
**90-860 Policy in a Global Economy
Fall 2021**

Class Location and Time: T, Th 3:05 – 4:25 PM **Hamburg Hall 2003**

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Office Hours: By appointment

Teaching Assistant: TBD

Required Materials: All required materials will be available on the Canvas webpage.

Course WebPage: This course will use the Canvas system. As of the first day of class, all registered students should have complete access to the course web page. Important class information, including copies of the lecture notes, videos and quizzes associated with the asynchronous learning modules you should study and complete outside of class, and graded assignments will be distributed regularly via this web page. Course readings will also be posted on this website. Please check this web page regularly.

Course Objectives

By the beginning of the 21st Century, nations had become more economically integrated than at any other point in human history. This presented business leaders, consumers, and national policymakers with unprecedented opportunities and challenges. On the one hand, the opportunity to sell to global markets rather than a single national market increased the potential profitability of a vast range of business activities. This expanded opportunities for employment, investment, and consumption, and it allowed giant developing countries like India and China to enjoy rapid growth. On the other hand, globalization increased the number and range of potential competitors in nearly every industry, and has complicated the choices facing policymakers, whose constituents' economic fortunes are increasingly impacted by complex economic forces which often have their genesis far beyond the policymakers' political jurisdiction. The real and perceived downsides to globalization have led to a backlash that is visible in the United States and in a number of other countries. National policy responses to the global COVID pandemic represented a substantial movement away from closer economic integration? Was globalization a mistake? Will it unravel in the aftermath of the COVID crisis? Or is there a way to spread the benefits of globalization more broadly and inclusively.

This course seeks to equip future policy and business leaders to take advantage of the opportunities and cope with the challenges presented by globalization. The course will accomplish that goal by providing students with a systematic understanding of the central aspects of the global economic environment that influence business decisions and important dimensions of national economic life. Managers and policymakers must

understand the structural economic factors that determine locational advantage, the way government policies both promote and restrain the integration of national economies with the global economy, and the impact of volatility in the global macroeconomic environment on national economic growth and development. These issues will be studied using the analytical tools and concepts of international economics, and case studies of particular policy challenges will be used to relate these concepts to the practice of policymaking.

The instructor, Professor Lee Branstetter, has wrestled with these issues for more than 25 years as an academic researcher and an advisor to policymakers. From 2011-2012, Branstetter served as the senior economist for international trade and investment on the staff of President Barack Obama's Council of Economic Advisers. He has also served as a consultant to the World Bank, the OECD, the Japanese Ministry of Economy, Trade, and Industry, the World Intellectual Property Organization, the WTO, and the U.S. Department of Commerce. Branstetter is a nonresident senior fellow of the Peterson Institute for International Economics, the world's leading think tank on international economics issues.

Outcomes Measurement

Student mastery of the fundamental concepts and analytical tools that constitute the intellectual core of the course will be measured primarily by performance on midterm and final examinations. Class discussions and review sessions will provide opportunities for students to hone their understanding of this material prior to the examinations.

Course Structure

The course will be divided into six sections.

Part 1 – Policy history, economic context

This section of the course will provide important historical context for contemporary debates over globalization. It will explore the global collapse of international trade during the interwar period and the Great Depression, and review the efforts of the U.S. government to revive global trade and investment in the postwar period. This section will also discuss the slowdown of U.S. productivity growth and the rising income inequality that set in after the early 1980s, which has fueled a growing popular backlash against a range of traditional economic policies, including trade policy.

Part 2 – The economics of international trade

This section of the course will introduce the fundamental analytical frameworks used for understanding the economic forces driving trade and the gains from trade in a global economy. We will also study the tools used by national governments to expand or limit international trade.

With this toolkit firmly established, we will examine the growing trade frictions between the People's Republic of China and its Western trading partners. Do China's

economic policies undermine the global trading system? What is the appropriate response? Does the Trump Administration's trade war make sense?

Part 3 – Policies to ensure inclusive growth

America's commitment to globalization continued through Republican and Democratic Administrations into the first decades of the 21st century. However, slowing growth and rising income inequality since the early 1970s has fueled a bipartisan backlash against globalization and open trade and investment policies that reached new heights in the 2010s. This section of the course examines the range of economics forces leading to slower growth and greater income inequality in the U.S., and places the impact of higher levels of international trade within that broader context. It also discusses a range of policies that could spread the benefits of globalization and technological change more broadly.

Part 4 – International monetary and financial issues

This section of the course will focus on how changes in the global financial environment affect economic growth, public policy, and multinational management. We will study the basics of exchange rate determination and examine the impact of exchange rate fluctuations on policy and business. We will also examine the macroeconomic determinants of trade deficits and trade surpluses. We will use these conceptual frameworks to review the often volatile macroeconomic history of the global economy since the 1970s, showing that domestic policy choices undertaken by large economies like the U.S. often have powerful global ramifications.

Part 5 – Current policy challenges: COVID, the climate crisis, and the collapse of Venezuela

We will conclude the course by using the analytical frameworks we have developed to examine three additional topics of current interest.

The first will be the international economic impact of the COVID crisis. Press coverage in the United States has tended to focus overwhelmingly on the domestic impact of the crisis. However, the negative impact on developing countries may be much larger. How will COVID impact global economic growth and development? How will it reshape patterns of global trade and investment? Does the possibility of a pandemic undermine the case for open trade and investment systems?

The second will be the potential power of international economic policy to combat the climate crisis. Nobel laureate William Nordhaus and leading global policymakers have suggested that the only way to convince nations to enact appropriate policies to lower greenhouse gas emissions is to harness the power of international trade policy by sanctioning the exports of noncompliant nations. Could "green tariffs" be a solution to the climate crisis?

The third will be the shocking economic decline of Venezuela in the latter 2010s. Even before the onset of the COVID crisis, the depth of the downturn and deprivation in

Venezuela exceeded that of any nation in recent history not ripped apart by war. We will examine Venezuela's shocking reversal of fortune from one of the richest developing countries in the world as late as 1970 to wide-ranging economic collapse at the end of the 2010s.

Requirements and Grading:

Class participation: Class discussions are an integral part of the course, and class participation will account for **10%** of the total grade. Therefore, attendance is mandatory. All absences from class – except for documented illnesses or family emergencies – must be approved in advance by the instructor. To receive full credit for this portion of the grade, students must consistently demonstrate through participation in class discussions that they have completed the required readings and thought through the issues in advance of the class. Students taking the class mostly or completely online will be expected to keep their cameras on and actively engage in synchronous class discussion, just like the students physically present in the classroom, *unless large time zone differences make this impractical*. Classroom participation will be actively monitored by the instructor and the TA. If there are extenuating circumstances that will regularly prevent synchronous interaction, please inform Professor Branstetter at the beginning of the semester. Accommodations can be made for students in sufficiently different time zones, including the submission of written comments and questions electronically and asynchronously.

Flipped Classroom Quizzes: In order to accommodate the learning needs of students who may be taking this course online, and in order to free up additional time for class discussion, a number of the key lecture material will be pre-recorded and archived on the course website for students to study prior to class meetings. To ensure that students are learning the concepts provided by these pre-recorded content modules, they will include quiz questions and/or short essay assignments. Some of these quiz questions and essay assignments will be graded, and collectively, these quiz questions will account for **20%** of your grade. Students may collaborate in completing these quizzes and short essay assignments. In the detailed course plan that follows, “course content module” refers to online video content and quizzes placed on the website that students will be expected to review prior to the designated class meeting.

Policy Evaluation Memos: There will be two written policy evaluation memos due in class on the day noted in the syllabus. These memos should be no more than 5 double-spaced pages long. They should specifically address the questions posed for each memo. These questions will be announced in class one week prior to the due date of the memo. Students may work on these memos in groups, and they may submit a joint write-up, but all names of participating students must be placed on the first page of the write-up to ensure credit. Memos will be graded on a 10 point scale. Each memo counts for **5%** of the total grade. Collectively, they account for **10%** of the total grade.

Midterm examination: There will be a take-home exam administered around the midpoint of the semester that will account for **25%** of the total grade. This exam will primarily test the student's mastery of the analytical tools developed in the first half of the course. Prior to the exam, practice problems will be distributed as homework exercises, but they will not be graded.

Final examination: There will be a final exam during the regular exam period that will account for **35%** of the total grade. Prior to the exam, practice problems will be distributed as homework exercises, but they will not be graded.

Respect for Diversity: This course is premised on the belief that policy courses which draw exclusively from the experience of the United States or Western European countries omit much that is relevant from the human experience and from the policy record. While maintaining some emphasis on U.S. international economic policy choices and debates, this course is also deliberately designed to consider the lessons provided by international economic policy in other parts of the world. This year, the course will place special emphasis on the international policy lessons from important events in Latin America and East Asia. The guest speakers – both professional women – will provide an alternative perspective on important policy questions considered in the course which draws upon their experience. It is my intent that students from all diverse backgrounds and perspectives be well served by this course, that students' learning needs be addressed both in and out of class, and that the diversity that students bring to this class be viewed as a resource, strength and benefit. Your suggestions are encouraged and appreciated. In addition, if any of our class meetings conflict with your religious events, please let me know so that we can make arrangements for you.

General Class Etiquette

Please come to class or, if taking the class remotely, log into class on time, *unless time zone differences make this impractical*. Given the amount of material we have to cover, our time is limited. Your absence from any part of the class shortchanges you and your classmates. I will plan to start on time and end on time. This requires that all students be on time. Students are discouraged from using laptops in class, except for the purposes of taking notes or “presenting” a case. Please do not use class time to check e-mail, trade stocks, or play video games.

Students are encouraged to show our guest speakers courtesy and respect. The guests who are visiting our classroom or sharing their insights via teleconference or videoconference are doing us the enormous favor of contributing their experience and insight to our class discussions without any direct compensation from Carnegie Mellon. You are welcome to pose “challenging” questions to our guest speakers, but you are strongly encouraged to do so in a respectful way, recognizing that access of future student generations to these outside experts will be, in part, a function of the quality of their experience in our classroom.

Likewise, students are expected to show one another similar courtesy and respect in classroom discussions. Students are welcome – indeed, encouraged – to “challenge” one another's ideas in class, as well as the positions taken by the instructor. However, students are expected to do so in a way that maintains an atmosphere of civility and mutual respect.

All sources used for written assignments must be appropriately cited based on standard citation guidelines and CMU policies. Students are responsible for knowing how to cite sources appropriately. For official CMU definitions of cheating and plagiarism, and

academic disciplinary procedures that will be followed in the case of a violation, see: <http://www.cmu.edu/policies/student-and-student-life/academic-integrity.html>. Plagiarism is a serious offense that can result in the student failing the course. Note that all academic integrity violations will be reported to the Associate Dean. Additional penalties may be imposed. See me if you have any questions about appropriate citation **before** handing in an assignment.

If you have a disability and are registered with the Office of Disability Resources, I encourage you to use their online system to notify me of your accommodations and discuss your needs with me as early in the semester as possible. I will work with you to ensure that accommodations are provided as appropriate. If you suspect that you may have a disability and would benefit from accommodations but are not yet registered with the Office of Disability Resources, I encourage you to contact them at access@andrew.cmu.edu.

Take care of yourself. Do your best to maintain a healthy lifestyle this semester by eating well, exercising, avoiding drugs and alcohol, getting enough sleep and taking some time to relax. This will help you achieve your goals and cope with stress.

If you or anyone you know experiences any academic stress, difficult life events, or feelings like anxiety or depression, we strongly encourage you to seek support. Counseling and Psychological Services (CaPS) is here to help: call 412-268-2922 and visit <http://www.cmu.edu/counseling/>. Consider reaching out to a friend, faculty or family member you trust for help getting connected to the support that can help.

If you or someone you know is feeling suicidal or in danger of self-harm, call someone immediately, day or night:

CaPS: 412-268-2922

Re:solve Crisis Network: 888-796-8226

If the situation is life threatening, call the police

On campus: CMU Police: 412-268-2323

Off campus: 911

The following represents a tentative schedule that is subject to change. Any changes will be announced in class and through the Canvas system.

Course Outline:

Class	Topic
Aug. 31	Course overview
<i>Part 1 – Policy history, economic context</i>	
Sep. 2	New Dealers and free traders – the historical roots of America’s push for globalization
Sep. 7	America’s postwar malaise: slowing growth, rising inequality, trade, and technology
<i>Part 2 – The economics of international trade</i>	
Sep. 9	Labor productivity, technology, and comparative advantage, part 1
Sep. 14	Labor productivity, technology, and comparative advantage, part 2
Sep. 16	Factor endowments, inequality, and trade, part 1

Sep. 21	Factor endowments, inequality, and trade part 2
Sep. 23	Specific factors and the politics of trade
Sep. 28	Trade, wages, and the China syndrome
Sep. 30	Adventures in trade policy Guest Speaker: Barbara Weisel, former Assistant U.S. Trade Representative
Oct. 5	Trade policy analysis, part 1 – are tariffs good policy?
Oct. 7	Trade policy analysis, part 2 – is industrial policy a good idea?
Oct. 12	Trade policy analysis, part 3 – lessons of Trump’s trade war
Oct. 14	The rise and fall of the WTO [Take-Home Midterm Due]
Oct. 19	China: a challenge to the global trade system?
Oct. 21	The economics of immigration
<i>Part 3 – Policies to ensure inclusive growth</i>	
Oct. 26	The race between education and technology [Policy Memo #1]
Oct. 28	Education, retraining, and wage insurance
Nov. 2	Monopoly, monopsony, minimum wages, mobility, and unions
<i>Part 4 – International monetary and financial issues</i>	
Nov. 4	International macroeconomics and exchange rates, basic concepts
Nov. 9	International macroeconomics, exchange rates, and the crises of the 1970s
Nov. 11	International macroeconomics, exchange rates, and the crises of the 1980s and 1990s
Nov. 16	The Global Financial Crisis of 2008-2009
<i>Part 5 — Current international economic policy challenges</i>	
Nov. 18	Chavez and Venezuela’s economic collapse, Guest Speaker: Maria Caballero, World Bank. [Policy Memo #2 Due]
Nov. 23	The COVID crisis and the global economy
Nov. 25	Thanksgiving Day Holiday – No Class
Nov. 30	Global trade policy and the climate crisis
Dec. 2	Wrap-Up Class
Finals Week	Final Examination, Date TBD

Note: Participation of guest speakers is not yet confirmed in all cases.

Class 1 – Course Overview

August 31

Recommended Reading

World Bank Issue Brief: Globalization

Bernanke, Ben S., “Global Economic Integration: What’s New and What’s Not?”
Speech, Board of Governors of the Federal Reserve System, 2006

Discussion Questions

1. Is the world today more “globalized” than ever before? Why or why not?
2. How has the nature of globalization changed over the course of the 20th Century?
3. Will America’s share of total global economic activity rise, stay the same, or shrink over the next three decades? Why? What are the implications for your career and for business strategy?

Class 2 — New Dealers and free traders: the historical roots of America’s push for globalization
September 2

Course Content Module – New Dealers and Free Traders

View the videos and complete the quizzes associated with Class 2 on the website

Recommended Reading

Chapters 1-3, *American Trade Politics*

Discussion Questions

1. Which party sought to close off the U.S. economy from immigration and trade in the late 1920s?
2. What was the consequence of America’s shift away from globalization?
3. How did American policymakers seek to reintegrate the United States with the global economy?

Class 3 — America’s postwar malaise: slowing growth, rising inequality, trade, and technology
September 7

Course Content Module – America’s Postwar Malaise

View the videos and complete the quizzes associated with Class 3 on the website

Required Reading

David Autor, “Skills, Education, and the Rise of Earnings Inequality Among the Other 99 Percent,” *Science* 23 May 2014.

Lee Branstetter and Dan Sichel, “The Case for an American Productivity Revival,” Policy Brief 17-26, Peterson Institute for International Economics

Optional Reading

S. Kaplan and J. Rauh, “It’s the Market: The Broad-Based Rise in the Return to Top Talent,” *Journal of Economic Perspectives*, Vol. 27, No. 1, pp. 35-56.

David Autor, “The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings,” Report, Center for American Progress and

the Hamilton Project.

David Autor, “Why Are There Still So Many Jobs? The History and Future of Workplace Automation,” *Journal of Economic Perspectives*, Vol. 29, No. 3, pp. 3-30.

Discussion Questions

1. Why did economic growth slow dramatically across the industrialized world after the 1970s?
2. What is the most important force driving income inequality in the U.S.?

Class 4 – Labor productivity, technology, and comparative advantage, part 1 September 9

Required Reading

“Not so Absolutely Fabulous,” *The Economist*, 11/4/95.

“Trade Winds,” *The Economist*, 11/8/97

Optional Reading

Krugman and Obstfeld, *International Economics: Theory and Policy*, Chapter 3

Discussion Questions

1. A nation can only benefit from trade if it is productive enough to stand up to the force of international competition: true or false?
2. China’s low wages make it a formidable – potentially unbeatable – competitor in international markets: true or false?

Class 5 – Labor productivity, technology, and comparative advantage, part 2 September 14

Required Reading

“The Miracle of Trade,” *The Economist* 1/27/96

Costinot, Arnaud and Dave Donaldson “Old Idea, New Insights: The Ricardian Revival in International Trade” NBER Reporter 2017 no. 3 p.11-15

Discussion Questions

1. Trade with low wage countries exploits that country’s workers: true or false?

Class 6 – Factor endowments, losses from trade, and firms, part 1 September 16

Course Content Module – The Heckscher-Ohlin Model

View the videos and complete the quizzes associated with Class 6 on the website

Required Reading

“Schools Brief. Workers of the world, compete,” *The Economist*, 4/2/94, pp. 69-70. “

Optional Reading

Krugman and Obstfeld, *International Economics: Theory and Policy*, Chapter 4.

Discussion Questions

1. What determines Canada’s comparative advantage in forest products?
2. Who loses from free trade? Who gains?
3. Are your wages set in Beijing? In other words, has increased trade with low-wage countries driven increased wage inequality in the United States?

Class 7 – Factor endowments, losses from trade, and firms, part 2 September 21

Required Reading

More pain than gain,” *The Economist*, 9/14/06

“Tariffs and wages,” *The Economist*, 8/6/16

Class 8 – Specific factors and the politics of trade September 23

Recommended Reading

Krugman and Obstfeld, *International Economics: Theory and Policy*, 4th Edition, Chapter 3

Kim Clausing, *Open: The Progressive Case for Free Trade, Immigration, and Open Capital Markets*, Chapter 4, “Winners and Losers from International Trade”

Discussion Questions

1. What are examples of specific factors in the real U.S. economy?
2. How do the specific factors model and the H-O model complement one another as models of the impact of trade on U.S. labor markets?

Class 9 – Trade, wages, and the China Syndrome September 28

Optional Reading

Autor, David, David Dorn, and Gordon Hanson, “The China Syndrome” *American Economic Review*, 2013.

Discussion Questions

1. According to the famous paper by Autor, Dorn, and Hanson, what was the impact of

China's export surge on U.S. manufacturing workers?
2. Did the U.S. still gain from trade with China?

Class 10 – Adventures in trade policy: Barbara Weisel, former Assistant U.S. Trade Representative (not confirmed)
September 30

No Required Reading

Class 11 – Trade policy analysis, Part 1
October 5

Course Content Module – Trade Policy, Part 1

View the videos and complete the quizzes associated with Class 11 on the website

Required Reading

“Sweet Deal, why are these men smiling? The reason is your sugar bowl,” *Time*, Nov. 23, 1998.

“United States Trade Law” HBS Case 9-387-137

American Trade Politics, Chapter 6.

Optional Reading

Krugman and Obstfeld, *International Economics: Theory and Policy*, Chapter 8, pp. 187-218. (Reserve)

Discussion Questions

1. Why do nations limit trade?
2. Which is worse: a tariff or a quota? Why?
3. Why are voluntary export restrictions (VERs) “voluntary”?

Class 12 – Trade policy analysis , Part 2
October 7

Course Content Module – Trade Policy, Part 2

View the videos and complete the quizzes associated with Class 12 on the website

Required Reading

“Taiwan: Silicon Valley (East)” *The Economist*, 11/7/98, Survey, pp. 14-16.

Optional Reading

Krugman and Obstfeld, *International Economics: Theory and Policy*, Chapter 6, pp. 121-158.

Discussion Question

1. Should countries seek to protect “infant industries” from foreign competition?
2. When is “industrial policy” likely to work?

Class 13 – Trade policy analysis, Part 3
October 12

Course Content Module – Trade Policy, Part 3

View the videos and complete the quizzes associated with Class 13 on the website

Required Reading

Chad Bown, “There Is Little Dignity in Trump’s Trade Policy: Workers Were Never at the Heart of the President’s Plan,” *Foreign Affairs*, July 2020

Optional Reading

Amiti, Redding, and Weinstein, “The Impact of the 2018 Trade War on U.S. Prices and Welfare,” NBER WP 25672

Flagen, Hortascu, and Tintelnot, “The Production Relocation and Price Effects of U.S. Trade Policy: The Case of Washing Machines,” NBER WP no. 25767

Fajgelbaum, Goldberg, Kennedy, and Khandelwal, “The Return to Protectionism,” NBER Working Paper No. 25638

Discussion Questions

1. Did the Trump Administration’s trade war generate economic benefits for the U.S.?
2. How did rising tariffs impact the U.S. economy?

Class 14– The rise and fall of the WTO
October 14

Required Reading

“Trump’s assault on the global trading system,” Doug Irwin and Chad Bown, *Foreign Affairs*, Sept/Oct, 2019

Discussion Questions

1. How did the Trump Administration sabotage the WTO?
2. What WTO reforms might a different Administration seek?

Class 15– China: a challenge to the global trade system?
October 19

Required Reading

“Trump Tariffs Primarily Hit Multinational Supply Chains, Harm U.S. Technological Competitiveness,” Peterson Institute Policy Brief 18-12, 2018

Lee Branstetter, “China’s Forced Technology Transfer Problem: And What to Do About It,” Peterson Institute Policy Brief 18-13, 2018

Class 16– The economics of immigration: fact versus fiction October 21

Course Content Module – Immigration

View the videos and complete the quizzes associated with Class 16 on the website

Required Reading

Michael Clemens, “Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?” *Journal of Economic Perspectives*, 25 (3), Summer 2011.

Optional Reading

Kim Clausing, Chapter 8, “Immigrants, We Get the Job Done!” in *Open: The Progressive Case for Free Trade, Immigration, and Global Capital Markets*.

Discussion Questions

1. Compare the impact of immigration liberalization on global GDP to that of trade liberalization? Why is the former so large?

Class 17 – The race between education and technology October 26

Course Content Module – The Race Between Education and Technology

View the videos and complete the quizzes associated with Class 17 on the website

Required Reading (if you have not already read these articles for class 3)

David Autor, “The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings,” Report, Center for American Progress and the Hamilton Project.

David Autor, “Why Are There Still So Many Jobs? The History and Future of Workplace Automation,” *Journal of Economic Perspectives*, Vol. 29, No. 3, pp. 3-30.

Recommended Reading

Pedro Carneiro and James Heckman, “Human Capital Policy,” NBER WP 9495.
[Note: This is technical and long, but please try to at least skim this paper]

Aaron Chatterji and Benjamin Jones, “Harnessing Technology to Improve K-12 Education,” The Hamilton Project, Discussion Paper 2012-05.

Discussion Questions

1. How has skill-biased technological change impacted U.S. employment and wages?
2. How will new technologies, like AI, impact the income distribution and the nature of job creation?

[Policy Memo #1 Due]

Class 18– Education, retraining, and wage insurance October 28

Course Content Module: Education, retraining, and wage insurance

View the videos and complete the quizzes associated with Class 18 on the website

Required Reading

Robert LaLonde, “The Case for Wage Insurance,” CSR No. 30, 2007, Council on Foreign Relations.

James Heckman, “Assessing Clinton’s Program on Job Training, Workfare, and Education in the Workplace,” NBER WP 4428.

Recommended Reading

“Policies to Reduce High-Tenured Displaced Workers’ Earnings Losses Through Retraining,” Louis Jacobson, Robert LaLonde, and Daniel Sullivan, Hamilton Project Discussion Paper 2011-11.

“Not Too Late: Improving Academic Outcomes for Disadvantaged Youth,” IPR Working Paper 15-01 February 2015 (joint with Phillip J. Cook, Kenneth Dodge, George Farkas, Roland G. Fryer Jr., Jens Ludwig, Susan Mayer, Harold Pollack and Laurence Steinberg).

Karthik Muralidharan, Abhijeet Singh, and Alejandro Ganimian, “Disrupting Education? Experimental Evidence on Technology-Aided Instruction in India,” NBER WP no. 22923.

Discussion Questions

1. Why do economists find wage insurance such a compelling social policy idea?
2. How much would the government have to invest in retraining in order to counter the relative wage losses of the unskilled?
3. Could AI allow personalized instruction at scale? What would that mean for educational outcomes?

Class 19 – Monopsony, monopoly, minimum wages, mobility, and unions

November 2

Course Content Module – Monopoly, Monopsony, and Mobility

View the videos and complete the quizzes associated with Class 19 on the website

Required Reading

Carl Shapiro, “Antitrust Policy in a Time of Populism,” 2017.

Optional Reading

S. Kaplan and J. Rauh, “It’s the Market: The Broad-Based Rise in the Return to Top Talent,” *Journal of Economic Perspectives*, Vol. 27, No. 1, pp. 35-56.

F. Alvaredo, A. Atkinson, T. Piketty, and E. Saez, “The Top 1 Percent in International and Historical Perspective,” *Journal of Economic Perspectives*, Vol. 27, No. 1, pp. 3-20.

Alan Krueger and Eric Posner, “A Proposal for Protecting Low-Income Workers from Monopsony and Collusion,” The Hamilton Project, Policy Proposal 2018-05.

Discussion Questions

1. Some prominent progressive leaders in the U.S. claim that rising monopoly power is a principal force driving slower growth and increased inequality. Is the evidence consistent with this claim?
2. Does the decline of unions explain a large component of the increase income inequality in the U.S.?

Class 20 - International macroeconomics and exchange rates, basic concepts

November 4

Optional Reading

Krugman and Obstfeld, *International Economics: Theory and Policy*, Chapters 13-15.

Discussion Questions

1. What are the key factors determining foreign exchange rates in the short run?
2. Is the U.S. dollar undervalued against the Euro? Against the Japanese yen?

Class 21 – International macroeconomics, exchange rates, and the crises of the 1970s

November 9

Course Content Module – International macroeconomics, exchange rates, and crisis, part 1

View the videos and complete the quizzes associated with Class 21 on the website

Optional Reading

Krugman and Obstfeld, *International Economics: Theory and Policy*, Chapters 16-17

Class 22 – International macroeconomics, exchange rates, and the crises of the 1980s and 1990s
November 11

Course Content Module – International macroeconomics, exchange rates, and crisis, part 2-3

View the videos and complete the quizzes associated with Class 22 on the website

Optional Reading

Krugman and Obstfeld, *International Economics: Theory and Policy*, Chapters 17-18.

Kim Clausing, Chapter 7, “Multinational Corporations,” in *Open: The Progressive Case for Free Trade, Immigration, and Global Capital Markets*.

Class 23 – The global financial crisis
November 16

Course Content Module – International macroeconomics, exchange rates, and crisis, part 4

View the videos and complete the quizzes associated with Class 23 on the website

No Required Reading

Class 24– Venezuela’s economic collapse
November 18

Course Content Module – The oil shocks and Venezuela’s economic stagnation

View the videos and complete the quizzes associated with Class 24 on the website

Guest Lecture: Maria Caballero, World Bank (Heinz College Ph.D. 2021)

Required Reading

Rebecca Nelson, “Venezuela’s Economic Crisis: Issues for Congress,” Congressional Research Service R45072, 2019

“Venezuela’s Suicide: Lessons from a Failed State” Moises Naim and Francisco Toro,
Foreign Affairs, 2018

Policy Memo #2 Due at the beginning of class

Discussion Questions

1. How did Hugo Chavez’ policies lead to Venezuela’s economic collapse?
2. How should the U.S. — and Venezuela’s neighbors — respond to its economic and political crises?

Class 25 – The COVID crisis and the global economy
November 23

Required Reading TBD

November 25 is Thanksgiving Day – No Class

Class 26 – Global trade policy and the climate crisis
November 30

Course Content Module – the climate crisis and international economic policy, parts 1-2

View the videos and complete the quizzes associated with Class 26 on the website

Required Reading

William Nordhaus, “The Climate Club,” *Foreign Affairs*, May/June 2020

Baker, Shultz, and Halstead, “The Strategic Case for U.S. Climate Leadership,” *Foreign Affairs*, May /June, 2020

Recommended Reading

Branstetter, L., and Pizer, W., “Facing the Climate Change Challenge in a Global Economy,” in R. Feenstra and A. Taylor, (eds), *Globalization in an Age of Crisis*, 2014, NBER and University of Chicago Press.

Class 27 – Wrap-up Class
December 2

No Required Reading

FINAL EXAMINATION DATE TO BE DETERMINED