List of Topics

**Online Module**

**Topic 1:** Challenges of Emerging Economies: Avoiding the Middle-Income Trap, Managing External Economic Relations

**Module 1:** Macroeconomics and Sustainable Development

**Topic 10:** The DOMAR Model: Embodiment of Capital Fundamentalism

**Topic 11:** A Neoclassical View of Economic Growth: Stylized Facts of Growth in Germany and China

**Topic 12:** Overcoming Capital Fundamentalism: “SOLOW’s Surprise”

**Topic 13:** Various Procedures to Estimate Sources of Growth – Incl. Regression Estimates for China

**Topic 14:** New Growth Theory: Contributing to the Explanation of Inter-Country Income Differentials, Convergence once more, and the “Middle-Income Trap” (China, Vietnam, and other Asian countries from an international perspective)

**Topic 15:** International Trade as a Source of Growth: Dynamics of Comparative Advantage, Industrial Policy and Legal Constraints (WTO)

**Topic 16:** Measuring Border Protection: Methods and Applications

**Topic 17:** FDI as a Source of Growth: A Basic Approach to Economic Evaluation of Foreign Direct Investment

**Topic 18:** Growth Performance in China, Vietnam, and other Asian Countries: How to Overcome the “Middle-Income Trap”

**Topic 19:** The “Asian Development State” and the Export-led Growth Hypothesis

**Topic 20:** Some Basic Features of System Transformation and Development Strategies in China and Vietnam

**Topic 21:** Macroeconomic Stability for Growth: The “Impossible Trinity” and its Management by Asian Countries

**Topic 22:** Effectiveness of Exchange Rate Policy: Economic Modelling and some Empirical Results (China and Vietnam)
Module 4: Trade Policy and Economic Integration

Topic 2: Fundamentals of the Orthodox Theory of International Trade (Comparative advantage as a source of trade)

Topic 3: International Distribution of Gains from Trade

Topic 4: A Basic Model of the “New Trade Theory” and Dynamics of Comparative Advantage

Topic 5: Trade and Monetary Economics: Translation of Real Comparative Advantages into Nominal Price Differentials

Topic 6: Economics of GATT Principles

Topic 7: Political Economy of the GATT: A Prisoner’s Dilemma

Topic 8: The Core of GATT Measures: Tariff Reduction (Art. XXVIII and II) and Prohibition of Quotas (Art. XI)

Topic 9: The Most Important Exception to the MFN Principle: Regional Integration (EU, ASEAN)

Note 1: Topics include supplementary literature.
Note 2: Due to the time restriction only a selection of topics can be discussed in class. However, the rest of the topics will be available for you online.
List of Topics (2009 - 2012)

Module 3, II: Theories of International Trade: Basic Concepts and Empirical Results

Topic 1: Challenges of Emerging Economies: Avoiding the Middle-Income Trap, Managing External Economic Relations
Topic 2: Fundamentals of the Orthodox Theory of International Trade (→ Comparative advantage as a source of trade)
Topic 3: International Distribution of Gains from Trade
Topic 4: A Basic Model of the “New Trade Theory”
Topic 5: Trade and Monetary Economics: Translation of Real Comparative Advantages into Nominal Price Differentials

Module 3, IV: The World Trade Organization: Fundamentals, Relevance to Asian Countries

Topic 6: Economics of GATT Principles
Topic 7: Political Economy of the GATT: A Prisoner’s Dilemma
Topic 8: The Core of GATT Measures: Tariff Reduction (Art. XXVIII and II) and Prohibition of Quotas (Art. XI)
Topic 9: The Most Important Exception to the MFN Principle: Regional Integration (→ EU, ASEAN)

Module 4, II: Foundations: Economics of Growth and Development

Topic 10: The DOMAR Model: Embodiment of Capital Fundamentalism
Topic 11: A Neoclassical View of Economic Growth: Stylized Facts of Growth in Germany and China
Topic 12: Overcoming Capital Fundamentalism: “SOLOW’s Surprise”
Topic 13: Various Procedures to Estimate Sources to Growth – Incl. Regression Estimates for China
Topic 14: New Growth Theory: Contributing to the Explanation of Inter-Country Income Differentials, Convergence once more, and the “Middle-Income Trap” (→ China, Vietnam, and other Asian countries from an international perspective)
Topic 15: International Trade as a Source of Growth: Development Strategies, Applications in Asian countries
Topic 16: Measuring Border Protection: Methods and Applications
Topic 17: FDI as a Source of Growth: A Basic Approach to Economic Evaluation of Foreign Direct Investment


Topic 18: Growth Performance in China, Vietnam, and other Asian Countries: How to Overcome the “Middle-Income Trap”
Topic 19: The “Asian Development State” and the Export-led Growth Hypothesis
Topic 20: Some Basic Features of System Transformation and Development Strategies in China and Vietnam

Topic 21: Macroeconomic Stability for Growth: The “Impossible Trinity” and its Management by Asian Countries

Topic 22: Effectiveness of Exchange Rate Policy: Economic Modelling and some Empirical Results (China and Vietnam)

Note: Topics include supplementary literature
MODULE 3, CHAPTERS II and IV: READING MATERIAL

Module 3: International Trade and Economic Integration

II Basic Theories of International Trade

1 Development Strategies: A Decisive Role for Theories of International Trade

2 The Orthodox Theory: Models Based on Comparative Advantage
   2.1 Gains from Trade: A Small Country’s Perspective
   2.2 Causes of Comparative Advantage, Trade and Factor Prices: An Introduction
      2.2.1 Factor Endowments and Directions of Trade
      2.2.2 International Trade and Factor Prices
      2.2.3 Mitigating Factor Scarcity by Trade
      2.2.4 Model Extensions: Diverging Technologies
   2.3 The Four Core Theorems
      2.3.1 The HECKSCHER-OHLIN and the RYBCZINSKY Theorems
      2.3.2 The Factor-Price Equalization and the STOLPER-SAMUELSON-Theorems
   2.4 International Distribution of Gains from Trade: Endogenous Terms of Trade
   2.5 Extensions of the Orthodox Theory
      2.5.1 External Economies
      2.5.2 Intermediate Goods and Effective Protection

3 The New Trade Theories and Their Policy Consequences
   3.1 Introduction
   3.2 A Model of Monopolistic Competition
   3.3 Monopolistic Competition and International Trade
   3.4 Comparative Advantage and New Trade Theories: A Synthesis Approach
   3.5 Summary: Orthodox versus New Trade Theories

4 Trade Structures, Nominal Prices and the Exchange Rate
   4.1 Comparative Advantage and Nominal Prices
   4.2 Nominal and Real Exchange Rates
      4.2.1 Basic Concepts
      4.2.2 Impact of the Nominal on the Real Exchange Rate
      4.2.3 Trade Structure and the MARSHALL-LERNER Condition
      4.2.4 Tariffs, the Long-Run Exchange Rate and “Net Protection”

Basic Literature
Module 3: International Trade and Economic Integration

IV The World Trade Organization

2 Trade Policy and the WTO: Conflicts and Negotiations
   2.1 GATT/WTO: Fields of Action, Success Stories and Unsolved Problems
      2.1.1 Basic Principles of the GATT Treaty: Economics, Politics and the Advantages of Negotiations
         2.1.1.1 Non-Discrimination (Art. I and III)
         2.1.1.2 Reciprocity (Preamble of the GATT)
         2.1.1.3 A Prisoner’s Dilemma: The Need to Coordinate Trade Policy through International Agreements
      2.1.2 Market Access: Progressive Liberalization
         2.1.2.1 Reduction of Tariffs (Art. XXVIII and II)
         2.1.2.2 Prohibition of the Use of Quotas (Art. XI)
         2.1.2.3 Welfare Gains from Liberalization
      2.1.3 Beyond Governmental Border Protection, Trade Remedy Laws, and the “Safeguard Complex”
      2.1.4 Developing Countries: Special and Differential Status (SDS)
      2.1.5 Dispute Settlements
   2.2 WTO: The Success of the GATT as a Precedent?
      2.2.1 Why the GATT Succeeded
      2.2.2 From the GATT to the WTO
   2.3 The Doha Development Round
      2.3.1 The Doha Agenda: An Overview
      2.3.2 Diverging Positions of the Most Crucial Players: USA, EU, China, India, Brazil
   2.4 The Deadlocked WTO: What Can Be Done
   2.5 China’s and Vietnam’s Participation in the WTO
      2.5.1 The Chinese Case
      2.5.2 The Vietnamese Case

3 Regional Integration and the WTO
   3.1 Stages of Regional Economic Integration
      3.1.1 The Balassa Concept
      3.1.2 EU’s Internal Market
   3.2 Exceptions to WTO Obligations
   3.3 Trade Creation, Trade Diversion and the “General-Incidence Clause”
      3.3.1 Trade Creation and Diversion of a Customs Union (CU)
      3.3.2 The General Incidence Clause
   3.4 Regional Integration in South East Asia: ASEAN

Basic Literature
Pelkmans, Jacques (2006): European Integration – Methods and Economic Analysis (Third ed.), Harlow
Extended Literature
Plummer, Michael G. and Chia Siow Yue (2009): Replacing the Asean Economic Community – A Comprehensive Assessment, Singapore

MODULE 4: READING MATERIAL

Module 4: Development Strategies of China and Vietnam

I Introduction: Poverty and Economic Growth

II Foundations: Economics of Growth and Development

1 The DOMAR Model: Dying out of Academic Literature but still Being Widely Applied
   1.1 Model Structure and Results
   1.2 Application in Development Economics: Financial Gap Approach and the World Bank’s Minimum Standard Model
   1.3 Supportive Concepts and Events: Surplus Labour (LEWIS), „Takeoff“ (ROSTOW) and Industrialization in the Soviet Union
   1.4 Serious Flaws: Investment, Development Aid, and Economic Growth in the Light of Experience

2 Neoclassical Modeling: Overcoming Capital Fundamentalism
   2.1 Stylized Facts of Economic Growth in Germany and China
      2.1.1 The German Case (1860/64-1986/89)
      2.1.2 The Chinese Case (1952-1998)
   2.2 The SOLOW Model: Balanced Growth Rates, Transition, and Engines of Growth
      2.2.1 Model Structure
      2.2.2 Capital-Output Ratio (COR) and Capital per Effective Labor (k) over Time
      2.2.3 Balanced Growth
      2.2.4 Growth Paths in Different States
      2.2.5 The Balanced Growth Path and the Savings Rate
   2.3 Flaws of the SOLOW Model: Exogenous Technological Progress and Transition
      2.3.1 Growth Accounting and the “SOLOW Residual”
      2.3.2 Transition
   2.4 Further Applications of the SOLOW Model: Growth Accounting Again
      2.4.1 KRUGMAN’s “Myth of Asia’s Miracle”
      2.4.2 Regression Estimates and Growth Accounting: The Case of China
2.5 Empirical Tests of the SOLOW Model: Cross-Country Differences
   2.5.1 Growth of Output per Worker: Transition and Convergence
   2.5.2 Diverging Levels of Outputs per Worker: Factor Endowment and Technology
   2.5.3 Summary: Arguments Against Capital Fundamentalism

3 Beyond the SOLOW Model: New Growth Theory
   3.1 Extending the SOLOW Model to Include Human Capital
      3.1.1 Basic Concept
      3.1.2 Transition and Convergence
      3.1.3 Empirical Application: Explaining Cross-Country Income Differences
      3.1.4 The Education Explosion in Developing Countries and Economic Growth
   3.2 R & D Models: Explaining Technological Progress
      3.2.1 Basic Concepts
      3.2.2 SCHUMPETER’s Creative Destruction: Another Reason for Convergence?
      3.2.3 Access to Knowledge and Explanation of Cross-Country Income Differences

4 The Role of International Trade and Foreign Direct Investment (FDI)
   4.1 International Trade and Economic Growth
      4.1.1 Trade as a Source for Growth
      4.1.2 Import-Substituting Industrialization
      4.1.3 Measurement of Protection: A Digression
      4.1.4 Dismantling Protection of Import-Substituting Industries
      4.1.5 Export-Oriented Industrialization
   4.2 Foreign Direct Investment
      4.2.1 A Fundamental Approach to Economic Evaluation
      4.2.2 Distributional Effects of Capital Movements
      4.2.3 Multinational Firms
      4.2.4 FDIs and Knowledge Transfer

5 Economic Systems, “Governance”, and Economic Development
   5.1 Government Interventions in LDCs: Stylized Facts
   5.2 Government Interventions in LDCs: Some Evidence on Impediments to Growth
   5.3 Summary

Basic Literature
Module 4: Development Strategies of China and Vietnam

III Economic Development, Development Strategies, and System Transformation

1 Performance of Growth and Structural Change in China and Vietnam
   1.1 Macroeconomic Growth
   1.2 Structural Change

2 Development Strategies and System Transformation: An International Comparative View of Basic Concepts
   2.1 Development Strategies
      2.1.1 Some Concepts of Development Economics
      2.1.2 The “Asian Development State” and the Export-led Growth Hypothesis
   2.2 System Transformation
      2.2.1 Some Basic Conceptions
      2.2.2 Economic Transition in Eastern Europe and the Former Soviet Union

3 System Transformation in China and Vietnam: Historical Facts and Theoretical Reflections
   3.1 A Comparative Perspective on the Political Economy of System Transformation
   3.2 Some Basic Features of System Transformation: Market Mechanisms and Property Rights
      3.2.1 “Private Sector”: Evolution of Hybrid and Ambiguous Ownership Forms
      3.2.2 State-Owned Enterprises (SOEs): Non-Viability and the Two-Tier Price System
      3.2.3 Agriculture: Use Rights of Individual Households between Communal and Private Ownership

4 Development Strategies in China and Vietnam: Some Features
   4.1 Foreign Direct Investment
   4.2 The “Asian Development State”: Interregional Similarities and Divergences

5 Strategy Implementation in China and Vietnam: Different Areas of Public Policy
   5.1 Introduction: A Systematic Approach to Public Policy
   5.2 Macroeconomic Control through Monetary and Fiscal Policy
      5.2.1 Monetary Policy: Central Banking in China and Vietnam
      5.2.2 Monetary Policy in Open Economies: The “Impossible Trinity” and its Management by Asian Countries
      5.2.3 Fiscal Policy in China and Vietnam
   5.3 Industrial Organization and Related Structural Policies
   5.4 An Extensive Role for Public Finance and Fiscal Policy
   5.5 Social Security and the Labor Market
   5.6 Legal and Institutional Framework
6 Outlook: Potentials for Economic and Monetary Integration in Asia
6.1 Economic Integration and Structural Policies
6.2 Monetary Integration and Macroeconomic Control

Basic Literature

Extended Literature
Goodfriend, Marvin/Eswar Prasad (2006), Monetary Policy Implementation in China, BIS Papers (31), Monetary Policy in Asia: Approaches and Implementation, 25-39