Economics 166 (Call # 00735):
Topics in the Macroeconomics of Regions and Nations
Braker 222, M W 4:00 — 5:15pm, (K+).

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Office hours: Tuesdays 10:00–12:00, Wednesdays 1:30–2:30pm.
Other times by appointment. You may also contact me by email in order to communicate with me or set up an appointment as well.

COURSE DESCRIPTION

The traditional boundaries between nations and regions are becoming blurred, especially for countries that have entered into free trade agreements with one another, such as the members of the European Union, the members of the North American Free Trade Agreement, to some extent, and others. Elsewhere in the world national boundaries have been reconstructed (Former Soviet Union, etc.) Conventional distinctions between international and regional economics are much less valid. Capital flows are overwhelming national economies. Is the emerging regionalism in international trade patterns leading to a “seamless world,” as some people put it? Is globalization a new phenomenon? Is it likely that fewer currencies would effectively survive in the world economy? How might the “new economy” be affecting the world economy? In what sense, if any, geographical space matters?

This course addresses itself to topics in the interface of economic geography and international economics. While there has always been a natural interface between economic geography and international trade, the relevance of international macroeconomics is newer. It has to do with the impact on an economy from adoption of preferential currency arrangements, including monetary union.

To understand many traditional macroeconomic phenomena in such settings we need to look carefully at the internal structure of the economy that is most relevant to space, that is as spatial and urban/regional structure. This course will examine consequences of such structural aspects of the economy for international interdependence and vice versa. These forces, as we shall see, have consequences for income distribution, as well. We will study macroeconomic implications of the regional structure of the member states of the European Union and compare it with that of United States economy. We shall strategic aspects of economic interdependence, the impact of modern communication technologies upon international economic integration, and other topics.

The course is designed as an advanced special topics course and is intended to provide a capstone experience. It will rely heavily on student participation. Students will write two papers, one of which will be a major research paper and will provide the basis for class presentations. There will also be a midterm quiz and a final. Students will make formal presentations on some of the readings.

0.1 Electronic Resources and Data Sets

You might wish to substantiate your work with data. I encourage but do not, of course, require use of statistical and econometric techniques. Not all topics lend themselves well to that. Data may be downloaded from many sites, or be obtained from publications. The World Development Reports, which are annual publications of the World Bank [www.worldbank.org], are good places to start for sources and guide to available data. A key data set, The World Development Indicators, may be found at Ginn Library: http://www.library.tufts.edu/ginn/a-z.htm.

See also a nearly exhaustive list of data and of other resources for economists on the web at http://rfe.wustl.edu/EconFAQ.html.

The European Union site contains extensive information. See: www.europa.eu.int. Patient work within the site can lead you to a lot of stuff. The issue of EU Enlargement, that is the admission of ten new members, is a good case in point. Also, the World Bank, see above, and the International Monetary Fund, www.imf.org, are good places to look for specific studies, which could get you started. Especially if you are interested in a particular country or area, you will likely find a broad study in one of those sites and then you can go from there.

A special class session with Connie Reik, a research librarian, has been planned for September 24 in the ERC, Tisch Library, during 10:25 – 11:40 (the meeting time of my other class). It will also help you in taking advantage of resources for economists available over the Web. I personally have a fair amount of experience with electronic resources and am anxious to help you. If you cannot make that time, I will help you on my own.

Last but not least, I urge all of you to become acquainted with the academic integrity policies at Tufts University. Please check the following site and its hyperlinks: http://ase.tufts.edu/Infobook/facilities/integrity.htm

Prerequisites: EC 11, 12 and at least one international economics course, or consent of instructor. Please do talk to me if you are interested in the course but feel uneasy about the prerequisites. You might be sufficiently prepared for it.

Administrative Aspects

There will be two short papers, a major term paper, a midterm quiz and a final. The timing of requirements and exams and their contribution to the course grade are as follows.

- **Brief** class presentation, on the topic: “The U.S. Dollar versus the Euro.” Written version with maximum length four pages; no proposal is required. It will be scheduled around September 24. It will count towards 5% of the course grade. The emphasis in this assignment is on presentation skills! You may use textbooks, newspapers and magazines to research the subject. Please also see the section of the course dedicated to the euro versus the dollar versus the yen.

- **Proposal** for the major paper: due Wednesday, October 1; 5% of course grade.
• Midterm quiz: Wednesday, October 15. 10% of the course grade.

• *Short* paper. Length: six to eight pages, no proposal required. Due: Wednesday, October 22. It will count towards 10% of the course grade.

• Draft of the major paper: Wednesday, November 5; 5% of course grade.

• Major paper: due Monday, November 24; 35% of course grade.

• Class presentations of the major papers will be integrated into the course and will be scheduled for the week after the Thanksgiving break.

• Final exam (as scheduled by the Registrar): Wednesday, December 17, 3:30–5:30am. The final exam will be cumulative and will count towards 25% of the course grade.

An additional 5% will be based on your class participation, which will include your performance in presenting your papers and other assignments. Class presentations are important opportunities for you to practice presentation skills.

The short paper may be a serious book review or a short research paper. The major paper must be a serious scholarly research paper. Please obtain a copy of the Library’s mini courses schedule for the use of information technologies and plan to attend as soon as possible.

A web page for this class has been set up: http://crs.ase.tufts.edu

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**Books and Readings**

The following books have been ordered through the bookstore and are required for the course:


   This is a brand new text, in the “European style,” meaning a little too analytically complicated. When the going gets rough, we will simplify the material by drawing from other sources.


   This is a self-contained text on the topic that a substantial part of the course is dedicated to. Again, it is in the “European style,” but may be read easily by all of you.


   Although you may not purchase this yet, its material may be downloaded for free from http://heiwww.unige.ch/~baldwin/papers/BW/BW_May03.htm

The following books contain fairly long sections of assigned material and will be put on reserve in Tisch Library.


   This is a well known text.


   This last book provides a lot of institutional material about the economies of Europe. If you are not familiar with them, you will benefit from reading them.

To avoid repetition, references to the above sources will be made by author’s last name and year of publication. In addition, a large number of papers and sections from books will serve as suggested readings. All assigned reading that may be unavailable in the library (e.g., material not yet published) will be placed on reserve in the Tisch Library. However, because of a maximum of 25 items which may be placed on reserve for a course, any additional material will be made available by the instructor to students interested in reproducing it. Items marked by an asterisk below have not been placed on reserve. Some of the readings are downloadable free of charge only if you are accessing them from a Tufts IP address.

Some of the readings are quantitative and advanced. You will not be held responsible for working through their complicated analytics. In fact, not all of the readings will be read by all of you. You will only be responsible for the level of rigor of the material as determined in class presentations and discussions. However, even very technical papers may be very useful and their economics accessible, if you read and the think about the text, not the math. The length of the reading list reflects my desire to list as many current works as possible, so as to help you get started on your research.

The new European currency, the *euro*, was officially launched on January 1, 1999, and is currently in use in electronic, currency and paper transactions throughout the world. It replaced the French frank, the Belgian frank, the Dutch guilder, the German mark, the Austrian shilling, the Finnish mark, the Italian lire, the Irish pound, the Spanish peseta, the Greek drachma, and the Portuguese escudo as legal tender on January 1, 2002.

1 Economic Integration, Trade and Economic Unions

1.1 International Trade

Our objective here is to provide a brief review of international trade theory with an emphasis on recent developments that are particularly relevant to the study of economic integration.


1.2 Monetary Unions: Theoretical Aspects

1. PDG, 5–103.


3. BW, chapters 11, 13.


1.3 Monetary Union in Europe

1.4 Background Material on European economies and the European Union

There is a vast amount of material on the EMU; too vast to even contemplate!

1. BW, Part I.


1.5 EMU Design

1. BW, chapter 14.


1.6 The European Central Bank


See also: http://www.ecb.int/key/02/sp020516.htm

1.7 Does The EU Need a Fiscal System? Economic Union vs. Political Union in Europe

1. PDG, 201–222.

2. BW, chapter 15.
1.8 The Dollar, the Euro and the Yen

1. PDG, 223–234.
2. BW, chapter 16.

2 International Trade, Geography and Economic Development

1. BGvM, Ch. 9, and p. 313–325.


2.1 Regionalism and International Trade


   An examination of various aspects of U.S. international trade policy by a historian of international trade.


2.2 International Trade and Finance, and Globalization

1. *Journal of Economic Perspectives*, 12, 4, Fall 1998, Symposium on Globalization. All items are downloadable from: www.jstor.org


2001), that has attacked the so-called “Washington Consensus,” and rocked the multilateral aid agency establishment.


This is an account of financial crisis management during the late 1990s by a leading economic reporter at the *Washington Post*.


This volume contains some of the background papers of the 2000 World Development Report. See, in particular,


3 Geography and Trade


6. *BGvM, Ch. 1, 2, 3, 5.

Some of the topics in the remainder of the syllabus may be covered only if there is time and interest by the class. The sources cited may be useful for your research, if you venture into those areas.

3.1 European Integration and the Regions of Europe

1. BW, chapter 9


4 Cities in the Regional, National and International Context

1. Brakman et al., Ch. 7, 218–231.


5 Additional Issues on the EMU: Environment, Transition, Political Integration and Enlargement

5.1 Transition


5.2 EU Policies and the Environment


5.3 Enlargement: The View from the North


5.4 Enlargement: The View towards Central and Eastern Europe
