

World Economy

EC 4020, Part B

Instructor

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Office Hour: Wednesday, 14.30-16.30, Room 3002.

Course Description

The purpose of this course is to provide a background to engage with the big topics that characterize the world economy. It covers issues like financial globalization, trade, development strategies, inequality, migration, and climate change. We are going to take an historical view focusing on the dynamics after War World II. At the end of the course the student is expected to have a critical and analytical perspective on these topics.

The following syllabus provides the key readings to be successful for the course and the final exam. The list of additional readings is meant as a tool for students who want to deepen a specific topic, but they will not be part of the exam. The student should not focus on the technical details of each reading, but rather be able to absorb the key analytical arguments and empirical findings. Please note the list of readings in this syllabus will be updated on occasion throughout the semester.

There is no specific textbook for this course. It relies mainly on journal articles and a few chapters from books. When available a download link is provided. Most of the download should be executed while on-campus network because of guaranteed journal access.

The final exam will count for 70%. The remaining 30% will come from an extended research proposal of 15-20 pages, including references and appendices. Essays should be submitted only as PDF files through [turnitin](https://www.turnitin.com). Submission deadline is by midnight of March 24th 2017.

Tutorials will be used to prepare students for exam type questions. Students will be allocated into one of 30 groups and each group will be expected to present once in tutorials. Three groups will present in each tutorial for 10-12 minutes. If you do not participate in your tutorial marks will be deducted from your assignment. All students will be expected to attend all their assigned tutorials. Tutorials will take place in week 2, 4, 6, 8 and 10.

Syllabus

Topic 1. A Short History of the World Economy: from the Golden Age of Capitalism to the Secular Stagnation

Crafts N.F.R. and Toniolo G., 1995. "Post-War Growth: an Overview", CEPR Discussion Paper 1095.

Findlay R. and K.H. O'Rourke, 2007. "Reglobalization: The Late Twentieth Century in Historical Perspective", in *Power and Plenty*, chapter 9, Princeton University Press.

Teulings, C. and R. Baldwin, 2014. "Secular Stagnation: Facts, Causes, and Cures", *VoxEu Ebook*, chapters 1-4. (need to register on voxeu.org website)

Bernanke B.S., 2004. Remarks by the FED Governor, Conference on Reflections on Monetary Policy 25 Years after October 1979, FED of St. Louis. ([Download](#))

Additional readings

Eichengreen B., 2008. "The Bretton Woods System", in *Globalizing Capital*, chapter 4, Princeton University Press, 2nd edition.

Solomon R., 1999. "The way it was in 1980" and "Changing in Philosophies of Economic Policies", in *The Transformation of the World Economy*, chapters 2 and 3, St. Martin's Press, 2nd edition.

Quah D., 2011. "The Global Economy's Shifting Centre of Gravity", *Global Policy*, Volume 2, Issue 1, 3-9. ([Download](#))

Topic 2. Financial Globalization and Crises

2.1 Highlights of financial globalization

Lane P.R., and Milesi-Ferretti G.M., 2007. "The external wealth of nations mark II: Revised and extended estimates of foreign assets and liabilities, 1970-2004," *Journal of International Economics*, volume 73, issue 2, 223-250. ([Download](#))

Lane P.R., and Milesi-Ferretti G.M., 2008. "The Drivers of Financial Globalization," *American Economic Review P&P*. ([Download](#))

Rodrik D., and Subramanian A., 2009. "Why Did Financial Globalization Disappoint?", *IMF Staff Papers*, Volume 56, Number 1, 112-138. ([Download](#))

Aizenmann J., Chinn M.D., and Ito H., 2010. "The Emerging Global Financial Architecture: Tracing and Evaluating the New Patterns of the Trilemma's Configurations", *Journal of International Money and Finance*, volume 29, issue 4, 615-641. ([Download](#))

Additional readings

Calomiris C.W., 2005. "Capital flows, financial crises, and public policy", in M. Weinstein (eds.), *Globalization: What's New*, chapter 3, Columbia University Press. ([Download](#))

Kose, M. A., Prasad E., Rogoff K., and Wei S., "Financial Globalization: A Reappraisal," *IMF Staff Papers*, Volume 56, Number 1, 8-62. ([Download](#))

Rey H., 2013. "Dilemma not Trilemma: The global financial cycle and monetary policy independence", VoxEu 31st August 2013. ([Download](#))

2.2 General patterns of crises

Reinhart C.M. and Rogoff K.S., 2010. "Varieties of Crises and their Dates", in *This Time is Different, Eight Centuries of Financial Folly*, chapter 1, Princeton University Press.

2.3 Some crises in details

- The Latin American Debt Crisis in the 1980s

Frenkel R., 2003. "Globalization and Financial Crises in Latin America," *Cepal Review*, Volume 80, 39-51. ([Download](#))

Eichengreen B., 2010. *Latin Lessons for the Euro Zone*, University of California Berkeley, mimeo. ([Download](#))

- The European Monetary System Crisis

Eichengrenn B., 2000. "The EMS Crisis in Retrospect," NBER Working Paper 8035. ([Download](#))

- The East Asian Crisis

Corsetti G., Pesenti P., and Roubini N., 1999. "What caused the Asian Currency and Financial Crisis?", *Japan and the World Economy*, volume 11, issue 3, 305-373. ([Download](#))

Additional readings

Calvo G.A., 1998. "Capital Flows and Capital-Market Crises: the Simple Economics of Sudden Stops," *Journal of Applied Economics*, volume 1, issue 1, 33-54. ([Download](#))

Eichengreen B., 2008. "A Brave New Monetary World", in *Globalizing Capital*, chapter 6, Princeton University Press, 2nd edition.

2.4 The Global Financial Crisis

Brunnermeier, M. K., 2009. "Deciphering the Liquidity and Credit Crunch 2007-08", *Journal of Economic Perspectives*, volume 23, issue 1, 77-100. ([Download](#))

Bean, C., 2009. "The Great Moderation, the Great Panic and the Great Contraction", Schumpeter Lecture, Annual Congress of the European Economic Association, Barcelona. ([Download](#))

Causes of the Global Financial Crisis:

- Low interest rates

Taylor J., 2010. "Getting Back on Track: Macroeconomic Lessons from the Financial Crisis", *Federal Reserve Bank of Saint Louis Review*, volume 92, issue 3, 165-176. ([Download](#))

- Global imbalances

Obstfeld M., and Rogoff K., 2010. "Global Imbalances and the Financial Crisis: Products of Common Causes", University of California at Berkeley. ([Download](#))

- Financial globalization

Lane P.R., 2012. "Financial Globalization and the Crisis", BIS Working Paper n. 397. ([Download](#))

- Banks

Shin H. S., 2012. "Global Banking Glut and Loan Risk Premium", Mundell-Fleming Lecture, IMF Annual Research Conference, November 2011. ([Download](#))

- Euro-zone Crisis

Shambaugh, J., 2012. "The Euro's Three Crises", Brookings Papers on Economic Activity, Spring 2012.

Brunnermeier et al., 2016. "The Sovereign-Bank Diabolic Loop and ESBies", *American Economic Review Papers and Proceedings*, 2016 .

Amaglobeli et al., 2015. "From Systemic Banking Crises to Fiscal Costs: Risk Factors", IMF Working Paper 15/166.

Additional readings

Tett G., 2009. *Fool's Gold*, Abacus.

McCulley P., 2009. "The Shadow Banking System and Hyman's Minsky Economic Journey", *Global Central Focus*, PIMCO. ([Download](#))

Arcand J.L., Berkes E., and Panizza U., 2012. "Too Much Finance?", IMF Working Paper 12/161. ([Download](#))

Milesi-Ferretti G.M., and Tille C., 2011. "The Great Retrenchment: International Capital Flows during the Global Financial Crisis", *Economic Policy*, volume 26, issue 66, 287-342. ([Download](#))

Philippon T., Reshef A., 2012. "An International Look at the Growth of Modern Finance", *Journal of Economic Perspective*, volume 27, issue 2, 73-96. ([Download](#))

Symposium: The Growth of the Financial Sector, *Journal of Economic Perspective*, volume 27, issue 2. ([Download](#))

Jorda O., Schularick M., and Taylor A.M., 2011. "Financial Crises, Credit Booms, and External Imbalances: 140 Years of Lessons," *IMF Economic Review*, volume 59, issue 2, 340-378. ([Download](#))

Schularick M., and Taylor A.M., 2012. "Credit Booms Gone Bust: Monetary Policy, Leverage Cycles, and Financial Crises, 1870-2008." *American Economic Review*, volume 102, issue 2, 1029-61. ([Download](#))

Topic 3. Globalization, Trade, and Growth

Irwin, D.A. 2005. "Trade and Globalization", in M. Weinstein (eds.), *Globalization: What's New*, chapter 2, Columbia University Press. ([Download](#))

Dollar D., and Wade R.H, 2009. "Trade Liberalization and Economic Growth: Does Trade Liberalization Contribute to Economic Prosperity?", in J.H Hird, P.M. Haas, and B. Mcbratney (eds), *Controversies in Globalization*, CQ Press. ([Download](#))

Chang H.J., 2003. "Kicking Away the Ladder: the "Real" History of Free Trade", FPIF Special Report, December 2003. ([Download](#))

Rodriguez R.F., and Rodrik D., 2001. "Trade Policy and Economic Growth: a Skeptic's Guide to the Cross-National Evidence", in B.S. Bernanke and K. Rogoff (eds), *NBER Macroeconomics Annual 2000*, volume 15.

Wacziarg R., and Welch K.H, 2008. "Trade Liberalization and Growth: New Evidence", *World Bank Economic Review*, volume 22, issue 2, 187-231. ([Download](#))

Additional readings

World Trade Organization, 2011. *Understanding the WTO*, chapter 1. ([Download](#))

Stiglitz J.E., and Charlton A., 2004. "A Development Round of Trade Negotiations?", article based on *The Development Round of Trade Negotiations In The Aftermath of Cancun*, Commonwealth Secretariat. ([Download](#))

Topic 4. State, Markets, and the Big Development Debate

4.1 The Big Push

Hirschman A., 1968. "The Political Economy of Import-Substituting Industrialization in Latin America", *The Quarterly Journal of Economics*, volume 82, issue 1, 1-32. ([Download](#))

Krugman P., 1994. "The rise and fall of development economics", in L. Rodwin (eds), *Rethinking the Development Experience: Essays Provoked by the Work of Albert O. Hirschman*, chapter 2, the Brookings Institution. ([Web link](#))

4.2 The Washington Consensus

Williamson J., 2004. "A short history of the Washington Consensus", paper for the conference *From the Washington Consensus towards a new Global Governance*, Barcelona, September 24–25, 2004. ([Download](#))

4.3 What's next?

Rodrik D., 2006. "Goodbye Washington Consensus, Hello Washington Confusion?", *Journal of Economic Literature*, volume 44, issue 4, 973-987 ([Download](#))

Lindauer D.L., and Pritchett L., 2002. "What's the Big Idea?: The Third Generation of Policies for Economic Growth", *Economia*, volume 3, issue 1, 1-39. ([Download](#))

Baldwin R., 2012. "Trade and Industrialisation after Globalisation's Second Unbundling: How Building and Joining a Supply Chain are Different and Why it Matters", in R. Feenstra and A. Taylor (eds.), *Globalization in an Age of Crisis: Multilateral Economic Cooperation in the Twenty-First Century*, University of Chicago Press. ([Download](#)) + Comments by discussant Andres Velasco ([Download](#))

Additional readings

Lin J.Y., 2012. *New Structural Economics a Framework for Rethinking Policy and Development*, The World Bank, chapter 1. ([Download](#))

Rodrik D., 2008. "Normalizing Industrial Policy", Commission on Growth and Development, The World Bank, Working Paper n. 3. ([Download](#))

Kay C., 2002. "Why East Asia Overtook Latin America: Agrarian Reform, Industrialisation and Development", *Third World Quarterly*, volume 23, issue 6, 1073-1102. ([Download](#))

Mazzucato M., 2013. *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*, Anthem Press.

Topic 5. Inequality and Poverty

Milanovic B., 2012. "Global Income Inequality by the Numbers: in History and Now", Policy Research Working Paper n.6259, The World Bank. ([Download](#))

Thoerbecke E., and Charumilind C., 2002. "Economic Inequality and its Socioeconomic Impact", *World Development*, volume 30, issue 9, 1477-1495. ([Download](#))

Chen S., and Ravallion M., 2010. "The developing world is poorer than we thought, but no less successful in the fight against poverty", *Quarterly Journal of Economics*, volume 125, issue 4, 1577-1625. ([Download](#))

Alvaredo F., Atkinson A.B., Piketty T., and Saez E., 2013. "The Top 1 Percent in International and Historical Perspective", *Journal of Economic Perspectives*, volume 27, issue 3, 3-20. ([Download](#))

The Economist Debate, Jan 21st 2011, *How does inequality matter?* ([Link](#))

Additional readings

Pritchett L., 1995. "Divergence Big Time", *Journal of Economic Perspectives*, volume 17, issue 3, 3-17. ([Download](#))

Goldberg P. K., and Pavcnik N., 2007. "Distributional Effects of Globalization in Developing Countries", *Journal of Economic Literature*, volume 45, issue 1, 39-82. ([Download](#))

Piketty T., and Saez E., 2013. "Top Incomes and the Great Recession: Recent Evolutions and Policy Implications", *IMF Economic Review*, vol. 61, issue 3, 456-478. ([Download](#))

Sala-i-Martin X., 2006. "The World Distribution of Income: Falling Poverty and ... Convergence, Period", *Quarterly Journal of Economics*, volume 121, issue 2, 351-397. ([Download](#))

Milanovic B., 2002. "The Ricardian Vice: Why Sala-i-Martin's calculations of world income inequality are wrong", mimeo. ([Download](#))

Topic 6. Migration

Borjas B., 2005. "Globalization and Immigration", in M. Weinstein (eds.), *Globalization: What's New*, chapter 4, Columbia University Press. ([Download](#))

Ottaviano, G. I. P. and Peri G., 2012. "Rethinking the Effects of Immigration on Wages", *Journal of the European Economic Association*, volume 10, issue 1, 152-197. ([Download](#))

Clemens M.A., 2011. "Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?", *Journal of Economic Perspectives*, volume 25, issue 3, 83-106. ([Download](#))

Prtichett L., 2006. *Let Their People Come: Breaking the Gridlock on Global Labor Mobility*. Center for Global Development, chapter 1. ([Download](#))

Additional readings

D'Amuri F., and Peri G., 2012. "Immigration, Jobs, and Employment Protection: Evidence from Europe before and during the Great Recession", *Journal of the European Economic Association*, forthcoming. ([Download](#))

Bianchi M., Buonanno P., and Pinotti P., 2012. "Do Immigrants Cause Crime?", *Journal of the European Economic Association*, volume 10, issue 6, 1318-1347. ([Download](#))

Beine, M., Docquier, F., and Rapoport H., 2008. "Brain Drain and Human Capital Formation in Developing Countries: Winners and Losers", *Economic Journal*, volume 118, issue 528, 631-652. ([Download](#))

De Haas H., 2007. "Turning the tide? Why development will not stop migration", *Development and Change*, Volume 38, issue 5, 819-841. ([Download](#))

Weaving the World Together, *The Economist*, Nov 19th 2011 ([Link](#))

Topic 7. Climate Change

Intergovernmental Panel on Climate Change, 2013. *Climate Change 2013: the Physical Science Basis*, Summary for Policy Makers. ([Download](#))

Fullerton D., and Stavins R., 1998. "How Economists See the Environment", *Nature*, volume 395, 433-434. ([Download](#))

Stern N., 2013. "The Structure of Economic Modeling of the Potential Impacts of Climate Change: Grafting Gross Underestimation of Risk onto Already Narrow Science Models", *Journal of Economic Literature*, volume 51, issue 3, 838-59. ([Download](#))

Newell R.G., Pizer W.A., and Raimi D., 2013. "Carbon Markets 15 Years after Kyoto: Lessons Learned, New Challenges", *Journal of Economic Perspectives*, volume 27, issue 1, 123-46 ([Download](#))

Additional readings

Tol R.S.J., 2009. "The Economic Effects of Climate Change", *Journal of Economic Perspectives*, volume 23, issue 2, 29-51. ([Download](#))

Frankel J.A., 2005. "The Environment and Social Globalization", in M. Weinstein (eds.), *Globalization: What's New*, chapter 6, Columbia University Press. ([Download](#))

Stern N., 2007. *The Economics of Climate Change: the Stern Review*, Cambridge University Press. ([Download](#))

Pasurka C., 2008. "Perspectives on Pollution Abatement and Competitiveness: Theory, Data, and Analyses", *Review of Environmental Economics and Policy*, volume 2, issue 2, 194-218. ([Download](#))