

ECO 403 – L0301

Developmental Macroeconomics

INSTRUCTOR

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OFFICE HOURS

Monday, 9:00 – 10:00 AM

COURSE DESCRIPTION

This course integrates the study of macroeconomics and development economics, i.e., it focuses on both the stability of economic systems and the long-term process of economic growth. Developmental macroeconomics constructs a theoretical and policy framework that applies most particularly to middle-income developing countries. In this framework, the key macroeconomic variable is the exchange rate — exports, imports, the investment rate, the saving rate, and inflation are all seen to ultimately depend on the exchange rate. Special attention is paid to the causes of the observed cyclical overvaluation of the exchange rate in developing countries, particularly the Dutch disease and the excessive reliance on external savings.

REQUIRED TEXTBOOKS

- L.C. Bresser-Pereira, J.L. Oreiro, and N. Marconi, *Developmental Macroeconomics: New Developmentalism as a Growth Strategy*. New York: Routledge, 2015.
- G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz (eds.), *What Have We Learned? Macroeconomic Policy after the Crisis*. Cambridge, Mass: IMF and MIT Press, 2014.

COURSE REQUIREMENTS

- **Critical Reflection** – A written **critical reflection** on an economics article to be assigned on **January 28**. Submission will be due at the beginning of class on **February 11**. The reflection should be about 1000 to 1200 words in length (about 4-5 double-space pages). **Late penalty: 5 percentage points per day.**
- **Term Paper** – This essay will be on a specific topic to be assigned on **February 11** and should be about 4,000 words in length (about 16 double-space pages). A **first draft** of the paper will be due at the beginning of class on **March 17**. **Late penalty: 20 percentage points of the Term Paper mark.** The **final draft** of the paper will be due at the beginning of class on **March 24**. **Late penalty: 5 percentage points per day.**
- **Final Exam** – An exam covering the term's work will be written during the regular examination

Guidelines on Writing the Critical Reflection on the Required Reading

1. This assignment involves the submission of a critical reflection on an economics article.
2. The critical reflection should be no more than 4-5 pages in length (about 1000 to 1200 words). The emphasis is on concise, focused thought. You need to identify the author's *main* points, and respond critically to those points. The latter implies that you must take a clear and coherent position on the issues discussed. You must, therefore, advance your own thesis statement which will serve as the guiding framework of 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.

period (**April 12-29**).

- **Class Participation** – 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 exchange.

COURSE EVALUATION

The breakdown of the term grade will be as follows: 1) the critical reflection will count for 15% of the final mark; 2) the term paper will count for 35% of the final mark; 3) the exam will count for 40% of the final mark; and 4) class participation will count for the other 10% 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 writing is available 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

Submission of Critical Reflections and Term Paper to Turnitin.com

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 critical reflection and/or paper to Turnitin.com. If you object to submit them to Turnitin.com, let me know by **January 28** and I will offer you a reasonable offline alternative.

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.

1. *The Theoretical and Methodological Framework (January 14)*

**Developmental Macroeconomics*, Chapters 1 and 2, pp. 3-19.

**What Have We Learned?*, Chapters 26-29, pp. 317-347.

Supplementary Readings:

Amsden, A., *Asia's Next Giant*. New York: Oxford University Press, 1989.

Bresser-Pereira, L.C., *Globalization and Competition: Why Some Countries Succeed while Others Fall Behind*, chapters 1-3. New York: Cambridge University Press, 2010.

Dutt, A.K. and J. Ros (eds.), *Development Economics and Structuralist Macroeconomics*. Cheltenham: Edward Elgar, 2003.

Hirschman, A.O., *Essays in Trespassing*. Cambridge, UK: Cambridge University Press, 1981.

Johnson, C., *MITI and the Japanese Miracle*. Stanford, CA: Stanford University Press, 1982.

Kaldor, N., "A Model of Economic Growth," *Economic Journal*, Vol. 67, No. 268, 1957, pp. 591-624.

Kohli, A., *State-Directed Development*. Cambridge, UK: Cambridge University Press, 2004.

Lewis, A.W., "Economic Development with Unlimited Supply of Labour," *The Manchester School*, Vol. 22, 1957, pp. 139-191.

Montiel, P.J., *Macroeconomics in Emerging Markets*. Cambridge, UK: Cambridge University Press, 2003.

Solow, R.M., "A Contribution to the Theory of Economic Growth," *Quarterly Journal of Economics*, Vol. 70, 1956, pp. 65-94.

Taylor, L., *Structuralist Macroeconomics*. New York: Basic Books, 1983.

Taylor, L., *Reconstructing Macroeconomics*. Cambridge, UK: Cambridge University Press, 2004.

Taylor, L., *Maynard's Revenge: The Collapse of Free Market Economics*. Cambridge, Mass: Harvard University Press, 2010.

Weiss, L., *The Myth of the Powerless State*. Ithaca, NY: Cornell University Press, 1998.

2. The Role of Aggregate Demand in the Process of Growth (January 21)

**Developmental Macroeconomics*, Chapter 3, pp. 20-30.

**What Have We Learned?*, Chapters 14-17, pp. 179-222.

Supplementary Readings:

- Akerlof, G.A. and R.J. Shiller, *Animal Spirits: How Human Psychology Drives the Economy and Why It Matters for Global Capitalism*. Princeton, NJ: Princeton University Press, 2009.
- Cohen, A.J. and Harcourt, G.C., "Whatever Happened to the Cambridge Capital Theory Controversies?," *Journal of Economic Perspectives*, Vol. 17, No. 1 (Winter), 2003, pp. 199-214.
- Davidson, P., "Finance, Funding, Saving and Investment," *Journal of Post Keynesian Economics*, Vol. 9, No. 1, 1986, pp. 101-110.
- Fazzari, S.M., P.E. Ferri, E.G. Greenberg, and A.M. Variato, "Aggregate Demand, Instability, and Growth," INET Research Note No. 002, May 2012. (Available online at <http://ineteconomics.org/sites/inet.civicaactions.net/files/Note-2-Fazzari-et-al.pdf>.)
- Galbraith, J.K., *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too*. New York: Free Press, 2008.
- Harcourt, G.C., *Some Cambridge Controversies in the Theory of Capital*. Cambridge: Cambridge University Press, 1972.
- Kaldor, N., "A Model of Economic Growth," *Economic Journal*, Vol. 67, No. 268, 1957, pp. 591-624.
- León-Ledesma, M.A., "Accumulation, Innovation and Catching Up: An Extended Accumulative Growth Model," *Cambridge Journal of Economics*, Vol. 26, No. 2, 2002, pp. 201-216.
- Mazzucato, M., *The Entrepreneurial State: Debunking Public vs. Private Sector Myth*. London and New York: Anthem Press, 2013.
- Minsky, H.P., *Stabilizing an Unstable Economy*. New Haven, CT: Yale University Press, 1986.
- Park, M.S., "Autonomous Demand and the Warranted Rate of Growth," *Contributions to Political Economy*, Vol. 19, No. 1, 2000, pp. 1-18.
- Pasinetti, L.L., "Switches of Technique and the 'Rate of Return' in Capital Theory." *Economic Journal*, Vol. 79, No. 315 (September), 1969, pp. 503-531.
- Pasinetti, L.L., "Again on Capital Theory and Solow's 'Rate of Return.'" *Economic Journal*, Vol. 80, No. 318 (June), 1970, pp. 428-431.
- Pasinetti, L.L., *Structural Change and Economic Growth. A Theoretical Essay on the Dynamics of the Wealth of Nations*. Cambridge: Cambridge University Press, 1981.
- Setterfield, M., *Rapid Growth and Relative Decline*. Oxford: St. Martin Press, 1997.
- Setterfield, M. (ed.), *The Economics of Demand-Led Growth*. Cheltenham: Edward Elgar, 2002.
- Solow, R., "Technical Change and the Aggregate Production Function," *Review of Economics and Statistics*, Vol. 70, 1957, pp. 65-94.

3. External Constraint to the Process of Growth (January 28)

**Developmental Macroeconomics*, Chapter 4, pp. 31-39.

[Note: Topic for Critical Reflection to be assigned.]

Supplementary Readings:

- Chenery, H.B. and M. Bruno, "Development Alternatives in an Open Economy: The Case of Israel," *Economic Journal*, 1962, pp. 79-103.
- Domar, D., "Capital Expansion, Rate of Growth and Employment," *Econometrica*, Vol. 14, No. 2 (April), 1946, pp. 137-147.
- Harrod, R.F., "An Essay in Dynamic Theory," *Economic Journal*, Vol. 49, No. 193 (March), 1939, pp. 14-33.

- Hill Cochrane, S., "Structural Inflation and the Two-Gap Model of Economic Development," *Oxford Economic Papers*, Vol. 24, No. 3 (November), 1972, pp. 385-398.
- Hirschman, A.O., *The Strategy of Economic Development*. New Haven: Yale University Press, 1960.
- Krugman, P., "Differences in the Income Elasticities and Trends in the Real Exchange Rates," *European Economic Review*, Vol. 33, No. 5 (May), 1989, pp. 1031-1046.
- Krugman, P. and L. Taylor, "Contractionary Effects of Devaluation," *Journal of International Economics*, Vol. 8, 1978, pp. 445-456.
- McCombie, J.S.L. and M. Roberts, "The Role of the Balance of Payments in Economic Growth," in M. Setterfield (ed.), *The Economics of Demand-Led Growth*. Cheltenham: Edward Elgar, 2002.
- Moreno-Brid, J.C., "On Capital Flows and the Balance-of-Payments-Constrained Growth Model," *Journal of Post Keynesian Economics*, Vol. 21, No. 2, 1998-99, pp. 283-298.
- Palley, T.I., "Pitfalls in the Theory of Growth: An Application to the Balance-of-Payments-Constrained Growth Model," in M. Setterfield (ed.), *The Economics of Demand-Led Growth*. Cheltenham: Edward Elgar, 2002.
- Rodrik, D., "The Real Exchange Rate and Economic Growth," *Brookings Papers on Economic Activity*, Vol. 39, No. 2, 2008, pp. 365-439.
- Rosenstein-Rodan, P., "Problems of Industrialization in Eastern Europe and South-Eastern Europe," *Economic Journal*, Vol. 53, 1943, pp. 202-211.
- Sachs, J.D. and A.M. Warner, "The Big Push, Natural Resource Booms and Growth," *Journal of Development Economics*, Vol. 59, No. 1, 1999, pp. 43-76.
- Thirlwall, A.P., "Reflections on the Concept of Balance-of-Payments-Constrained Growth Rates," *Journal of Post Keynesian Economics*, Vol. 19, No. 3, 1997, pp. 377-385.
- Thirlwall, A.P., "The Relation between the Warranted Growth Rate, the Natural Growth Rate and the Balance of Payments Equilibrium Growth Rates," *Journal of Post Keynesian Economics*, Vol. 24, No. 1, 2001, pp. 81-88.
- Thirlwall, A.P., *The Nature of Economic Growth*. Cheltenham: Edward Elgar, 2002.
- Thirlwall, A.P., "Balance of Payments Constrained Growth Models: History and Overview," *PSL Quarterly Review*, Vol. 64, No. 259, 2011, pp. 307-351.

4. The Value and Price of the Exchange Rate (February 4)

**Developmental Macroeconomics*, Chapters 5 and 6, pp. 40-55.

**What Have We Learned?*, Chapters 18-21, pp. 225-262.

Supplementary Readings:

- Bhalla, S.S., *Devaluing to Prosperity: Misaligned Currencies and Their Growth Consequences*. Washington, DC: Peterson Institute for International Economics, 2012.
- Blanchard, O. "Monetary Policy Will Never Be the Same," *IMFdirect*, 19 November 2013. (Available online at <http://blog-imfdirect.imf.org/2013/11/19/monetary-policy-will-never-be-the-same/>.)
- Bresser-Pereira, L.C., "The Tendency of the Exchange Rate toward Overvaluation," in his *Globalization and Competition: Why Some Countries Succeed while Others Fall Behind*, Chapter 4. New York: Cambridge University Press, 2010. (Available online at <http://www.bresserpereira.org.br/papers/2008/08.23.tendencytotheovervaluation.nov3.pdf>.)
- Bresser-Pereira, L.C., "The Value of the Exchange Rate and the Dutch Disease," *Brazilian Journal of Political Economy*, Vol. 33, No. 3 (July-September), 2013, pp. 371-387. (Available online at <http://www.scielo.br/pdf/rep/v33n3/v33n3a01.pdf>.)
- 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.

- Fischer, S., "Exchange Rate Regimes: Is the Bipolar View Correct?," *Journal of Economic Perspectives*, Vol. 15, 2001, pp. 3-24.
- 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.
- Krugman, P., "Currency Regimes, Capital Flows, and Crises," paper presented at the 14th Jacques Polak Annual Research Conference hosted by the IMF in Washington, DC on November 7–8, 2013. (Available online at <http://www.imf.org/external/np/res/seminars/2013/arc/pdf/Krugman.pdf>.)
- Reinhart, C. and K. Rogoff, "The Modern History of Exchange Rate Arrangements: A Reinterpretation," *Quarterly Journal of Economics*, Vol. 119, 2004, pp. 1-48.
- Sachs, J. and F. Larrain, "Why Dollarization Is More Straitjacket than Salvation," *Foreign Policy*, No. 116 (Fall), 1999, pp. 80-92.
- Shatz, H. and D. Tarr, "Exchange Rate Overvaluation and Trade Protection: Lessons from Experience," World Bank Policy and Research Working Paper No. 2289, 2000. (Available online at <http://www.worldbank.org/research/trade/>.)
- Vernengo, M. and L.-P. Rochon, "Exchange Rate Regimes and Capital Controls," *Challenge*, Vol. 43, No. 6, 2000, pp. 76-92.
- Wray, L.R., "Modern Money Theory and Alternative Exchange Rate Regimes," in his *Modern Money Theory*, Chapter 5, pp. 148-186. Houndmills, England: Palgrave Macmillan, 2012.

5. Currency Appreciation and Dutch Disease (February 11)

[Note: Critical Reflection is due. Topic for Term Paper to be assigned.]

**Developmental Macroeconomics*, Chapter 7, pp. 56-73.

*Beine, M., C.S. Bos and S. Coulombe, "Does the Canadian Economy Suffer from Dutch Disease?" *Resource and Energy Economics*, Vol. 34, No. 4 (November), 2012, pp. 468-492.

Supplementary Readings:

- Bresser-Pereira, L.C., "The Dutch Disease and Its Neutralization: A Ricardian Approach," *Brazilian Journal of Political Economy*, Vol. 28, No. 1, 2008, pp. 47-71.
- Bresser-Pereira, L.C., "The Dutch Disease," in his *Globalization and Competition: Why Some Countries Succeed while Others Fall Behind*, Chapter 5. New York: Cambridge University Press, 2010.
- Bresser-Pereira, L.C., "The Value of the Exchange Rate and the Dutch Disease," *Brazilian Journal of Political Economy*, Vol. 33, No. 3, 2013, pp. 371-387.
- Corden, W.M., "Booming Sector and Dutch Disease Economics: Survey and Consolidation," *Oxford Economic Papers*, Vol. 36, No. 3, 1984, pp. 359-380.
- Corden, W.M and J.P. Neary, "Booming Sector and De-Industrialization in a Small Open Economy," *Economic Journal*, Vol. 92, No. 368, 1982, pp. 825-848.
- Devereux, M.B., "Much Appreciated? The Rise of the Canadian Dollar, 2002-2008," *Review of Economic Analysis*, Vol. 1, No. 1, 2009, pp. 1-33.
- Lederman, D. and W.F. Maloney (eds.), *Natural Resources: Neither Curse nor Destiny*. Washington, D.C. and Stanford, CA: World Bank and Stanford University Press, 2007.
- Marchand, J., "The Distributional Impacts of an Energy Boom in Western Canada," *Canadian Journal of Economics*, Vol. 48, No. 2 (May), 2015, pp. 714-735.
- Palma, G., "Four Sources of 'De-Industrialization' and a New Concept of Dutch Disease," in J.A. Ocampo (ed.), *Beyond Reforms: Structural Dynamics and Macroeconomic Vulnerability*. Stanford, CA: Stanford University Press and World Bank, 2005.

- Papyrakis, E. and O. Raveh, "An Empirical Analysis of a Regional Dutch Disease: The Case of Canada," *Environmental and Resource Economics*, Vol. 58, No. 2 (June), 2014, pp 179-198.
- Rajan, R.G. and A. Subramanian, "Aid, Dutch Disease and Manufacturing Growth," *Journal of Development Economics*, Vol. 94, No. 1, 2011, pp. 106-118.
- Sachs, J.D. and A.M. Warner, "Natural Resource Abundance and Economic Growth," NBEP Working Paper No. 5398, December 1995.
- Sachs, J.D. and A.M. Warner, "The Big Push, Natural Resource Booms and Growth," *Journal of Development Economics*, Vol. 59, No. 1, 1999, pp. 43-76.
- Sachs, J. and A.M. Warner, "The Curse of Natural Resources," *European Economic Review*, Vol. 45, No. 4-6 (May), 2001, pp. 827-838.
- Shakeri, M., J. Leonard, and R.S. Gray, "Dutch Disease or Failure to Compete? A Diagnosis of Canada's Manufacturing Woes," *IRPP Study*, No. 30, May 2012.
- Van der Ploeg, F., "Natural Resources: Curse or Blessing?" *Journal of Economic Literature*, Vol. 49, 2011, pp. 366-420.

6. Excessive Foreign Savings and Currency Appreciation (February 25)

- **Developmental Macroeconomics*, Chapter 8, pp. 74-83.
- **What Have We Learned?*, Chapters 22-25, pp. 265-313.
- *Benigno, G., N. Converse, and L. Fornaro, "International Capital Flows, Sectoral Resource Allocation, and the Financial Resource Curse," VOX – CEPR's Policy Portal, 11 October 2015. (Available online at <http://www.voxeu.org/article/financial-resource-curse>.)

Supplementary Readings:

- Benigno, G., N. Converse, and L. Fornaro, "Large capital Inflows, Sectoral Allocation, and Economic Performance", *Journal of International Money and Finance*, Vol. 55, 2015, pp. 60-87.
- Benigno, G., and L. Fornaro, "The Financial Resource Curse", *The Scandinavian Journal of Economics*, Vol. 116, No. 1, 2014, pp. 58-86.
- Bernanke, B., "The Global Saving Glut and the U.S. Current Account Deficit." (Available online at <http://www.federalreserve.gov/boarddocs/speeches/2005/200503102/>.)
- Blanchard, O., J.D. Ostry, A.R. Ghosh, and M. Chamon, "Are Capital Inflows Expansionary or Contractionary?," paper presented at the American Economic Association 2016 Annual Meeting session *Do Capital Flows Need to be Tamed?*, San Francisco, CA, January 4, 2016.
- Botta, A., "The Macroeconomics of a Financial Dutch Disease," Working Paper No. 850, Levy Economics Institute, October 2015. (Available online at http://www.levyinstitute.org/pubs/wp_850.pdf.)
- Bresser-Pereira, L.C., "Foreign Savings and Slow Growth," in his *Globalization and Competition: Why Some Countries Succeed while Others Fall Behind*, Chapter 6. New York: Cambridge University Press, 2010.
- Calvo, G., L. Leiderman and C. Reinhart, "Capital Inflows to Latin America with Reference to the Asian Experience," in S. Edwards (ed.), *Capital Controls, Exchange Rates, and Monetary Policy in the World Economy*, pp. 339-380. Cambridge, UK: Cambridge University Press, 1995.
- Calvo, G. and C. Reinhart, "When Capital Inflows Come to a Sudden Stop: Consequences and Policy Options," in P. Kenen and A. Swoboda (eds.), *Key Issues in Reform of the International Monetary and Financial System*, pp. 175-201. Washington, DC: International Monetary Fund, 2000.
- 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.
- Eichengreen, B. and D. Leblang, "Capital Account Liberalization and Growth: Was Mr. Mahathir Right?" *The International Journal of Finance and Economics*, Vol. 8, No. 3, 2003, pp. 205-224.
- 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.
- Epstein, G. (ed.), *Financialisation and the World Economy*. Cheltenham: Edward Elgar, 2005.
- Frenkel, R., "An Appraisal of Floating Exchange Rate Regimes in Latin America," Italian Association for the Study of Economic Asymmetries, Working Paper WP2015/12, October 2015. (Available online at <http://www.asimmetrie.org/wp-content/uploads/2015/11/AISWP201512.pdf>.)
- Gabor, D., "Paradigm Shift? A Critique of the IMF's New Approach to Capital Controls," *Journal of Development Studies*, Vol. 48, No. 6, 2011, pp. 714-731.
- Gallagher, K.P., "Regaining Control: Capital Controls and the Global Financial Crisis," Political Economy Research Institute, University of Massachusetts–Amherst, 2011.
- Gallagher, K.P., "The IMF's New View on Financial Globalization: A Critical Assessment," Issues in Brief No. 26, Pardee Center, Boston University, December 2012. (Available online at <http://www.bu.edu/pardee/files/2012/12/Pardee-IIB-026-Dec-2012.pdf>.)
- 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>.)
- Gallagher, K.P. and J.A. Ocampo, "The IMF's New View on Capital Controls," *Economic & Political Weekly*, Vol. 48, No. 12, pp. 10-13, March 23, 2013.
- Gallagher, K.P. and Y. Tian, "Regulating Capital Flows in Emerging Markets: The IMF and the Global Financial Crisis," CEGI Working Paper No. 5, Pardee Center, Boston University, May 2014. (Available online at <http://www.bu.edu/pardee/files/2014/05/Regulating-Capital-Flows-Working-Paper.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.
- Kattel, R. (ed.), *Economic Development and Financial Instability – Selected Essays by Jan A. Kregel*. New York: Anthem Press, 2014.
- Lane, P.R. and P. McQuade, "Domestic Credit Growth and International Capital Flows", *Scandinavian Journal of Economics*, Vol. 116, No. 1, 2014, pp. 218-252.
- Mendoza, E.G., "Sudden Stops, Financial Crises, and Leverage", *American Economic Review*, Vol. 100, No. 5, 2010, pp. 1941-66.
- 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. Reinhart, "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.
- Turner, A., *Between Debt and the Devil: Money, Credit, and Fixing Global Finance*. Princeton, NJ: Princeton University Press, 2016.
- Vernengo, M. and L.-P. Rochon, "Exchange Rate Regimes and Capital Controls," *Challenge*, Vol. 43, No. 6, 2000, pp. 76-92.

7. Inflation, Interest Rate, and Currency Appreciation (March 3)

**Developmental Macroeconomics*, Chapter 9, pp. 84-98.

Supplementary Readings:

- Bresser-Pereira, L.C., "Foreign Savings and Financial Crises," in his *Globalization and Competition: Why Some Countries Succeed while Others Fall Behind*, Chapter 7. New York: Cambridge University Press, 2010.
- Calvo, G.A. and C. Reinhart, "Fear of Floating," *Quarterly Journal of Economics*, Vol. 117, No. 2, 2002, pp. 379-408.
- Cecchetti, S.G. and J. Kim, "Inflation Targeting, Price-Path Targeting, and Output Variability," in B.S. Bernanke and M. Woodford (eds.), *The Inflation-Targeting Debate*. Chicago and London: University of Chicago Press, 2005.
- Corden, W.M., *Economic Policy, Exchange Rates, and the International System*. Chicago: University of Chicago Press, 1994.
- Diaz Alejandro, C., "Southern Cone Stabilization Plans," in W. Cline and S. Weintraub (eds.), *Economic Stabilization in Developing Countries*. Washington, DC: Brookings Institution, 1981.
- Edwards, S., "Does Current Account Matter?" NBER Working Paper 8275, National Bureau of Economic Research, 2000.
- Edwards, S., "The Relationship between Exchange Rates and Inflation Targeting Revisited," Working Paper 12163, National Bureau of Economic Research, April 2006.
- Frenkel, R., "Competitive Real Exchange Rate Regime, Inflation, and Monetary Policy," *Cepal Review*, No. 96, 2008, pp. 191-201.
- Krugman, P., "A Model of Balance of Payments Crises," *Journal of Money, Credit, and Banking*, Vol. 11, 1979, pp. 311-325.
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8. Balance of Payment Crises (March 10)

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9. The Closing of the Model (March 17)

[Note: First draft of Term Paper is due.]

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10. Alternative Growth Strategies (March 24)

[Note: Final draft of Term Paper is due.]

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11. Neutralizing the Dutch Disease and Exchange Rate Policy (March 31)

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