

Department of Economics
University of Toronto

ECO 407

Competing Views in Macroeconomic Theory and Policy

INSTRUCTOR

Gustavo Indart
Department of Economics
150 St. George Street, Room 175
Telephone: 416-978-5331
E-mail: g.indart@utoronto.ca
Website: <http://www.economics.utoronto.ca/gindart/>

OFFICE HOURS

Monday, 4:30 – 5:30 PM

COURSE DESCRIPTION

This course provides students with a systematic analysis of competing perspectives on key areas of macroeconomic theory and policy. The aim of the course is to help economics students develop their critical skills by highlighting the strengths and weaknesses of current macroeconomic theory as articulated by their defenders and critics. Special attention will be paid to competing views regarding key fiscal, monetary, and trade policy issues as applied to Canada.

REQUIRED TEXTBOOKS

- Hassan Bougrine and Mario Seccareccia, *Introducing Macroeconomic Analysis: Issues, Questions, and Competing Views*. Toronto: Emond Montgomery Publications Ltd., 2010.
- Ha-Joon Chang, *23 Things They Don't Tell You about Capitalism*. New York: Bloomsbury Press, 2010.

COURSE REQUIREMENTS

- A written **critical reflection** on the required readings of one of the sessions (see guidelines below). The reflection should be about 800 words in length (3 to 4 double-spaced pages). Please be ready on **January 17th** to provide a list of **four** sessions, beginning with session 3, on whose required readings you would like to write your critical reflection. Within 24 hours, you will receive an e-mail with information about the assigned session for your critical reflection. Submission will be due at the beginning of class of the assigned session. **Please note that late submissions will not be accepted.**
- A **term paper** on a topic related to any of the weekly course themes. This essay will be due at the beginning of class on **March 7** for most students, and on **March 14** for those students who must submit their critical reflection on March 7. The essay must reflect readings beyond the sources listed in this outline. The paper should be about 2,500 words in length (10 to 12 double-spaced pages). **Late penalty: 5 percentage points per day, excluding weekends.**

Guidelines on Writing the Critical Reflection on Required Readings

1. This assignment involves the submission of a critical reflection on the required readings of the session assigned to you.
2. The critical reflection should be no more than 2-3 pages in length (600-800 words). The emphasis is on concise, focused thought. You need to identify the author's main thesis, and respond critically to that thesis. Is the argument logically sound? Is it supported both by the evidence that the author cites and by further data or knowledge of which you are aware? Does the piece pose an 'important' question in a challenging manner? Some of these questions, and perhaps others, should guide your critical reflection.
3. You will receive a brief, written evaluation of your submissions within two weeks. The evaluation will be based on the following criteria:
 - effectiveness in taking a clear and critical position on issues
 - capacity to synthesize complex ideas
 - familiarity with the material you have selected to review
 - clarity and conciseness of expression.

Note that, in addition to providing a hard copy, students will be asked to submit their critical reflections and term papers to Turnitin.com for the detection of possible plagiarism. The detailed procedures for submission will be announced later.

The University requires that the following paragraph be included in the syllabus of all courses using Turnitin.com:

"Normally, students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site".

Please note that you are not obligated to submit your paper to Turnitin.com. If you object to submit your paper to Turnitin.com, let me know by February 7th and I will offer you a reasonable offline alternative.

- A two-page tentative **outline** of the term paper, including the title, main theme, sub-sections, and a bibliography of at least six key readings will be due at the beginning of class on **February 7. There will be a penalty for late submission of 5 percentage points (of the term paper grade) per day, excluding weekends.**
- A **term test** covering the term's work will be written from 10:00 to 12:00 AM on **April 4.**
- **Participation** in class discussions will also form part of the total mark. Students must read the required readings in advance in order to have a stimulating seminar. A weekly set of questions about the required readings will be provided in advance to facilitate your preparation.

COURSE EVALUATION

The breakdown of the term grade will be as follows: 1) the critical reflection will count for 20% of the final mark; 2) the term paper will count for 40% of the final mark; 3) the term test will count for 25% of the final mark; and 3) class participation will count for the other 15% of the final mark.

GUIDELINES FOR WRITING THE TERM PAPER

There are several Writing Centres at the University of Toronto where you can receive helpful information to guide you in writing an academic essay. A list of these Writing Centres can be accessed at <http://www.writing.utoronto.ca/writing-centres/centres>. More general advice on

academic essay writing can also be electronically accessed at <http://www.writing.utoronto.ca/advice/general/general-advice>.

ACADEMIC INTEGRITY

Academic integrity is one of the cornerstones of the University of Toronto. It is critically important both to maintain our community which honours the values of honesty, trust, respect, fairness and responsibility and to protect you, the students within this community, and the value of the degree towards which you are all working so diligently.

According to Section B of the University of Toronto's *Code of Behaviour on Academic Matters* (www.utoronto.ca/govcncl/pap/policies/behaveac.html) which all students are expected to know and respect, it is an offence for students:

- To use someone else's ideas or words in their own work without acknowledging that those ideas/words are not their own with a citation and quotation marks, i.e. to commit plagiarism.
- To include false, misleading or concocted citations in their work.
- To obtain unauthorized assistance on any assignment.
- To provide unauthorized assistance to another student. This includes, for instance, showing another student an answer in a test.
- To submit their own work for credit in more than one course without the permission of the instructor.
- To falsify or alter any documentation required by the University. This, includes, but is not limited to, doctor's notes.
- To use or possess an unauthorized aid in any test or exam (e.g., a cell phone).
- To submit a medical note to get out of a test when the student is not actually sick.
- To continue writing when the time is up in any test or exam.

There are other offences covered under the Code, but these are by far the most common. Please respect these rules and the values which they protect.

COURSE OUTLINE AND READING ASSIGNMENTS

This outline identifies required readings for each topic (*) plus select supplementary readings. You should find the latter useful in preparing your critical reflection and essay and following up on a subject which particularly interests you. Newspaper or magazine articles might also be added as required readings from time to time. Obviously, you must read the required readings each week if we are to have a stimulating class discussion.

1. The Market System and the Public Sector (January 10)

*Watson, W., "Let the Market Work! The Market and the Public Sector," in *Introducing Macroeconomic Analysis*, Chapter 1, pp. 9-21.

*Prasch, R., "Market, States, and Exchange: An Introduction to Economics," in *Introducing Macroeconomic Analysis*, Chapter 1, pp. 22-32.

*Chang, H.J., "There Is No Such Thing as a Free Market," in *23 Things They Don't Tell You about Capitalism*, Chapter 1, pp. 1-10.

*Chang, H.J., "We Are Not Smart Enough to Leave Things to the Market," in *23 Things They Don't Tell You about Capitalism*, Chapter 16, pp. 168-177.

Supplementary Readings:

Baker, D., *The Conservative Nanny State: How the Wealthy Use the Government to Stay Rich and Get Richer*. Washington, DC: Center for Economic and Policy Research. (Available online at <http://www.conservativenannystate.org>.)

Bowles, S., "What Markets Can—and Cannot—Do," *Challenge*, Vol. 43, No. 4, 1991, pp. 11-16.

- Chang, H.J., *Kicking Away the Ladder*. London: Anthem Press, 2002.
- Galbraith, J.K., *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too*. New York: Free Press, 2008.
- Hahnel, R., "The Case against Markets," *Journal of Economic Issues*, Vol. 41, No. 4, 2007, pp. 1139-1159.
- Landes, D., *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*. New York: Norton, 1997.
- Minsky, H., *Stabilizing an Unstable Economy*. New Haven, CT: Yale University Press, 1986.
- Prasch, R.E., *How Markets Work: Supply, Demand and the Real World*. Northampton, MA: Edward Elgar, 2008.
- Reinert, E.S., "The Role of the State in Economic Growth," in P.A. Toninelli (ed.), *The Rise and Fall of State-Owned Enterprise in the Western World*, pp. 73-99. Cambridge: Cambridge University Press, 2000.
- Shafaeddin, M., "How Did Developed Countries Industrialized? The History of Trade and Industrial Policy: The Case of Great Britain and the USA," Discussion Paper No. 139, Geneva, UNCTAD, 1998. (Available online at http://www.unctad.org/en/docs/dp_139.en.pdf.)
- Weiss, L., "The Myth of the Neoliberal State," in C. Kyung-Sup, B. Fine and L. Weiss, eds., *Developmental Politics in Transition*, pp. 27-42. Houndmills, England: Palgrave MacMillan, 2012.

2. The Determinants of Consumption and Saving (January 17)

- *Bodkin, R.G., "Consumption Theory at the Turn of the Millennium," in *Introducing Macroeconomic Analysis*, Chapter 3, pp. 65-78.
- *Seccareccia, M., "The Determinants of Consumption and Saving from a Heterodox Perspective," in *Introducing Macroeconomic Analysis*, Chapter 3, pp. 79-88.
- *Frank, R.H., "The Mysterious Disappearance of James Duesenberry," *The New York Times*, 9 June 2005. (Available online at <http://www.robert-h-frank.com/PDFs/ES.6.9.05.pdf>.)

Supplementary Readings:

- Akerlof, G.A., "The Missing Motivation in Macroeconomics," *American Economic Review*, Vol. 97, No. 1, 2007, pp. 5-36.
- Ando, A. and F. Modigliani, "The 'Life-Cycle' Hypothesis of Saving: Aggregate Implications and Tests," *American Economic Review*, Vol. 53, March 1963, pp. 55-84.
- Bodkin, R.G., "Windfall Income and Consumption," *American Economic Review*, Vol. 49, September 1959, pp. 602-14.
- Chawla, R.K., "Spending Patterns in Canada and the US," *Perspectives on Labour and Income*, Statistics Canada, September 2007, pp. 18-27. (Available online at <http://www.statcan.gc.ca/pub/75-001-x/2007109/article/10351-eng.pdf>.)
- Friedman, M., *A Theory of the Consumption Function*. Princeton, NJ: Princeton University Press, 1957.
- Seccareccia, M., "Growing Household Indebtedness and the Plummeting Saving Rate in Canada: An Explanatory Note," *Economic and Labour Relations Review*, Vol. 16, No. 1, 2005, pp. 133-151.

3. The Determinants of Investment (January 24)

- *Scarth, W., "What Drives Investment? An Orthodox Perspective," in *Introducing Macroeconomic Analysis*, Chapter 4, pp. 91-100.
- *Stanford, J., "What Drives Investment? A Heterodox Perspective," in *Introducing Macroeconomic Analysis*, Chapter 4, pp. 101-116.
- *Chang, H.J., "Companies Should *Not* Be Run in the Interest of Their Owners," in *23 Things They Don't Tell You about Capitalism*, Chapter 2, pp. 11-22.

*Chang, H.J., "Capital Has a Nationality," in *23 Things They Don't Tell You about Capitalism*, Chapter 8, pp. 74-87.

Supplementary Readings:

- Coen, R.M., R. Eisner, F. Rondina and S.N. Durlauf, "Investment," in S.N. Durlauf and L.E. Blume, eds., *The New Palgrave Dictionary of Economics Online*, 2008. (Available online at <http://www.dictionaryofeconomics.com/dictionary>.)
- Dornbusch, R., S. Fischer, R. Startz, F.J. Atkins, and G.R. Sparks, *Macroeconomics*, 7th Canadian edition. Toronto: McGraw-Hill Ryerson, 2005.
- Fazzari, S.M., "Investment," in D. Glasner, ed., *Business Cycles and Depressions: An Encyclopedia*. New York: Garland, 1997.
- Hassett, K.A., "Investment," in D.R. Henderson, ed., *The Concise Encyclopedia of Economics*, 2nd edition. (Available online at <http://www.econlib.org/library/Enc/Investment.html>.)
- Kotlikoff, L.J., "Saving," (Available online at <http://www.econlib.org/library/Enc/Saving.html>.)
- Mankiw, N.G. and W.M. Scarth, *Macroeconomics*, 4th Canadian edition. New York: Worth Publishers, 2011.
- Pollin, R., ed., *The Macroeconomics of Saving, Finance, and Investment*. Ann Arbor: University of Michigan Press, 1997.

4. Why Is There Unemployment? (January 31)

- *Fortin, P., "Unemployment in Canada," in *Introducing Macroeconomic Analysis*, Chapter 5, pp. 119-136.
- *Lavoie, M., "Two Views of Unemployment," in *Introducing Macroeconomic Analysis*, Chapter 5, pp. 137-148.
- *Chang, H.J., "Making Rich People Richer Doesn't Make the Rest of Us Richer," in *23 Things They Don't Tell You about Capitalism*, Chapter 13, pp. 137-147.

Supplementary Readings:

- Bellemare, D. and L. Poulin-Simon, "The Challenge of full Employment," in A. Fenichel and S.H. Ingerman, eds., *On the Political Economy of Social Democracy*. Montreal and Kingston: McGill-Queen's University Press, 1991.
- Card, D. and A.B. Krueger, *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton, NJ: Princeton University Press, 1995.
- Fortin, P., M. Keil and J. Symos, "The Sources of Unemployment in Canada, 1967-91: Evidence from a Panel of Regions and Demographic Groups," *Oxford Economic Papers*, Vol. 53, No. 1, 2001, pp. 67-93.
- Howells, D.R., ed., *Fighting Unemployment: The Limits to Free Market Orthodoxy*. Oxford: Oxford University Press, 2005.
- Howells, D.R., D. Baker, A. Glyn and J. Schmitt, "Are Protective Labour Market Institutions Really at the Root of Unemployment? A critical Review of the Evidence," Bernard Schwartz Center for Economic Policy Analysis. (Available online at http://www.newschool.edu/scepa/publications/workingpapers/Howell%20et%20al_Institutions%20and%20Unemployment_march15.07.pdf.)
- Jones, S.R.G., "Cyclical and Seasonal Properties of Canadian Gross Flows of Labour," *Canadian Public Policy*, Vol. 19, No. 1, 1993, pp. 1-17.
- Mitchell, W. and J. Muysken, *Full Employment Abandoned: Shifting Sands and Policy Failures*. Cheltenham: Edward Elgan, 2008.
- Piore, M.J., ed., *Unemployment and Inflation: Institutional and Structuralist Views*. White Plains, NY: M.E. Sharp, 1979.
- Stanley, T.D., "Does Unemployment Hysteresis Falsify the Natural Rate of Unemployment? A Meta-regression Analysis," *Journal of Economic Surveys*, Vol. 18, No. 4, 2004, pp. 589-612.

5. Is Government Spending a Source of Stability or Instability? (February 7)

[Note: Essay outline is due.]

- *Veldhuis, N., "The Optimal Size of Government," in *Introducing Macroeconomic Analysis*, Chapter 6, pp. 151-164.
- *Bougrine, H., "The Stabilizing Role of Public Spending," in *Introducing Macroeconomic Analysis*, Chapter 6, pp. 165-176.
- *Chang, H.J., "Governments Can Pick Winners," in *23 Things They Don't Tell You about Capitalism*, Chapter 12, pp. 125-136.

Supplementary Readings:

- Bell, S., "Can Taxes and Bonds Finance Government Spending?," *Journal of Economic Issues*, Vol. 34, No. 3, 2000, pp. 603-620.
- Cochrane, J.H., "Fiscal Stimulus, Fiscal Inflation, or Fiscal Fallacies?," Booth School of Business, University of Chicago, 2009. (Available online at <http://faculty.chicagobooth.edu/john.cochrane/research/Papers/fiscal2.htm>.)
- Dornbusch, R., S. Fischer, R. Startz, F.J. Atkins, and G.R. Sparks, *Macroeconomics*, 7th Canadian edition. Toronto: McGraw-Hill Ryerson, 2005.
- Galbraith, J.K., *The Predator State: How Conservative Abandoned the Free Market and Why Liberals Should Too*. New York: Free Press, 2008.
- Graziani, A., "The Theory of Monetary Circuit," *Economies et Sociétés*, Vol. 24, No. 6, 1990, pp. 7-36.
- Mankiw, N.G. and W.M. Scarth, *Macroeconomics*, 4th Canadian edition. New York: Worth Publishers, 2011.
- Seccareccia, M. And A. Sood, "Government Debt Monetization and Inflation: A Somewhat Jaundiced View," in H. Bougrine, ed., *Debts, Deficits and Economic Performance*, pp. 122-134. Cheltenham: Edward Elgar, 2000.

6. Should Central Banks Be Targeting Inflation? (February 14)

- *Rowe, N., "Money, Central Banks, and Monetary Policy: The Path to Inflation Targeting," in *Introducing Macroeconomic Analysis*, Chapter 7, pp. 179-187.
- *Rochon, L.-P., "Inflation Targeting: From Misconception to Misguided Policies," in *Introducing Macroeconomic Analysis*, Chapter 7, pp. 188-196.
- *Chang, H.J., "Greater Macroeconomic Stability Has *Not* Made the World Economy More Stable," in *23 Things They Don't Tell You about Capitalism*, Chapter 6, pp. 51-61.

Supplementary Readings:

- Lavoie, M., *Introduction to Post-Keynesian Economics*. London: Routledge, 2007.
- Meyer, L.H., "Does Money Matter?," *Review*, Vol. 83, No. 4, 2001, pp. 1-15.
- Rochon, L.-P., "Central Bank Governance, the Euthanasia of the Rentier and Interest Rate Policy: A Note on Post-Keynesian Monetary Policy after Taylor," in C. Gnos and L.-P. Rochon, eds., *Monetary Policy and Financial Stability*. Cheltenham: Edgard Elgar, 2009.
- Svensson, L.E.O., "Inflation Targeting," CEPS Working Paper No. 144, Princeton University, May 2007. (Available online at <http://www.princeton.edu/ceps/workingpapers/144svensson.pdf>.)

7. Should Central Banks Be Independent? (February 28)

- *Galbraith, J.A., "The Case of Independent Central Banks," in *Introducing Macroeconomic Analysis*, Chapter 8, pp. 199-206.
- *Le Héron, E., "Governance and Confidence Instead of Independence and Credibility," in *Introducing Macroeconomic Analysis*, Chapter 8, pp. 207-216.

Supplementary Readings:

- Aisen, A. and F.J. Veiga, "Political Instability and Inflation Volatility," *Public Choice*, Vol. 135, No. 3-4, 2008, pp. 207-223.
- Buiter, W., "New Developments in Monetary Economics: Two Ghosts, Two Eccentricities, a Fallacy, a Mirage and a Mythos," *Economic Journal*, Vol. 115, No. 502, 2005, pp. C1-C31.
- Crowe, C. and E.E. Meade, "The Evolution of Central Bank Governance around the World," *Journal of Economic Perspectives*, Vol. 21, No. 4, 2007, pp. 69-90.
- Ferris, J.S., "Electoral Politics and Monetary Policy: Does the Bank of Canada Contribute to a Political Business Cycle?," *Public Choice*, Vol. 135, No. 3-4, 2008, pp. 449-468.
- Mishkin, F.S., *The Economics of Money, Banking, and Financial Markets*. Boston: Pearson, 2007.
- Siklos, P.L., *Money, Banking, and Financial Institutions: Canada in the Global Environment*. Toronto: McGraw-Hill Ryerson, 2004.
- Vernengo, M. and E. Pérez Caldentey, "Heterodox Central Bankers: Eccles, Prebisch and Financial Reform," The IDEAs Working Paper Series, Paper No. 03/2012, 2012. (Available online at http://www.networkideas.org/working/aug2012/03_2012.pdf.)

8. Should Full Employment Be a Policy Objective? (March 7)

[Note: Term paper is due.]

- *Randall Wray, L., "The Social and Economic Importance of Full Employment," in *Introducing Macroeconomic Analysis*, Chapter 9, pp. 219-228.
- *Gray, D., "A Critique of the 'Government as the Employer of Last Resort' Policy Proposal," in *Introducing Macroeconomic Analysis*, Chapter 9, pp. 229-242.

Supplementary Readings:

- Benjamin, D., M. Gunderson, T. Lemieux and W. Riddell, *Labour Market Economics*. Toronto: McGraw-Hill Ryerson, 2007.
- Darity, W. Jr., "Who Loses from Unemployment?," *Journal of Economic Issues*, Vol. 33, No. 2, 1999, pp. 491-496.
- Harvey, P., *Securing the Right to Employment: Social Welfare Policy and the Unemployed in the United States*. Princeton, NJ: Princeton University Press, 1989.
- Mitchell, W. and J. Muysken, *Full Employment Abandoned: Shifting Sands and Policy Failures*. Cheltenham: Edward Elgar, 2008.
- Riddell, W.C., "Why Is Canada's Unemployment Rate Persistently Higher than in the United States?," *Canadian Public Policy*, Vol. 31, No. 1, 2005, pp. 93-100.
- Stanford, J., "Revisiting the 'Flexibility Hypothesis'," *Canadian Public Policy*, Vol. 31, No. 1, 2005, pp. 109-116.
- Wray, L.R., *Understanding Modern Money: The Key to Full Employment and Price Stability*. Cheltenham: Edward Elgar, 1998.
- Wray, L.R. and M. Forstater, "Full Employment and Economic Justice," in D. Champlin and J. Knoedler, eds., *The Institutionalist Tradition in Labour Economics*. Armonk, NY: M.E. Sharp, 2004.

9. Is Trade Liberalization Good or Bad for the Economy? (March 14)

- *Beaulieu, E., "The Economics of Trade Liberalization," in *Introducing Macroeconomic Analysis*, Chapter 10, pp. 245-255.
- *Grinspun, R., "Trade Liberalization: The Good, the Bad, and the Ugly," in *Introducing Macroeconomic Analysis*, Chapter 10, pp. 256-268.
- *Chang, H.J., "Free-Market Policies Rarely Make Poor Countries Rich," in *23 Things They Don't Tell You about Capitalism*, Chapter 7, pp. 62-73.

Supplementary Readings:

- Bougrine, H. "The World Trade Organization, Free Trade Areas, and the Distribution of Wealth," in P.A. O'Hara, ed., *Global Political Economy and the Wealth of Nations: Performance, Institutions, Problems and Policies*, pp. 171-187. London: Routledge, 2004.
- Chang, H.J., "Kicking Away the Ladder: The 'Real' History of Free Trade," in A. Shaikh, ed., *Globalization and the Myths of Free Trade: History, Theory and Empirical Evidence*, pp. 23-49. London: Routledge, 2007.
- Irwin, D.A., *Free Trade Under Fire*. Princeton, NJ: Princeton University Press, 2003.
- Roberts, R., *The Choice: A Fable of Free Trade and Protectionism*, 3rd edition. Upper Saddle River, NJ: Prentice Hall, 2007.
- Rodriguez, F. and D. Rodrik, "Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence," NBER Working Paper w7081, 1999.
- Rodrik, D., *The Global Governance of Trade: As If Development Really Mattered*. New York: UNDP, 2001.
- Shaikh, A., ed., *Globalization and the Myths of Free Trade: History, Theory and Empirical Evidence*, pp. 23-49. London: Routledge, 2007.
- Stiglitz, J., *Making Globalization Work*. New York: Norton, 2006.
- Wallach, L. and P. Woodall, *Whose Trade Organization? The Comprehensive Guide to the WTO*. New York: New Press, 2004.

10. Should Financial Flows Be Regulated? (March 21)

-
- *Santor, E. and L.L. Schembri, "The Case for Financial Liberalization," in *Introducing Macroeconomic Analysis*, Chapter 11, pp. 271-282.
 - *Epstein, G., "Financial Flows Must Be Regulated," in *Introducing Macroeconomic Analysis*, Chapter 11, pp. 283-306.
 - *Ocampo, J.A., "The Case For and Experience With Capital Account Regulations," in Gallagher, K.P., S. Griffith-Jones and J.A. Ocampo, eds., *Regulating Global Capital Flows for Long-Run Development*, Pardee Center Task Force Report, Boston University, March 2012. (Available online at <http://www.bu.edu/pardee/files/2012/03/RegulatingCapitalTF-March2012.pdf>.)

Supplementary Readings:

- Carney, M. "What Are Banks Really for?," Remarks to the University of Alberta School of Business, Edmonton, Alberta, 30 March 2009. (Available online at <http://www.bankofcanada.ca/wp-content/uploads/2010/03/sp300309.pdf>.)
- Eichengreen, B., *Capital Flows and Crises*. Cambridge, MA: MIT Press, 2004.
- Epstein, G., I. Grabel and Jomo K.S., "Capital Management Techniques in Developing Countries," in G. Epstein, ed., *Capital Flights and Capital Controls in Developing Countries*, pp. 301-333. Northampton, MA: Edward Elgar, 2005.
- Epstein, G., ed., *Capital Flights and Capital Controls in Developing Countries*. Northampton, MA: Edward Elgar, 2005.
- Gallagher, K.P., "Regaining Control: Capital Controls and the Global Financial Crisis," Political Economy Research Institute, University of Massachusetts–Amherst, 2011.
- Gallagher, K.P., S. Griffith-Jones and J.A. Ocampo, eds., *Regulating Global Capital Flows for Long-Run Development*, Pardee Center Task Force Report, Boston University, March 2012. (Available online at <http://www.bu.edu/pardee/files/2012/03/RegulatingCapitalTF-March2012.pdf>.)
- Kaplan, E. and D. Rodrik, "Did the Malaysian Capital Controls Work?," in S. Edwards and J.A. Frankel, eds., *Preventing Currency Crises in Emerging Markets*, pp. 393-441. Chicago: University of Chicago Press, 2002.
- Magud, N., C. Reinhart and K. Rogoff, "Capital Controls: Myth and Reality—A Portfolio Balance Approach." Cambridge, MA: National Bureau of Economic Research, 2011.

- Ocampo, J. and J. Stiglitz, *Capital Market Liberalization and Development*. New York: Oxford University Press, 2008.
- Ostry, J.D., A.R. Ghosh, K. Habermeier, M. Chamon, M.S. Qureshi and D.B.S. Reinhardt, "Capital Inflows: The Role of Controls," in *IMF Staff Position Note*. Washington, D.C.: International Monetary Fund, 2010.
- Rodrik, D. and A. Subramaniam, "Why Did Financial Globalization Disappoint?," *IMF Staff Papers*, Vol. 56, No. 1, March 2009, 112-138.
- Vernengo, M. and L.-P. Rochon, "Exchange Rate Regimes and Capital Controls," *Challenge*, Vol. 43, No. 6, 2000, pp. 76-92.

11. Should Countries Float, Fix or Dollarized? (March 28)

- *Courchene, T.J., "Canada's Floating Rate Needs Fixing," in *Introducing Macroeconomic Analysis*, Chapter 12, pp. 309-318.
- *Vernengo, M. and C. Schönerwald da Silva, "Beyond the Bipolar Consensus: An Intermediary Solution," in *Introducing Macroeconomic Analysis*, Chapter 12, pp. 319-328.
- *Carr, J., "Defending the Current Monetary System," *Isuma*, Vol. 1, No. 1 (Spring), 2000, pp. 97-100. (Available online at <http://dSPACE.cigilibrary.org/jspui/bitstream/123456789/341/1/Defending%20the%20Current%20Monetary%20System.pdf?1>.)

Supplementary Readings:

- Calvo, G. and C. Reinhart, "Fear of Floating," *Quarterly Journal of Economics*, Vol. 117, 2002, pp. 379-408.
- Dean, J.W., D. Salvatore and T.A. Willett, eds., *The Dollarization Debate*. Oxford: Oxford University Press, 2002.
- Frenkel, R. and L. Taylor, "Real Exchange Rate, Monetary Policy and Employment," UN/DESA Working Paper 19, 2006. (Available online at http://www.un.org/esa/desa/papers/2006/wp19_2006.pdf.)
- Hausmann, R., U. Panizza and E. Stein, "Why do Countries Float the Way They Float?," *Journal of Development Economics*, Vol. 66, 2001, pp. 387-414.
- Reinhart, C. and K. Rogoff, "The Modern History of Exchange Rate Arrangements: A Reinterpretation," *Quarterly Journal of Economics*, Vol. 119, 2004, pp. 1-48.
- Vernengo, M. and L.-P. Rochon, "Exchange Rate Regimes and Capital Controls," *Challenge*, Vol. 43, No. 6, 2000, pp. 76-92.

12. Term Test (April 4)
