEGRITY:

Although the simulations require writing of a non-academic kind, such as the kind of policy memos used in government, students are nonetheless expected to observe Harvard University rules regarding the citation of sources in all writing submitted for this course. Please remember that any ideas in your writing that have been published elsewhere must be clearly identified. Indeed, whenever you are drawing an important argument or insight from someone else, even if you reword it into your own words, a reference to the source is required. Additionally, any materials that you reference that you have yourself produced in other courses or for any other purposes must also be cited.

Including material from others in the assignments without appropriate quotation marks and citations is regarded, as a matter of School and University policy, as a serious violation of academic and professional standards and can lead to a failing grade in the course, failure to graduate, and even expulsion from the University.¹

If you have any questions about academic integrity, your teaching fellow will be happy to discuss with you.

¹ Language adapted from Prof. David Keith.

COURSE OUTLINE

Date	Topic
Aug-31	Globalization: Introduction

History of Globalization

Sep-5	Globalization: Adam to World War 1
Sep-7	Globalization: Versailles, the interwar period and Bretton Woods
Sep-12	Globalization: Postwar to present

International Trade

Sep-14	Gains from trade - <i>Should Mexico and the US have joined NAFTA?</i>
Sep-19	The case for protectionism - <i>When is industrial policy justified?</i>
Sep-21	Distributional effects of trade - <i>Have US workers lost out from trade?</i>
Sep-26	The WTO and the politics of free trade - <i>Should the US have supported China joining the WTO?</i>
Sep-28	Guest: Thea Lee
Oct-3	Resolving world trading disputes - <i>Tuna-dolphin, Beef hormones, cigarette packaging</i>
Oct-5	Guest: Christine Lagarde
Oct-10	MIDTERM EXAM
Oct-12	The changing nature of trade agreements - <i>TPP: A Post-Mortem</i>

International Finance and Investment

Oct-17	Exchange rates and the monetary trilemma - <i>Forming the Euro area</i>
Oct-19	Guest: Martin Wolf
Oct-24	Currency crises and sovereign debt crises - <i>Mexico 1995: how to intervene?</i>
Oct-26	Adjustment in an open economy - <i>Should the US care about its current account deficit?</i>
Oct-31	International spillovers of financial crises - <i>Responding to the 2007-2008 financial crisis</i>

The Future of Globalization

Nov-2	The future of the world trading system
Nov-7	The future of international finance and investment
Nov-9	Cross-border externalities and public goods problems – <i>A global deal on climate change</i>
Nov-14	Global migration: benefits and costs - <i>How should the US set its immigration policy?</i>
Nov-16	The conflict between global firms and nation states - <i>Google and Apple in China</i>
Nov-21	Technology and global transformation - <i>Should the US adopt a universal basic income?</i>
Nov-23	THANKSGIVING BREAK
Nov-28	Global institutions and US-China relationship - <i>How should China seek to shape institutions?</i>
Nov-30	The future of globalization: shifting power, evolving institutions, reversing globalization?
Dec-12	FINAL EXAM

DETAILED OUTLINE & READING LIST

August 31st: Globalization: An Introduction

A discussion of key themes in globalization for our time, and an overview of the course.

Readings

1. Nikil Saval (2017). "[Globalisation: The rise and fall of an idea that swept the world](#)". *The Guardian* Long Read, July 14th 2017
2. Lawrence H. Summers (1999). "[Reflections on Managing Global Integration](#)." *Journal of Economic Perspectives*. Spring 1999.
3. Kishore Mahbubani and Lawrence H. Summers (2016). "[The Fusion of Civilizations: The Case for Global Optimism](#)". *Foreign Affairs* May/June 2016.

September 5th: A history of globalization: Adam to WW1

Globalization is as old as the human race. Through the discovery of trade routes, the rise and fall of empires, mercantilism, industrialization, colonialism and wars, globalization has constantly evolved. This class studies the history of globalization, the globalization "trilemma" and the evolution of global governance. How did globalization in the past resemble globalization today? The class ends with an analysis of the backlash against globalization in the 19th century US, and its parallels to the present. .

Readings

1. Kevin H. O'Rourke and Jeffrey G. Williamson (2002). "[When did globalization begin?](#)" *European Review of Economic History*. PAGES 1-7 AND 25-28
2. Kevin H. O'Rourke and Jeffrey G. Williamson (2001). "Chapter 10: Globalization Backlash: Migration Policy Gets Restrictive". *Globalization and History: The Evolution of a Nineteenth-century Atlantic Economy*. Boston: MIT Press. p.185. Print.
3. Paul Bairoch (1993). "Chapter 8: The balance sheet of colonialism". *Economics and World History: Myths and Paradoxes*. Chicago: University of Chicago Press. p.88. Print.
4. Niall Ferguson (2004). "Conclusion". *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power*. Chicago: University of Chicago Press. p.303. Print.
5. [Optional] William Jennings Bryan (1896). "[Cross of Gold](#)" *Speech at Democratic National Convention*.
6. [Optional background] Robert C. Allen (2011). "[Global Economic History: A Very Short Introduction](#)". *Oxford University Press*.
NOTE this is available as a free eBook through Harvard's Hollis+ database.

September 7th: Versailles, the interwar years and Bretton Woods

The period between WWI and WWII was marked by turmoil as global superpowers in Europe struggled to adapt to a changed world and to recover from the devastation of the war. Financial crises after the 1929 stock market crash sparked a protectionist spiral, and the Great Recession engulfed economies around the world. What were the failures of the Treaty of Versailles? Did they precipitate the economic turmoil of the 1920s/30s – and WWII? How did these events influence the policymakers coming together to design the new economic system in Bretton Woods towards the end of the war? What were the longer-term effects of the Bretton Woods system and the Marshall Plan?

Readings

1. Jeffry Frieden (2012). “[America in the World Economy: From the American Century to Globalization](#)”. *The Short American Century*, Ed. Andrew Bacevich. Cambridge, MA: Harvard University Press.
2. John Maynard Keynes (1919). “The Economic Consequences of the Peace”.
[CHAPTER 1 AND CHAPTER 6](#)
3. Barry Eichengreen and Douglas A. Irwin (2010). “[The Slide to Protectionism in the Great Depression: Who Succumbed and Why?](#)” *Journal of Economic History* PAGES 871-881, and CONCLUSIONS (893-894)
4. J. Bradford DeLong and Barry Eichengreen (1991). “[The Marshall Plan as a Structural Adjustment Program](#)”. *Abridged version of paper for Centre for Economic Performance conference on Post World War II European Reconstruction*.
5. [Optional] Raymond F. Mikesell (1994). “[The Bretton Woods Debates: A Memoir](#)”. *Princeton Essays in International Finance No. 192*. PAGES 1-4 (INTRODUCTION)
6. [Optional] Larry Elliott (2017). “[Crash Course: What the Great Depression Reveals About Our Future](#)”. *The Guardian*, 4th March 2017.
7. [Optional: background on gold standard and Bretton Woods] Michael D Bordo (2007). “[The Gold Standard](#)”, *The Concise Encyclopedia of Economics*.
8. [Optional: background on the Treaty of Versailles] Alan Sharp (2014). “[The Paris Peace Conference and its Consequences](#)” *International Encyclopedia of the First World War*.

September 12th: The Pax Americana to the present

After some decades of successful operation, the Bretton Woods exchange rate system eventually broke down in the early 1970s. A new era of globalization began, but accompanied by more financial crises, particularly in emerging economies. And after years of declining living standards and waning economic performance, the USSR collapsed in 1990, creating both the challenge of integrating many formerly socialist countries into the global economy, and the belief that this may signal the “end of history”. Since then, the success of the Chinese economy has demonstrated that growth and global economic integration can come with varied models of government; and turmoil in the Arab world and maritime disputes in Asia have challenged the global institutional system. What does globalization mean in this context, and where will it go next?

Readings

1. Jeffry Frieden (2006). “[Will Global Capitalism Fall Again?](#)”. *Bruegel*.
2. Andrei Shleifer and Daniel Treisman (2014). “[Normal Countries: The East 25 Years After Communism](#)”. *Foreign Affairs* Nov/Dec 2014.
3. Robert Kagan (2008). “[The End of the End of History](#)”, *New Republic*. April 23rd 2008.
4. Niall Ferguson (2006). “[The Next War of the World](#)”. *Foreign Affairs* September/October 2006.

September 14th: Gains from trade

We will cover the core economic theory around the benefits of freer trade. We will discuss comparative advantage, economies of scale and intra-industry trade, trade in services, and how the global value chain has affected trade in products. We apply these arguments to the case for the US and Mexico joining NAFTA in the early 1990s.

Topic focus: NAFTA – Should Mexico have joined? Should the US have agreed?

EITHER You are Mexican President Carlos Salinas. Your government negotiated NAFTA and is ready to ratify it. Critics suggest that NAFTA will drive small and medium enterprises out of business, raise unemployment and force emigration to the US. Why do you believe that Mexico should join NAFTA? How do you predict it will affect Mexico over the short and longer term?

OR You are US President Bill Clinton. Under President George HW Bush, NAFTA was agreed between the US, Canada and Mexico in December 1992. You need to decide whether or not to ratify it. What issues should you consider? What evidence would you need to make your decision?

Readings

1. Douglas A. Irwin (2015). “Free Trade Under Fire”. *Princeton University Press*. Chapter 2: “The Case for Free Trade: Old Theories, New Evidence”.
2. Lawrence H. Summers (1999). “[Globalization that works for people](#)”. Remarks to the Democratic Leadership Annual Conference, Washington, D.C. October 14, 1999
3. J. Bradford DeLong (2017). “[NAFTA and other trade deals have not gutted American manufacturing - period](#)”. *Vox Big Idea*, January 24th 2017.
4. Dani Rodrik (2017). “[What did NAFTA really do?](#)” *Dani Rodrik’s weblog*, January 26th 2017.
5. [Optional] Mark Weisbrot et al (2017). “[Did NAFTA Help Mexico? An Assessment after 23 Years](#)”. *Center for Economic and Policy Research*.
6. [Optional] Martin Wolf. (2004) [Economist Abstract](#) of “Why Globalization Works”.
7. [Optional] OECD (2014). “[Global Value Chains: Challenges, Opportunities and Implications for Policy](#)”.

PAGES 12-19

September 19th: The case for protectionism

Having studied the gains from trade, we now examine key arguments for protectionism. Is protectionism a good option if another country's production imposes negative externalities? When can the infant industry argument justify protectionism in developing countries? In what circumstances may a positive tariff actually be optimal? And how might countries use strategic trade policy to develop competitive advantages in monopolistic industries?

Topic focus: Designing industrial policy

You are the recently appointed Director for Industrial Development at the Ministry of Finance of the developing country of your choice. The Minister has asked for your opinion on a plan drafted by your predecessor: a federal program of government subsidies for nascent industries within the manufacturing sector (which industries are considered nascent will depend on the country you have chosen; e.g. the automotive cluster in Mexico). The plan also contemplates imposing tariffs on competing goods from abroad, and an import substitution strategy. What questions would guide your decision on whether to support or reject the plan?

Readings

1. Douglas A. Irwin (2015). "Free Trade Under Fire". *Princeton University Press*. Chapter 3: "Protectionism".
2. Derek Thompson (2016). "[The case for smart protectionism](#)". *The Atlantic*, July 12th 2016.
3. Kee, Hiau Looi, Cristina Neagu and Alessandro Nicita (2013). "[Is protectionism on the rise? Assessing national trade policies during the crisis of 2008](#)." *Review of Economics and Statistics* 95.1 (2013): 342-346.

September 21st: Distributional effects of trade

This class examines the distributional effects of free trade. We start by considering the impact of free trade on the incomes of factors of production, and the role of the mobility of goods and of factors in determining the degree to which they win or lose. We will also consider the increased role of offshoring and fragmentation of global value chains. We then examine the relationship between trade and income inequality, particularly in the US.

Topic focus: Did trade harm US workers?

You are an economic adviser to President Donald Trump. You have been asked to present advice on the extent to which free trade has contributed to job loss and inequality in the US. You have also been asked to present evidence on the effect of trade on standards of living and inequality in the US' developing country trade partners. How should you approach these questions?

Readings

1. Elhanan Helpman (2011). "Understanding Global Trade". Harvard University Press. 2011. Chapter 3 "Gainers and Losers"
2. Richard Baldwin (2010). "[Thinking about Offshoring and Trade: an integrating framework](#)". *VoxEU.org*, 23rd April 2010.
3. Robert Z. Lawrence and Lawrence Edwards (2013). "[US Employment Deindustrialization: Insights from History and the International Experience](#)" *Peterson Institute for International Economics*, Policy Brief 13-27.
4. Robert Lawrence (2015). "[A Numbers Argument for Renewing Trade Adjustment Assistance](#)." *Wall Street Journal*.
5. Dani Rodrik (2017). "[Too Late to Compensate Free Trade's Losers](#)". *Project Syndicate* April 11th 2017.
6. The Economist (2016). "[The Third Wave of Globalization May Be the Hardest: Review of The Great Convergence by Richard Baldwin](#)". November 19th 2016.
7. [Optional] Gary Clyde Hufbauer and Zhiyao Lu (2017). "[The Payoff to America from Globalization: A fresh look with a focus on costs to workers](#)". *Peterson Institute for International Economics* Policy Brief 17-16.
8. [Optional] Paul Krugman (1994) "[Does Third World Growth Hurt First World Prosperity?](#)". *Harvard Business Review*.
9. [Optional] Robert Lawrence (2007) "[The Globalization Paradox: More Trade Less Inequality](#)" *VoxEU*.

September 26th: The WTO and the politics of free trade

This class will cover the structure of the world trading system from the second world war until the present, with a particular focus on the role of the WTO and its key principles – most favored nation status and national treatment. It will also discuss key drivers of the politics of free trade over time, including interest groups and public opinion.

Topic focus: Should the US grant China PNTR and support it joining the WTO?

You are US President Bill Clinton in 1999, and need to decide if the US should support China joining the WTO. China's entry to the WTO would increase opportunities for US companies to trade with and invest in China, and may engender further Chinese domestic economic and political reforms; on the other hand, increased economic engagement with China would involve US workers competing with lower-paid, non-unionized Chinese workers with limited rights, and may imply endorsement of China's political system and human rights record. Should the US support China joining the WTO?

Readings

1. Douglas A. Irwin (2015). "Free Trade Under Fire". Chapter 7: The World Trading System
2. Charan Devereaux, Robert Z. Lawrence and Michael D Watkins (2006). "[The 1999 US-China Bilateral Agreement and the Battle for PNTR](#)", Chapter 6 in *Case Studies in US Trade Negotiation: Vol. 1 Making the Rules*. Washington DC: Institute for International Economics. PAGES 241-247
3. Lawrence H. Summers (2000). [Testimony Before the House Committee on Ways and Means](#)
4. David Autor et al (2013). "[The China Syndrome: Local labor market effects of import competition in the United States](#)". *American Economic Review* PAGES 2121-2125 AND CONCLUSION (P.2158-2159)
5. Justin R. Pierce and Peter K. Schott (2014). "[The Surprisingly Swift Decline of US Manufacturing Employment](#)". *American Economic Review*. PAGES 1632-1635
6. [Optional] The Economist (2017). "[Economists argue about the impact of Chinese imports on America](#)". March 11th 2017.

October 3rd: Resolving world trading disputes

How to resolve conflicts between trading nations? The class will focus on the WTO approach to trade disputes, looking at three particular cases which raise important trade-offs within the globalization trilemma.

Readings

1. Robert Z Lawrence (2007) "[The United States and the WTO Dispute Settlement System](#)" CSR no 25, March 2007 New York: Council on Foreign Relations. PAGES 3-23
2. Wallach, Lori (2004). "Whose Trade Organization?" PAGES 19-37
3. Dani Rodrik (2011). "The Globalization Paradox" PAGES 190-200 "*When hyperglobalization impinges on democratic choices*"

October 12th: The changing nature of trade agreements

With barriers to trade in goods relatively low around the world, most trade agreements no longer focus on the traditional issues of tariffs and quotas. Instead, negotiation centers on the harmonization of regulations and standards, including on state-owned enterprises, labor and environmental standards, intellectual property rights and dispute settlement between investors and national governments. How should this affect our analysis of the benefits of trade deals? Is more always better? In addition, how should this affect the practicalities of trade negotiation: what is the right balance of transparency versus privacy, and which level of government should be authorized to approve deals?

Topic focus: TPP – a post-mortem

As a US presidential candidate in 2016, would you have supported TPP? Why did it fail in the US? What lessons can be taken from this for future trade agreements?

Readings

1. Financial Times (2016). [“Breaking Down 5 Big Sections of the TPP”](#). *Financial Times*, November 5th 2016
2. Peter A. Petri and Michael G. Plummer (2016). [“Economics of the Trans-Pacific Partnership: Distributional Impact”](#). *VoxEU.org*, 30th April 2016.
3. Robert Z. Lawrence (2016). [“Appraising the TPP: What should we care about?”](#). *Peterson Institute for International Economics Trade and Investment Policy Watch* 20th Sep 2016.
4. Lori Wallach (2016). [“The Choice is Not Between TPP or No Trade”](#). *Huffington Post*, 24th March 2016.
5. Elaine McCardle (2016). [“Trade Pluses and Pitfalls: Trade experts weigh whether the US should join the Trans-Pacific Partnership”](#), *Harvard Law Bulletin* October 21 2016.
6. [Optional] James Roberts, Theodore Bromund and Riddhi Dasgupta (2016). [“Straight talk on the ISDS provisions in the Trans-Pacific Partnership”](#). *Heritage Foundation*.
7. [Optional] Laurie Garrett (2015). [“The Drug Tradeoffs in the TPP Deal”](#). *Council on Foreign Relations Expert Brief*.
8. [Optional] Max Ehrenfreud (2016). [“How the TPP became the most divisive policy in the Democratic party”](#). *Washington Post*, July 26th 2016.

October 17th: Exchange rates and the international monetary trilemma

This lecture sets out the theory of the international monetary trilemma, and discusses the different exchange rate regimes available to countries and the policy trade-offs they bring. We will address: Why might countries choose different exchange rate regimes? How can they transition between different regimes? Using the example of the Euro area, we will discuss optimal currency area theory, the practical aspects of a common currency and its inherent risks.

Topic focus: forming the Euro area

It is the early 1990s, and you are a policy advisor to the European Commission. The European Exchange Rate Mechanism has been operating to keep European currencies within narrow bands of each other, with the end goal to form a common European currency. The UK, however, recently crashed out of the ERM, and other countries such as France have had to widen their currency fluctuation band. After these events, you have been asked to reconsider the key questions around the Euro project: Do the European Union countries form an optimal currency area? What benefits would the Euro bring to the EU countries? What would be the risks, and what mechanisms could you design to prevent or solve them?

Readings

1. *The Economist* (2016). “[Two out of three ain’t bad: the Mundell-Fleming Trilemma](#)”. August 2016.
2. Jeffrey Frankel (2012) “[Choosing an Exchange Rate Regime](#)” in *the Handbook of Exchange Rates*. PARTS 28.1, 28.3, 28.4, 28.5
3. Paul Krugman (2012). “[Revenge of the Optimum Currency Area](#)”, *New York Times* June 24th 2012.
4. Lucrezia Reichlin (2017). “[Vive L’Euro?](#)” *Project Syndicate*, June 1st 2017.
5. [Optional] Jeffry Frieden (2008) “[Globalization and Exchange Rate Policy](#)” in *The Future of Globalization*. Ed. Ernesto Zedillo. New York: Routledge
6. [Optional] Anil Kashyap (2015). “[A Primer on the Greek Crisis: the things you need to know from the start until now](#)”. *mimeo*.
7. [Optional] Barry Eichengreen and Charles Wyplosz (2016). “[How the Euro Crisis was successfully resolved](#)”. *VoxEU.org*, 12th February 2016.

October 24th: Currency crises and sovereign debt crises

This lecture studies currency crises and sovereign debt crises. It will cover the effects of inflation on fixed exchange rates, the theory of sudden stops, and the role of expectations and speculation in triggering financial crises. It will consider how these crises can be prevented, including understanding the role of the IMF.

Topic focus: dealing with Mexico's "peso crisis"

Student brief: It is January 1995. You are Treasury Undersecretary for International Affairs Larry Summers. The Mexican peso had a longstanding peg to the dollar. After running increasingly large current account deficits, investors began to believe that the peso was overvalued, and capital flight began to exhaust central bank reserves. In December 1994, Mexico was forced to devalue the peso. Capital flight continued and the government began to struggle to roll over its debt; the value of the peso continued to fall once it was floated freely, and inflation spiraled upwards. The US government is considering what the likely outcome of this situation is, both for Mexico, for other emerging market economies, and for the US. What is likely to happen next? Would you recommend the US government intervene, and if so, how?

Readings

1. Council on Foreign Relations (2015). "[Currency crises in emerging markets](#)". *CFR Backgrounder*.
2. HKS Case study (1999). "Treasury and the Mexican Shock"
3. James M. Boughton (2004). "[The IMF and the Force of History: Ten Events and Ten Ideas that have Shaped the Institution](#)". *IMF Working Paper 04/75*
4. [Optional video] Larry Summers in conversation with Bill Kristol: "[The 1994 Mexican Peso Crisis](#)"
5. [Optional] Carmen Reinhart (2016) "[The Return of the Currency Crash](#)". *Project Syndicate* January 28th 2016.

October 26th: Adjustment in an open economy

This lecture will cover key theory in international monetary economics, focusing on the current account and global capital flows. It will discuss why capital flows between countries, and when and how these flows are beneficial. It will also focus on recent global imbalances, including their nature, causes and possible implications. It will also focus on the different dynamics of adjustment and current account imbalances for advanced and emerging economies, and for the special case of the US since the dollar is the global reserve currency.

Topic focus: Should the US care about its current account deficit (and the Chinese and German surpluses?)

You are Director of the US National Economic Council, Gary Cohn. You have been tasked with briefing the White House on the US current account deficit. In particular, you must evaluate why the US current account deficit has been so large and so persistent in recent years, whether or not this is a problem, and if so what should be done about it.

Readings

1. Atish Ghosh and Uma Ramakrishnan (2012). “[Current Account Deficits: Is there a problem?](#)”. *IMF Finance and Development*, March 28th 2012.
2. Feldstein, Martin (2017). “[Inconvenient truths about the US trade deficit](#)”. *Project Syndicate*. April 25th, 2017.
3. Navarro, Peter. (2017, March 5). “[Why the White House Worries About Trade Deficits](#)”. *Wall Street Journal*.
4. Neil Irwin (2016). “[The trade deficit isn’t a scorecard, and cutting it won’t make America great again](#)”. *New York Times*, March 27th 2016.
5. Jared Bernstein (2016). “[Trade deficits are not scorecards, but under certain circumstances they are far from benign](#)”. *Huffington Post*, 28th March 2016.
6. The Economist (2009). “[Global economic imbalances: when a flow becomes a flood](#)”. January 22nd 2009.
7. [Optional] Wouter den Haan et al. (2016). “[The danger of Germany’s current account surplus](#)”. *VoxEU.org*, 27th October 2016.
8. [Optional] N. Gregory Mankiw (2016). “[Want to rev up the economy? Don’t worry about the trade deficit](#).” *New York Times*, 2nd December 2016.
9. [Optional] Gary Clyde Hufbauer and Eujin Jung (2017). “[Is our trade deficit a problem?](#)”. *Peterson Institute of International Economics op-ed*. February 2nd 2017.

October 31st: International financial crises: Responding to the 2007-8 financial crisis

This lecture covers the global financial crisis of 2007-2008. It will cover key theory of financial crises including bank runs, examine international spillovers of the crisis, and the US and global policy responses, using the Great Depression era as a comparison.

Topic focus: Should the US bail out Lehman Brothers?

You are Fed Chair Ben Bernanke. Lehman Brothers is on the verge of bankruptcy, and you must decide whether the Fed should bail it out. Your assessment is that the bank is insolvent, not merely illiquid; on the other hand, the domestic and international effects of a bankruptcy could be severe. The US economy has seen a credit crunch after the sub-prime housing bubble burst, and has been in recession since early in 2008. Global financial markets are extremely interconnected, and the financial crisis has already spread across the world with several investment banks taking major losses and even a bank run in the UK. What should you do?

Readings

1. Miguel Almunia, Augustin S Benetrix, Barry Eichengreen, Kevin H. O'Rourke, Gisela Rua (2010). "[From Great Depression to Great Credit Crisis: Similarities, Differences and Lessons](#)". NBER Working Paper 15224
PAGES 1-8
2. Ben Bernanke (2013). "[The Crisis as a Classic Financial Panic](#)". Speech at Jacques Polak Research Conference. 2013.
3. James B Stewart (2009). "[Eight Days: the battle to save the American financial system](#)". *The New Yorker*, September 21st 2009
4. [Optional] Ferdinando Giugliano (2015). "[Review: 'Hall of Mirrors,' by Barry Eichengreen](#)." Financial Times. January 2015
5. [Optional] Markus K Brunnermeier (2009). "[Deciphering the Liquidity and Credit Crunch 2007-2008](#)". *Journal of Economic Perspectives* 23(1): 77-100.
6. [Optional] BBC (2009) "[Timeline: Credit crunch to downturn](#)". 7th August 2009.

November 2nd: Where next for the world trading system?

The class covers key recent developments in the world trading system, including the decline of the WTO, the rise of plurilateral deals, and recent moves away from existing trading arrangements by the US and UK. What are possible futures for the world trading system, and what would their effects be on the welfare of citizens of different countries?

Readings

1. Global Future Council on International Trade and Investment (2017). "[From Bad to Worse? The Case for Arresting the Slide in Global Trade Cooperation](#)". *World Economic Forum*
2. Geoffrey Gertz (2017). "[What will Trump's embrace of bilateralism mean for America's trade partners?](#)". *Brookings Future Development*, February 8th 2017.
3. Lawrence, Robert (2012). "[Competing with Regionalism by Revitalizing the WTO](#)." Excerpt from *The Future and the WTO: Confronting the Challenges*.
PAGES 38-41
4. Summers, Lawrence (2016). "[Voters Deserve Responsible Nationalism, not Reflex Globalism](#)." *Financial Times*.
5. Alan Murray (2016). "[GE's Immelt Signals an End to Seven Decades of Globalization](#)." *Fortune*, May 2016.
6. [Optional] Daniel Gros (2017). "[Calling the Protectionists' Bluff](#)". *Project Syndicate*, April 11th 2017.
7. [Optional] Susan Schwab (2011). "[Acknowledge Doha's demise and Move on to Save the WTO](#)." *Vox EU*

November 7th: Future of international finance and investment

This lecture will discuss key current debates about the international financial system. How do capital flows respond to taxes, what are the costs and benefits of international tax competition, and what is the scope for international tax harmonization? As China continues to develop and other markets open further, what is the future of international foreign investment – and what trade-offs will countries be willing to make to gain the benefits of receiving or sending foreign investment? As countries continue to renegotiate their approach to the international monetary trilemma, is there a role for reinstating capital controls more broadly around the world? And in a world with changing international economic power balances, what will be the future of the Bretton Woods institutions?

Readings

1. Barry Eichengreen (2016). “[Rethinking Capital Controls](#).” *Milken Review* Summer 2016
2. Joseph Stiglitz (2014). “[The World Needs a Sovereign Debt Restructuring Mechanism](#).” *Global Capital*, 12th October 2014.
3. Lawrence H. Summers (2008). “[A Strategy to Promote Healthy Globalisation](#)”. *Financial Times*, 4th May 2008.

November 9th: Global public goods and externalities: climate change

This lecture discusses the problem of global public goods and externalities, with a focus on climate change. The global nature of this public “bad” problem means there is no obvious policy solution: no central authority, no clear way of assigning responsibility for climate change, and competing priorities between climate change and economic development goals.

Topic focus: Reaching a global climate change accord

It is 2014; you are either the Premier of China Xi Jinping, or, you are US President Barack Obama. You will be meeting in November to discuss climate policy, aware that any decision you come to will influence the decisions of other countries in the Paris summit next year. What is your ideal policy solution for tackling global climate change? What compromises will you be willing to make to come to an agreement?

Readings

1. Martin Wolf (2012). [“The World’s Hunger for Public Goods”](#). *Financial Times*. January 4th, 2012.
2. Robert Lawrence, Albert Bressand, and Takatoshi Ito (1996). “When is International Cooperation Desirable?” Chapter 3 of *A Vision for The World Economy: Openness, Diversity, and Cohesion*.
PAGES 44-58
3. Robert Stavins (2015). [“Paris Agreement – A Good Foundation for Meaningful Progress”](#). *Robert Stavins blog*, December 12th 2015.
4. Robert Stavins (2017). [“Why Trump Pulled the US Out of the Paris Accord – And What the Consequences Will Be”](#). *Foreign Affairs*, June 5 2017.
5. [Optional] Daniel Bodansky et al (2014). [“Facilitating Linkage of Heterogeneous Regional, National, and Sub-National Climate Policies Through a Future International Agreement”](#). *Harvard Project on Climate Agreements*
6. [Optional] Robert Lawrence and Robert Stavins (2015). [“What the WTO can learn from the Paris climate talks”](#). *Boston Globe*, December 7th 2015.

November 14th: Global migration

This lecture will discuss the theory and empirical evidence on global migration flows, including the benefits and costs of immigration for receiving countries – both on net, and in terms of distributional effects - , the benefits and costs of emigration from developing countries, and the (absence of) international institutions and conventions governing migration.

Topic focus: What should the US' immigration policy be?

Student brief: You are advising the Chair of the Senate Subcommittee on Border Security and Immigration. You are asked to propose a new immigration policy for the US, balancing economic, security and humanitarian goals, as well as political feasibility. What issues would you consider? How would you prioritize them?

Readings

1. George Borjas (2017). "[The Immigration Debate We Need](#)". *New York Times*. February 27th, 2017.
2. Lant Pritchett (2006). "[Let Their People Come](#)". *Center for Global Development*. *INTRODUCTION ONLY: PAGES 1-12*.
3. Harold James (2017). "[Rethinking Labor Mobility](#)". *Project Syndicate*. January 3rd, 2017.
4. Anna Maria Mayda and Giovanni Peri (2017). "[The Economic Impact of US Immigration Policies in the Age of Trump](#)". *VoxEU.org*, 14th June 2017.
5. Lant Pritchett (2017). "[Why are Geniuses Destroying Jobs in Uganda?](#)" *Center for Global Development*.
6. [Optional] UPenn Wharton Budget Model. (2016) "[The Effects of Immigration on the United States Economy](#)". *UPenn Wharton Background brief*
7. [Optional] Tom Nuttall (2016). "[Looking for Home](#)" *The Economist*. May 28th 2016.

November 16th: Global firms and nation states

As trade, capital flows and labor become more globalized, and production chains become more fragmented, powers are shifting away from nation states towards firms; at the same time, as major emerging markets get richer, firms may increasingly need to make concessions to governments to reach those markets. The issues are particularly stark for internet companies, whose products by their nature are borderless. What are the tensions between firm power and nation state sovereignty, and how are they being resolved?

Topic focus: Google in the EU - privacy and free speech

European law has in recent years established a "right to be forgotten" for its citizens. If information is established to be "inadequate, irrelevant or no longer relevant, or excessive", citizens have the right to ask providers like Google to remove this information from search results. On the other hand, US law prioritizes free speech particularly with the First Amendment. Google has complied with the EU's "right to be forgotten" by removing search results from searches conducted in the relevant country, but does not remove those results from searches conducted outside countries with "right to be forgotten" laws. The French government argues that this destroys the meaning of the "right to be forgotten", which should apply to all searches in all jurisdictions: if a French national wishes an irrelevant piece of information about them to be removed from search, neither a French person nor an American should be able to see that information. What should Google do: both in terms of ethics, and in terms of balancing its compliance obligations with different national laws?

Readings

1. The Guardian (2017). "ECJ to rule on whether "right to be forgotten" can stretch beyond EU". 20th July 2017. <https://www.theguardian.com/technology/2017/jul/20/ecj-ruling-google-right-to-be-forgotten-beyond-eu-france-data-removed>
2. The Economist (2016) "What is the "splinternet"?" November 22nd 2016. <https://www.economist.com/blogs/economist-explains/2016/11/economist-explains-11>
3. Ben W. Heineman Jr. (2016). "The Conflict Between a Corporation's Global Standards and National Law". Business Ethics, April 5th 2016. <http://business-ethics.com/2016/04/05/1514-the-conflict-between-a-corporations-global-standards-and-national-law/>

November 21st: Technology and global transformation

This lecture will discuss the evidence on the extent to which technological change – in particular, automation – has displaced jobs and exacerbated inequality in the past, and to what extent is this likely in the future. How should policy respond? Given evidence on premature deindustrialization, what impact is this likely to have on the path to development for developing countries today?

Topic focus: Should the United States implement a universal basic income?

You are Secretary of Labor Alex Acosta. You are concerned about the rise of automation technologies putting low- and middle-skill workers out of work and/or causing their wages to fall dramatically. A growing number of prominent US voices are advocating a universal basic income – including both entrepreneurs and business leaders, and left-wing politicians and campaigners. Should you propose a universal basic income? If so, what exactly would it entail? What objectives would it have? And assumptions would you need to make for it to have the desired effect?

Readings

1. Rodrik, Dani(2015). [“Premature Deindustrialization”](#). NBER Working Paper No. 20935
PAGES 1-5 and 22-26
2. Brynjolfsson, Erik and Andrew McAfee (2016). [“Human work in the robotic future: Policy for the age of automation”](#). *Foreign Affairs* July/August 2016
3. Mark Zuckerberg (2016). [Harvard Commencement Address](#).
4. Eduardo Porter (2016). [“A Universal Basic Income is a Poor Tool to Fight Poverty”](#). *New York Times*, May 31st 2016.
5. Richard Baldwin (2016). “The Great Convergence”
CHAPTER 10: FUTURE GLOBALIZATION
6. [Optional] David Autor (2015). [“Why are there still so many jobs? The history and future of workplace automation”](#). *Journal of Economic Perspectives*

November 28th: Institutions and the US-China relationship

This lecture covers the power structure inherent in existing multilateral institutions – particularly economic institutions such as the IMF and development banks. It will discuss prospects for reform to the existing system, as well as challenges to the institutional structure from China and other emerging market economies. It will build on the knowledge you have acquired about OBOR and AIIB from the US-China simulation.

Topic focus: How should China seek to shape global institutions?

You are Chinese Premier Xi Jinping. You believe that China is insufficiently represented in existing international institutions. You have over recent years launched the AIIB, One Belt One Road and Regional Comprehensive Economic Partnership which aim to expand Chinese economic cooperation and influence within Asia, as well as the New Development Bank for the Brics. You are deciding on China's medium-term strategy for participation in the world's main economic institutions (IMF, World Bank, WTO). Of Ikenberry and Lim's 5 options below, which will you choose?

STATUS-QUO STAKEHOLDER	AUTHORITY- SEEKING STAKEHOLDER	INSTITUTIONAL OBSTRUCTION	EXTERNAL INNOVATION	OPPOSITION
Join; participate within existing rules and practices.	Join; seek greater voice through redistributing decisionmaking authority.	Join; alter, impede, or contain the pursuit of undesirable rules, practices, and norms.	Build new institution; (1) offer alternative node of cooperation; (2) promote alternative rules/norms within.	Outright opposition to or non-participation in existing institutional arrangements

Readings

1. Ikenberry, G. John and Darren J. Lim (2017). “[China’s emerging institutional statecraft](#)”. *Brookings Institution Project on International Order and Strategy*, April 2017. PAGES 1-9
2. Bremmer, Ian (2015). “Introduction”. *Superpower: Three Choices for America’s Role in the World*. Penguin, New York.
3. Roach, Stephen S. (2017). “[Rethinking the Next China](#)”. *Project Syndicate*, May 25th 2017.

November 30th: The Future of Globalization

A summary of the course's key concepts and a return to the trilemma: sovereignty, integration, and public purpose. The class will mostly focus on the future: How will the power balance shift further between nation states, multilateral institutions and corporations? How should states approach the changing nature of the globalization trilemma? How will the rise of political anti-globalization movements affect further integration?

Readings

1. Jeff D. Colgan and Robert O. Keohane (2017). "[The Liberal Order is Rigged: Fix It Now or Watch It Wither](#)", *Foreign Affairs* May/June 2017
2. Bill Emmott (2017). "The Fate of the West".
CHAPTER 11: THE FATE OF THE WEST
3. Stephen D. King (2017). "Grave New World"
CHAPTER 11: OBLIGATIONS AND IMPOSSIBLE SOLUTIONS
4. Edward Luce (2017). "[The Siege of Western Liberalism](#)", *Financial Times*, May 5th 2017

ECONOMIC CONCEPTS TO KNOW FOR THIS COURSE

You are required to know the content from EC10a and EC10b, or an equivalent undergraduate-level introductory course in economics. If you took a course like this some time ago and don't remember the material very well, you should recap an introductory-level book such as Mankiw's *Principles of Economics*.

In particular, you will be expected to be familiar with the following concepts

- **Trade**
 - The principle of comparative advantage
 - The effects of tariffs and quotas (welfare analysis)
- **Money and Finance**
 - Function of money (store of value, unit of account, medium of exchange)
 - Quantity theory of money
 - Real and nominal interest rates, the Fisher equation
 - National income accounting: trade balance and capital flows (X-M and S-I)
 - Determinants of exchange rates
 - Effects of exchange rates on trade
 - Purchasing power parity theory
 - Difference between small open economy and large open economy: assumptions and implications
- **Public goods and externalities**
 - What they are: definitions and examples
 - Solutions: government provision, Pigovian taxes, Coase theorem
- **General concepts**
 - National income accounts
 - Economies of scale

A useful book to review these topics is: N. Gregory Mankiw, *Macroeconomics*.

We recommend that you know the content in these chapters:

- Chapter 4: The Monetary System
- Chapter 5: Inflation
- Chapter 6: The Open Economy
- Chapter 19: Government Debt and Budget Deficits

It may be helpful to you to be familiar with the content in these chapters:

- Part IV: Business Cycle Theory (Chapters 10-14)
- Chapter 20: The Financial System