

U 8149: International Economic Policy Analysis
Columbia University
Spring 2003
Professor Arvid Lukauskas

This workshop will explore two major topics—trade in agricultural goods and central banking and monetary policy—in the first five weeks of the class. In the latter part of the course, students will be divide into groups of two to four people to carry out a research project on a topic related to international economic policy. Each group will meet with the instructor at least once (but probably more) during the semester to discuss their research. The last three weeks of the course will be dedicated to group presentations.

Assignments

Students will participate in one of the two activities on agricultural trade and subsidies in weeks 2 and 3. All students will take part in the debate on central banking and monetary rules during week 6. Participation in these activities will account for 40% of your final grade.

Students will work in groups of two to four people to complete a research project on a topic approved in advance by the instructor. They will make a brief initial presentation of their project during the 7th week of the term and a final presentation during the last three weeks of the semester. This project will determine 60% of the your final grade. Groups may hand in the written project report up to one week after their presentation.

Readings

The majority of the readings for this course are available on the internet. Web addresses for the articles and materials used are listed below. Only one book is recommended for purchase. It is:

Solow, Robert, and John Taylor. *Inflation, Unemployment, and Monetary Policy*. MIT Press, 1999.

Class Schedule

January 25

Overview of the class and assignments

February 1

International trade in agriculture and the role of subsidies

Discussion of the evolution of the regime covering agricultural trade and focus on several contemporary issues, notably the role of agricultural subsidies in affecting the pattern of trade and the prospects for a multilateral agreement to liberalize agricultural trade.

Students will make ten-minute presentations on the following 5 topics:

- (1) Why do governments implement agricultural subsidies? Be sure to analyze the experience of the United States, Japan, and European Union.
- (2) What is the quantitative significance of subsidies in different regions/countries? Why is it difficult to measure this?
- (3) Why do agricultural subsidies make trade in agricultural products difficult?
- (4) What have been the primary issues with respect to trade in agricultural goods leading up to the proposed Doha Round?
- (5) What are the primary features of the U.S. proposal on agricultural trade? What sort of reaction is this likely to generate both at home and abroad?

A large number of readings deal with these topics. The following, available on the internet, are a good place to start. You are strongly encouraged to find additional sources on your own. These materials will also be useful for preparing the following week's role-playing activity.

OECD (<http://www.oecd.org/EN/home/0,,EN-home-1-nodirectorate-no-no--1,00.html>):

Agricultural Policies In OECD Countries: A Positive Reform Agenda

Agricultural Policies In OECD Countries: Monitoring And Evaluation 2002, Highlights

Towards More Liberal Agricultural Trade

WTO (http://www.wto.org/english/tratop_e/agric_e/agric_e.htm) and (http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm):

Agriculture Negotiations Backgrounder: The Issues, And Where We Are Now

European Union (http://trade-info.cec.eu.int/europa/index_en.php):

WTO And Agriculture: European Commission Proposes More Market Opening, Less Trade Distorting Support And A Radically Better Deal For Developing Countries

Foreign Agricultural Service of USDA (<http://www.fas.usda.gov/>):

U.S. Proposal for Global Agricultural Trade Reform

Farm Security And Rural Investment Act Of 2002

U.S. Department of Agriculture (http://www.usda.gov/farmland/agtrade_fb.html):

TITLE III. Agricultural Trade And Aid

International Food and Agricultural Trade Policy Council
(<http://www.agritrade.org/publ.htm>):

Achieving Agricultural Development Through Agricultural Trade

South Centre (<http://www.southcentre.org/index.htm>):

Various articles have useful bits of information.

February 8 **Role-playing activity on the Doha Round**

Students will participate in a role-playing activity that simulates trade negotiations aimed at reaching an agreement on agricultural trade. The instructions of this session will be handed out during the prior week. The primary actors will be:

- Mexico
- The United States
- European Union
- OxFam
- Emerging market country (TBA)

February 15 **Group Consultation**

Students will consult to settle on a research project. During the following week, students will meet with the instructor or hold a conference call to discuss their projects and gain instructor approval.

February 22 **Central Banking and Monetary Policy**

We will examine the role of central banking in the modern economy, why we have seen a movement toward central bank independence, whether central bank independence makes a difference in performance, and the range of monetary policy options available to monetary authorities in an era of globalization.

The required reading for this and the following week is:

Solow, Robert, and John Taylor. *Inflation, Unemployment, and Monetary Policy*. Entire book.

Additional readings that are recommended are:

Giovannini, Alberto. *The Debate on Money in Europe*. MIT, 1995. Chaps. 12 and 14.

Meyer, Laurence. *New Challenges for Monetary Policy*. Jackson Hole, 1999. (<http://federalreserve.gov/boarddocs/speeches/1999/19991012.htm>)

The best source of readings on monetary rules is provided at:

<http://www.stanford.edu/~johntayl/PolRulLink.htm>

An excellent paper located here is:

Kozicki, Sharon. *How Useful are Taylor Rules for Monetary Policy?*

Reading on which monetary targets are most appropriate:

Angell, Wayne. *The Fed: On the Right Course*. (<http://pages.stern.nyu.edu/~nroubini/FedPolicyOpEdAngellWSJ1297.htm>)

Krugman, Paul. *Stable Prices and Fast Growth: Just Say No*. (<http://pages.stern.nyu.edu/~nroubini/NYT/krugeconairu.htm>)

Krugman, Paul. *Japan's Trap*. (<http://web.mit.edu/krugman/www/japtrap.html>)

Poole, William. *Is Inflation Too Low?* (http://stlouisfed.org/news/speeches/1998/10_22_98.html)

Thurow, Lester. *The Crusade That's Killing Prosperity*. (<http://www.prospect.org/print/V7/25/thurow-l.html>)

Some papers on the accountability of central banks are:

Berman, S. and K. McNamara. *Bank on Democracy*. (<http://www.princeton.edu/~berman/pdfs/bankondem.pdf>)

De Grauwe, Paul. *Independence and Accountability of Central Banks*. (<http://www.worldbank.org/research/abcde/eu/degrauwe.pdf>)

You will need to read some of these materials to be able to participate in the debate on your issue.

March 1
Debates on Central Banking and Monetary Policy

Students will debate three issues:

- (1) Should monetary authorities follow a monetary rule, such as the Taylor Rule, when formulating monetary policy?
- (2) What is the most appropriate target for monetary policy? Price stability or growth? Zero-inflation or low, positive inflation?
- (3) Should central banks be made more accountable to the electorate or elected officials?

March 8
Presentations of Preliminary Findings

Groups will do five-minute presentations of their preliminary research followed by five-to-ten minute feedback from the class.

March 15
Spring Break

March 22-April 5
Work on group projects.

April 12
Presentation of Final Reports

Twenty-minute presentations of group projects followed by a twenty-minute question and answer period.

April 19
Easter Break

April 26-May 3:
Presentation of Final Reports

Twenty-minute presentations of group projects followed by a twenty-minute question and answer period.