

**U 8149: International Economic Policy Analysis**  
**Columbia University**  
**Spring 2004**  
**Professor Arvid Lukauskas**

This workshop will explore two important contemporary topics—trade in agricultural goods and central banking and monetary policy—in the first part of the class. In the latter portion, students will be divided into groups of three to five 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 three to five 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 7<sup>th</sup> week of the term and a final presentation during the last three weeks of the semester. This project, evaluated on the basis of both the oral presentation and written document, 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, but as you know, they change frequently so be prepared to do some investigative work of your own. 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 24**

**Overview of the class and assignments**

**January 31**

**International trade in agriculture and the role of domestic support**

Discussion of the evolution of the regime covering agricultural trade and focus on several contemporary issues, notably the role of agricultural subsidies and other domestic support 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 4 topics:

- (1) Why do governments implement agricultural subsidies and other domestic support? Be sure to analyze the experience of the United States, Japan, and European Union.
- (2) What is the quantitative significance of domestic support for agriculture and subsidies in different regions/countries? Why is it difficult to measure this?
- (3) How do domestic support and subsidies distort trade in agricultural products?
- (4) What have been the primary issues with respect to trade in agricultural goods leading up to the present?

A large number of readings deal with these topics. The following, available on the web, 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/topic/0,2686,en\\_2649\\_37401\\_1\\_1\\_1\\_1\\_37401,00.html](http://www.oecd.org/topic/0,2686,en_2649_37401_1_1_1_1_37401,00.html)):

*Agricultural Policies In OECD Countries: A Positive Reform Agenda*

*Cancún trade talk breakdown: What now?*

*Towards More Liberal Agricultural Trade*

**WTO** ([http://www.wto.org/english/tratop\\_e/agric\\_e/agric\\_e.htm](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](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://europa.eu.int/comm/agriculture/external/wto/archive/index\\_en.htm](http://europa.eu.int/comm/agriculture/external/wto/archive/index_en.htm))

*Doha - new global trade round*

See *EC Position Papers* (right column)

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

*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](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 7**

### **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 (India or TBD)

## **February 14**

### **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 21 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/articles/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](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*.

(Available through e-journals on Columbia University website, libraries, journal: *Foreign Affairs*)

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.

## **February 28**

### **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 6**

### **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 13**

### **Spring Break**

## **March 20-April 5**

### **Work on group projects.**

## **April 10**

### **Presentation of Final Reports**

Groups will make twenty-minute presentations of their projects followed by a twenty-minute question and answer period.

**April 17**  
**Easter Break**

**April 24-May 1:**  
**Presentation of Final Reports**

Groups will make twenty-minute presentations of their projects followed by a twenty-minute question and answer period.