Econ 340
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

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

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
### 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
  - Scarce factor
  - Heckscher-Ohlin Theorem
  - Stolper-Samuelson Theorem
  - Leontief Paradox
  - Imperfect competition
  - Product differentiation
- Acronyms
  - IIT

### 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

### Lecture 5: Tariffs

- 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
    - Voluntary Export Restraints (VERs)
    - Variable Levies
    - Government Procurement Regulations
    - Customs Procedures
    - Standards
    - Unfair Trade Laws
    - Export taxes
  - Subsidies

- 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
  - Zero-sum game
  - Infant industry
  - National security
  - Retaliation
  - Protection for Sale
  - Second best
  - Economic sanction
  - Political economy

- Terms
  - Pauper labor
  - Optimal tariff
  - Zero-sum game
  - Infant industry
  - National security
  - Retaliation
  - Protection for Sale

- Acronyms
  - GATT

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

Lecture 11: Multinationals and International Capital Movements

- 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 Does Mean
  - From Balance of Payments Accounting
  - From National Income Accounting

• How do transactions enter the accounts?
• What does a deficit really mean?

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

• In what forms are exchange rates reported?
• How are they determined?
• Three theories

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 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

Lecture 15: International Macroeconomics

- Terms
  - Aggregate supply
  - Aggregate demand
  - Natural rate of output
  - Monetary expansions/contraction
  - Fiscal policy
  - Trade effect of depreciation
  - Wealth effect of depreciation
  - Pass-through

- Acronyms
  - LRAS
  - SRAS
  - AD

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

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

- Acronyms
  - ECB

Lecture 17: European Monetary Unification and the Euro

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

Lecture 17: European Monetary Unification and the Euro

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

- Terms
  - Spread
  - Bank run
  - Bail-in
  - Doom loop
  - Perverse loop
  - Sudden stop

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

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


- 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

Acronyms
- PTA
- FTA
- RTA
- GSP
- MFN
- ROO
- EEC
- CAFTA
- ISDS
- BIT
- NAFTA
- USMCA
- LDC
- LIC
- HIPC
- OPEC
- HPME
- HIPC
- OPEC
- HIPC
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

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

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

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

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