Lecture 24
Review

Lecture 24 Outline
For each lecture:
• Outline
  • Major questions
• Lists of
  – Terms
  – Acronyms
• Clicker questions
  – Especially on graphs

Lecture 1:
Overview of the World Economy
Overview of the World Economy
• “Globalization”
• Elements of the World Economy
• Ways that Countries Interact
  – Trade
  – Capital Flows
  – Migration
• Policies that Affect Others
• Institutions

• What are the elements of the world economy?
• How have they changed?
• Who trades the most?
• Who trades with whom?
Lecture 1: Overview of the World Economy

- Terms
  - Globalization
  - Openness
  - Gross domestic product
  - Regional trade agreement
  - Capital flow
  - Shallow integration
  - Supply chain
  - Emerging market
  - Beggar-they-neighbor
  - Breton Woods

- Acronyms
  - CIA
  - IMF
  - WTO
  - GATT
  - IBRD
  - FDI
  - RTA
  - NAFTA
  - SDR

Lecture 2: Current Tensions in the International Economy

- NAFTA
- Brexit
- Trade War
  - Metals
  - China
  - Other?
- WTO
- Currencies

- Acronyms
  - NAFTA
  - ROOs
  - USMCA
  - EU
  - WTO

- Terms
  - Rules of origin
  - Brexit (No Deal Brexit)
  - Hard border
  - Irish backstop
  - Trade war
  - Truce
  - National security
  - Developing country
  - Appellate body
  - Currency manipulation
  - Joint venture
  - Section 301

- Acronyms
  - NAFTA
  - ROOs
  - USMCA
  - EU
  - WTO

- What "tensions" do these refer to?
- What tariffs were levied?
  - On what?
  - On whom?
  - How big?
- What tariffs were threatened but not (yet) levied?

- ROOs
- USMCA
- EU
- WTO
Lecture 3: Comparative Advantage and the Gains from Trade

- Why Countries Trade
  - Price Differences
  - Supply and Demand
  - Determinants of Prices
- Ricardian Model of Trade
  - Examples
  - Wages and Prices in the Ricardian Model
  - Lessons from the Ricardian Model
- Generality of the Gains from Trade
- Identifying Comparative Advantage
- Critiques of Comparative Advantage

Lecture 3: Comparative Advantage and the Gains from Trade

- Terms
  - Absolute advantage
  - Comparative advantage
  - Opportunity cost
  - Consumer surplus
  - Producer surplus
  - Productivity
  - Trade adjustment assistance
  - Autarky
  - Ricardian model
  - Protection
  - Mercantilism

Lecture 4: Modern Theories and Additional Effects of Trade

- Sources of Comparative Advantage
- The Heckscher-Ohlin Model
  - Main Idea
  - Intuition
  - Does the Theory Work?
- Effects of Trade
  - Changes in Production
  - Factor Price Equalization
- The New Trade Theory
  - Assumptions
  - Implications
- The New New Trade Theory
Lecture 4: Modern Theories and Additional Effects of Trade

- **Terms**
  - Scale economies
  - Factor of production
  - Factor intensity
  - Scarcity factor
  - Heckscher-Ohlin Theorem
  - Stolper-Samuelson Theorem
  - Leontief Paradox
  - Imperfect competition
  - Product differentiation

- **Acronyms**
  - IT

Lecture 5: Tariffs

- **What Are They?**
- **Who Uses Them?**
- **Effects of Tariffs**
  - Small Country Case
  - Effects on quantities and prices
  - Effects on economic welfare
  - Large Country Case
  - Effect on world price
  - Effect on welfare
  - Size of These Effects
- **Addenda on Tariffs**
  - Who gains and who loses from a tariff?
  - Be able to analyze all of these cases.

- **Terms**
  - Ad valorem
  - Specific tariff
  - Chicken tax
  - Dead-weight loss
  - Large country case
  - Optimal tariff
  - Terms of trade
  - Partial equilibrium
  - Homogeneous product
  - Effective protection
  - Retaliation

- **Acronyms**
  - DWL
  - ERP
Lecture 6: Nontariff Barriers

• What Are NTBs?
• Quotas:
  – Effects Equivalent to Tariffs
  – Who Gets the Rents
• Other NTBs
  – Tariff-Rate Quotas
  – Variable Levies
  – Government Procurement Regulations
  – Customs Procedures
  – Standards
  – Administration
  – Export taxes
• Subsidies

What are these?
How are they like tariffs?
How are they different?

Lecture 6: Nontariff Barriers

• Terms
  – Import quota
  – Quota rent
  – Tariff equivalent
  – Import license
  – Auction of quota
  – Rent seeking
  – Quality upgrading
  – Tariff-rate quota
  – Common Agricultural Policy
  – Buy American
  – Customs procedure

• Terms
  – Variable levy
  – Anti-dumping duty
  – Countervailing duty
  – Export tax
  – Subsidy
  – Procurement regulation

• Acronyms
  – NTB
  – NTM
  – TRQ
  – VER
  – CAP

Lecture 7: Reasons for Protection

• Reasons that DO NOT Make Economic Sense
  – Pauper Labor
  – Fairness
  – Patriotism
  – Retaliation
• Reasons the DO Make Economic Sense, with Counter-Arguments
  – Revenue
  – Optimal Tariff
  – Infant Industry
  – National Security
  – Culture
  – Unfair Trade
  – Protect Favored Industry
  – Retaliation...
• Production Subsidy versus Tariff
• Why Aren’t Tariffs Higher?

What are these reasons?
Are there counter-arguments for them?
Lecture 7: Reasons for Protection

- Terms
  - Pauper labor
  - Optimal tariff
  - Zero-sum game
  - Infant industry
  - National security
  - Retaliation
  - Protection for Sale
  - Second best
  - Economic sanction
  - Political economy

- Acronyms
  - GATT

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Lecture 8: US Trade Policies and Institutions

- Parts of the US Government that Handle Trade
- Main Features of US Trade Policies
  - Tariffs, Quotas, VERs
  - Escape Clause
  - Unfair Trade Laws
  - Trade Adjustment Assistance
  - Fast Track
  - GSP
- Dumping and Anti-Dumping
- Why the US Protects
- Trends in US Trade Policy

- Terms
  - Trade Commissioner
  - Ways and Means
  - Finance Committee
  - Columns 1 and 2
  - Trade restrictiveness index
  - Escape clause
  - Section 201
  - Unfair trade
  - Trade Adjustment Assistance
  - Predatory dumping

- Terms
  - Wage insurance
  - Fast Track
  - Dumping
  - Countervailing duty
  - Industrial policy
  - Standing

- Acronyms
  - METI
  - USTR
  - ITA
  - USITC
  - VER
  - TAA
  - ATAA
  - TPA
  - TPP
  - GSP
  - CVD
  - MFA

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- What are these and what do they do?
- What are these?
- Do other countries have them too?
- What are dumping and anti-dumping?
Lecture 9: World Trade Arrangements and the WTO

• International Organizations
• World Trade Organization
  – History, as GATT
  – GATT Rounds
  – WTO Today
  – Functions
• Current Issues
  – Seattle Protests and Beyond
  – Doha Round
  – Disputes
  – Other Issues
• WTO Critiques

• What does the WTO do?
• How successful has it been?

Lecture 9: World Trade Arrangements and the WTO

• Terms
  – Smoot-Hawley
  – Ministerial meeting
  – Rounds (Kennedy, Tokyo, Uruguay, Doha)
  – Swiss Formula
  – National treatment
  – Consensus
  – Dispute settlement
  – Tariff binding
  – Panel
  – Appellate Body

• Terms
  – Plurilateral agreement
  – Market-economy status
  – Shrimp-turtle dispute
  – Principal supplier and demander
  – World Bank
  – Trade facilitation

• Acronyms
  – GATT
  – WTO
  – OECD
  – EU
  – NAFTA
  – USMCA
  – UNCTAD
  – ILO
  – WIPO
  – NGO
  – ITO
  – GATS
  – TRIPS
  – MFN

Lecture 10: Migration

• Why People Migrate
• Why Wages Differ across Countries
• Effects of Migration
  – On Payments to Factors
    • Labor
    • Other
  – Other Effects
• Policies to Affect Migration
• Facts about Migration

• How is migration like trade?
• How is it not like trade?
Lecture 10: Migration

- Terms
  - Intangible wealth
  - Infrastructure
  - Property rights
  - Remittances
  - Population pyramid
  - Guest worker program
  - South-south migration
  - Balkanization
  - Brain drain
  - Demand-pull vs. supply-push

Lecture 11: Multinationals and International Capital Movements

- Terminology
  - FDI, DFI, MNEs, MNCs
  - Real Versus Financial Capital
- History
- Purposes Served by FDI
  - Local Market versus Export
  - Reasons for FDI
- Who Gains and Who Loses?
  - Effects that are Similar to Trade
  - Effects that are Similar to Migration
  - Other Effects

- How is FDI like trade?
- How is it not like trade?
- How is FDI like migration?
- How is it not like migration?
- Who are mostly sources?
- Who are mostly hosts?

- Terms
  - Foreign direct investment
  - Capital flow
  - Source country
  - Host country
  - Export platform
  - Tariff jumping
  - Transplants
- Acronyms
  - DFI
  - FDI
  - MNE
  - MNC
  - TNC
  - MOFA = Majority-owned foreign affiliate
Lecture 12: The Balance of Trade and International Transactions

- What Is the Balance of Trade?
- What the Balance of Trade Does Not Mean
- International Transactions
  - Current Account
  - Financial Account
- What the Balance of Trade Means
  - From Balance of Payments Accounting
  - From National Income Accounting

Lecture 12: The Balance of Trade and International Transactions

- Terms
  - Trade balance
  - Current account
  - Financial Account
  - Transfer payments
  - Credits
  - Debits
  - Primary income
  - Secondary income
  - Statistical discrepancy
  - Recession

- Terms
  - Investment position
  - Plaza Accord
  - Official reserve assets
  - Odious debt

Lecture 13: Exchange Rates

- In What Forms Are Exchange Rates Reported?
  - Bilateral Nominal Rates
  - Multilateral (Trade-Weighted) Rates
  - Real Rates
  - Forward Rates

- What Determines Exchange Rates?
  - Markets
  - Governments/Central Banks

- Theories of Exchange Rates
  - Purchasing Power Parity
  - Asset Theory
  - Supply and Demand Model
Lecture 13: Exchange Rates

- Terms
  - Bilateral rate
  - Multilateral rate
  - Real rate
  - Forward rate
  - Overvalued/undervalued
  - Big Mac Index
  - Appreciate/depreciate
  - Arbitrage
  - Law of one price
  - Dirty float
  - Devaluation

Lecture 14: Pegging the Exchange Rate

- How It's Done
  - Market Intervention
  - Bands of Fluctuation
  - Hybrids of Pegged and Floating
  - The Gold Standard
- Who Pegs?
- Mechanics of Intervention
  - Reserves
  - Money Supply
  - Sterilization
- Effects of Pegging
- Chinese Currency Manipulation

• How are exchange rates pegged?
• What, why, and how is sterilization?

Lecture 14: Pegging the Exchange Rate

- Terms
  - Pegging
  - Intervention
  - Par value
  - Managed float
  - Leaning against the wind
  - Crawling peg
  - Gold standard
  - International reserves
  - Sterilization
  - Overvalued/undervalued

- Terms
  - Exchange-rate crisis
  - Currency manipulation
  - Dollarization
Lecture 15: International Macroeconomics

- Recall Macro from Econ 102
  - Aggregate Supply and Demand
  - Policies
- Effects ON the Exchange Market
  - Expansion
  - Interest Rate
- Effects OF the Exchange Market
  - Depreciation effects via Trade
  - Depreciation effects via Net Wealth
- Effects THOUGH the Exchange Market

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- How do macro policies affect exchange rate?
- How do exchange rate changes affect macro economy?
- How do macro changes in one country affect others?

Lecture 15: International Macroeconomics

- Terms
  - Aggregate supply
  - Aggregate demand
  - Natural rate of output
  - Monetary expansions/contraction
  - Non-monetary expansion/contraction
  - Fiscal policy
  - Trade effect of depreciation
  - Wealth effect of depreciation
  - Pass-through
- Acronyms
  - LRAS
  - SRAS
  - AD

Econ 340, Deardorff, Lecture 16: Currency Manipulation and Currency Wars

- Currency Manipulation
  - What it is
  - Chinese currency manipulation
  - Other currency manipulation
- Currency Wars
  - History
  - Currency war today?
  - Currency war effects

- How is currency manipulation identified?
- When has, and has not, China manipulated its currency?
- What happens in a currency war?
Lecture 16: Currency Manipulation and Currency Wars

- Terms
  - Currency manipulation
  - One-sided intervention
  - Current account surplus
  - Reserves
  - Renminbi
  - Yuan
  - Watch list
  - Stimulus
  - Key threshold
  - Currency war
  - Gold standard

- Terms
  - Silver Purchase Act
  - Nixon Shock
  - Plaza Accord
  - Great Recession
  - Fight to safety

- Acronyms
  - ECB

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Lecture 17: European Monetary Unification and the Euro

- What Is It?
- History of the EMU
- Need for Convergence
  - Why Adjustment Is Hard
  - Winners and Losers under EMU
- What Happened?
- The Eurozone Crisis

- Terms
  - Eurozone
  - Snake in the tunnel and floating snake
  - Maastricht Treaty
  - Convergence
  - Fiscal restraint
  - Asymmetric shock
  - Parity
  - Quantitative easing
  - Troika

- Terms
  - Spread
  - Banking union
  - Haircut
  - Bail-in
  - Doom loop
  - Perverse loop
  - Sudden stop

- Acronyms
  - ECB
  - EMU
  - EMS
  - ERM
  - ECU
  - CPI
  - SGP
  - PIGS
  - PIIGS
  - EZ
  - PSI

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- When was the euro created, and for whom?
- What is needed for the single currency to work?
- What initiated and what terminated the eurozone crisis?
Lecture 18: Preferential Trading Arrangements and the NAFTA

- What Are PTAs?
- Examples
  - European Union (EU)
  - North American Free Trade Agreement (NAFTA)
- Effects of PTAs
  - Not the Same as Free Trade
    - Trade Creation
    - Trade Diversion
  - Market Diagram Illustration
- NAFTA
  - History
  - Analysis
  - What Happened?
- NAFTA Renegotiation and USMCA

- What and where are PTAs?
- What is trade diversion, and how does it hurt?
- What happened with NAFTA?
- How does USMCA differ from NAFTA?

Lecture 18: Preferential Trading Arrangements and the NAFTA

- Terms
  - Free trade area
  - Customs union
  - Common market
  - Anti-dumping duty
  - Countervailing duty
  - Rules of origin
  - Mercosur
  - Trade creation
  - Trade diversion
  - Chapters 11 and 19
  - Sunset clause

- Acronyms
  - PTA
  - FTA
  - RTA
  - GSP
  - GATT
  - MFN
  - ROO
  - EEC
  - CAFTA
  - TPP
  - NAFTA
  - ISDS
  - USMCA
  - BIT

- Acronyms
  - NAFTA
  - ISDS
  - USMCA
  - BIT

Lecture 19: International Policies for Economic Development: Trade

- The Main Issues of Development
- The Washington Consensus
- Special Problems of Developing Countries
- Pros and Cons of Tariffs Used by Developing Countries
  - The Infant Industry Argument
  - Primary-Product Specialization
  - Growth and Exports / Import Substitution
- Pros and Cons of Subsidies Used by Developed Countries
- Policy Recommendations

- What policies are recommended for developing countries?
- Are these different than for developed countries, and why?
- How should developed countries behave differently?
Lecture 19: International Policies for Economic Development: Trade

- Terms
  - Washington Consensus
  - Copenhagen Consensus
  - Fiscal discipline
  - Tax reform
  - Privatization
  - Third world
  - Human capital
  - Economic freedoms
  - Intangible capital
  - Infant industry
  - Second best

- Terms
  - Primary product
  - Terms of trade
  - Import substitution
  - Export promotion
  - Four Tigers
  - Subsidy
  - Demographic transition

- Acronyms
  - LDC
  - LIC
  - MIC
  - LIC
  - GSP
  - METI


- The Issues
- Choice of Exchange Rate Regime
- Pros and Cons of Free Capital Movements
  - Debt Problem of the 1980s
  - The Asian Crisis of 1997
  - Capital Controls
- (How) Should Others Help?
- The World Financial Crisis and Developing Countries

- Terms
  - Bailout
  - Debt forgiveness
  - Exchange-rate anchor
  - Leverage
  - Currency risk
  - Liquid capital
  - Latin American debt problems
  - Petrodollars
  - Loan rescheduling
  - Lost decade

- Terms
  - Asian Crisis
  - Speculative attack
  - Capital controls
  - Contagion
  - Moral hazard
  - Technical assistance
  - Economic populism

- Acronyms
  - OPEC
  - HPAE
  - HIPC
  -IRONMENT
  - GROWTH

- Are floating exchange rates worse for developing countries?
- Why should, or should not, developing countries restrict capital flows?
- Are bailouts and debt forgiveness good for developing countries?
Lecture 21: International Policies for Economic Development: Aid

- Why Should We Care?
- Who Gives Aid?
- Does Aid Work?
- Pros and Cons of Aid
- Policy Recommendations
- Where We Stand in Development

- Who gives aid?
- Does aid help growth?
- Does aid reduce poverty?
- How can aid be made more effective?
- What are/were the MDGs and SDGs?

- Terms
  - Live Aid / Live 8
  - Private aid
  - Connectivity
  - Triple transformation
  - Scalability
  - Accountability
  - Tied aid
  - Food aid
  - Doing Business

- Acronyms
  - USAID
  - ODA
  - DAC
  - CIAO
  - MCA
  - MDG
  - SDG

Lecture 22: Outsourcing and Offshoring

- Definitions of OS
- Causes of OS
- Effects of OS
- Facts about OS
- Policies

- What are the causes and effects of offshoring?
- Is offshoring expected to increase or decrease over time?
Lecture 22: Outsourcing and Offshoring

- Terms
  - Offshoring
  - Outsourcing
  - Offshorable vs. not offshorable
  - Made in the world
  - Logistics
  - Reshoring
  - Adjustment assistance

Lecture 23: Environment, Labor Standards, and Trade

- The Issues
- Environment
  - Examples
  - Policies
  - International Problems
  - Role of the WTO
- Labor Standards
  - Fundamental ILO Conventions
  - United States Role
  - Issues

- What environmental problems are related to trade?
- Why might trade and the WTO be harmful for environmental and labor standards?
- Does the US support strong labor standards?

Lecture 23: Environment, Labor Standards, and Trade

- Terms
  - Externality
  - Maquiladoras
  - Tuna-dolphin
  - Shrimp-turtle
  - Cap and trade
  - Optimal externality
  - Montreal Protocol
  - Pollution tax
  - Pollution haven
  - Race to the bottom

- Terms
  - Produce-more-pollute-more model
  - Harmonization
  - Fundamental labor standard
  - Income elastic
  - Carbon tariff
  - Carbon leakage
  - ILO Conventions

- Acronyms
  - NAFTA
  - TPP
  - USMCA
  - CFC
  - ILO
  - MNE
  - NGO
  - WTO
  - TRIPs
  - FTA