ECONOMICS 49: TOPICS IN INTERNATIONAL ECONOMICS

Class Meetings: Section 1, 10A: Tuesdays, Thursdays 10:00-12:00 p.m.
              X-hour: Wednesdays 3:00 p.m.-4:05 p.m.

              Section 2, 2A: Tuesdays, Thursdays 2:00 p.m.-4:00 p.m.
              X-hour: Wednesdays 4:15 p.m.-5:20 p.m.

Office hours: Tuesdays 12:00 p.m. – 1:30 p.m., Thursdays 12:00 p.m.-1:30 p.m.
              Also by appointment
              Location: Rockefeller 325 (646-2511)

I. OBJECTIVES

This seminar covers topics in international economics, with a focus on international finance and open-economy macroeconomics. The goal of the seminar is to have participants learn about important economic policy issues. In the process, students will study and apply economic theory and empirical methods, develop an understanding of economic and political institutions, and gain knowledge about individual country experiences.

The first unit focuses on economic growth. Class discussions and student presentations will explore the underlying determinants of growth, with a special emphasis on empirical findings. Current research on the role of trade, geography and institutions in promoting growth will be studied. Seminar participants will learn how to estimate a growth regression for a cross section of countries and write up their regression results.

The second unit explores topics related to globalization. We will study cross-border equity flows, illegal immigration, outsourcing, and the unequal distributional effects of trade liberalization.

The third unit examines some topics in political economy. We will examine research on the economic determinants of international terrorism and the identification and performance of artificial states.

The fourth unit explores foreign direct investment (FDI). Topics covered include the effect of host-country corruption on the location decision of multinationals, and the effects of FDI on the host country’s economy, with particular attention to possible
technological spillovers. Students will estimate a regression related to the location
decision of U.S. multinational corporations.

The seminar concludes with a look at some topics related to emerging markets.
Students will study recent empirical efforts to predict banking crises and currency crises.
They will also look at forces that jumpstart and shape the reform process.

II. ASSIGNMENTS

Students should read the required reading before class and come to class prepared
to discuss the reading. Class preparation and discussion are important parts of the
seminar and contribute to learning. Class attendance is also important.

As mentioned in the previous section, each student will estimate a growth
regression and a FDI regression under the guidance of the instructor. In addition, for the
student-led papers presented in class, non-presenting students will bring to class that day
a maximum one-page write up about the paper. The template for the write up is on
blackboard. The template asks you to state the main hypothesis of the paper, briefly
describe the empirical methodology for testing the hypothesis, and identify the main
results.

In addition, students will work in pairs to present in class one or more of the
assigned readings. Student presentations should be about 45 minutes. Presentations
should be accompanied by powerpoint or pdf-formatted slides. During and after each
presentation, other students will have the opportunity to raise questions and discuss
issues raised by the paper.

Each student will also write a seminar paper of about 15 pages (not counting
references, data, tables and figures). The paper can address any issue in international
finance, open-economy macroeconomics or trade, but it is assumed that many papers will
draw from issues covered in the seminar. Students should confer with the professor on a
paper topic by January 25. A properly formatted excel spreadsheet containing (most of)
the data to be used for the paper is due February 15. The paper is due on Wednesday,
March 7 by 11 p.m.

The course grade will reflect the grades earned on the presentation(s) of the
assigned readings (30%), the research paper (50%), and class participation (20%).
Despite this weighting scheme, a passing grade on the paper is required to pass the
course. Class participation is based on class attendance, class discussion, the two
regression exercises, and the short paper write-ups. Students will be evaluated
individually rather than as a group on each presentation.
III. CLASS SCHEDULE

Thursday, January 4    Organizational Meeting
Tuesday, January 9     Workshop: Growth
Thursday, January 11   Student Presentation: Trade & Growth
Tuesday, January 16    Student Presentation: Geography and Growth
Thursday, January 18   Student Presentation: Institutions and Growth
Tuesday, January 23    Student Presentation: Cross-Border Equity Flows
Thursday, January 25   Student Presentation: Illegal Immigration
Tuesday, January 30    Student Presentation: Outsourcing
Thursday, February 1   Student Presentation: Distributional Effects of Trade Liberalization
Tuesday, February 6    Student Presentation: International Terrorism
Thursday, February 8   Student Presentation: Artificial States
Tuesday, February 13   Student Presentation: FDI and Corruption
Thursday, February 15  Student Presentation: FDI and Spillovers
Tuesday, February 20   Student Presentation: Banking Crises
Thursday, February 22  Student Presentation: Jumpstarting Reforms
Tuesday, February 27   Workshop: Currency Crises
Thursday, March 1      Workshop: Writing a Paper in Economics
Tuesday, March 6       No class
Most readings are available on the internet and internet addresses are provided on the syllabus. An asterisk(*) indicates a required reading.

**Unit 1: Growth**

**For January 4: Overview of course**

*Prof. Marion will discuss course outline and requirements.*

**For January 9: Determinants of Economic Growth -- Theory and Evidence**

*Workshop led by Prof. Marion*

*Central Question: How can poor countries become rich? Are there some key factors that can increase a country's growth rate?*

[Link](#)

[Link to Paper](#)

[Link](#)


[Link to Paper](#)
For January 11: Trade and Economic Growth

Student Presentation
Central Question: Can a country achieve higher economic growth by liberalizing trade in goods and services?


For January 16: Geography and Growth

Student Presentation
Central Question: Is growth determined by geography?


[Link](#)

[Link](#)

**For January 18: Institutions and Growth**

**Student Presentation**

**Central Question:** What is the effect of institutions on economic performance?


**Further Readings on Growth for the Interested Student:**


Unit 2: Topics in Globalization

For January 23: Cross-Border Equity Flows

Student Presentation
Central Question: What are the determinants of cross-border equity flows?


For January 25: Illegal Immigration

Student Presentation
Central Question: Is illegal immigration responsive to relative wages and border enforcement?


**For January 30: Outsourcing**

*Student Presentation*

*Central question: What is the impact of outsourcing to China from Hong Kong on Hong Kong’s labor market?*


**For February 1: Effects of Trade Liberalization**

*Student Presentation*

*Central question: Can trade liberalization have unequal effects on growth in different industries and regions within a single country?*


Unit 3: Political Economy

For February 6: International Terrorism

Student Presentation
Central Question: Is poverty at the root of terrorism?


Krueger, Alan and Jitka Maleckova, “Education, Poverty and Terrorism: Is There a Causal Connection?” Journal of Economic Perspectives (17), No. 4, Fall 2003, pp. 119-144. Link

For February 8: Artificial States

Student Presentation
Central Question: How do we measure the degree to which national borders are natural or artificial and is the measure correlated with economic and political success?


Unit 4: Foreign Direct Investment

For February 13: FDI and Corruption

Student Presentation
Central Question: Does corruption in the host country deter FDI from coming in?


For February 15: FDI and Spillovers

Student Presentation
Central Question: Does inward foreign direct investment improve the productivity of domestic firms?


Unit 5: Emerging Markets

For February 20: Banking Crises


For February 22: Jumpstarting Reforms


For February 27: Predicting Currency Crises and Contagion

Workshop led by Prof. Marion
Central Question: Can we predict a currency crisis and its contagion?


For March 1: Writing an Economics Paper

Professor-led workshop

Central question: How do you write a research paper in economics?

The mechanics of writing a research paper in economics. Questions related to student papers.