

## MIDTERM EXAMINATION

Answer any **Four** (take-home option, any **Six**)

### Questions Based on the Text -- -- Wheelan

1. Chapter 1, markets. Wheelan argues that a market economy is to economics what democracy is to government: a decent if flawed, choice among many bad alternatives. What does he base this assessment on? Do you agree with his assessment? Why or why not?
2. Chapter 2 incentives. Wheelan notes that programs, organizations and systems work better when they get the incentives right. Based on the chapter, give some examples of situations where the incentives were not right. What happened? How could the situation have been improved?
3. Chapter 3 government and the economy I. Public goods and externalities pose problems for the price system. Using a few examples outline what you feel the proper role of government in situations where externalities, are present. What determines if a good is a "public" good? The proper role of the government regarding public goods?
4. Chapter 4 government and the economy II. Wheelan asks whether the role the government plays in the United States economy too big, too small or just about right? Why is it so difficult to arrive at a simple answer? What are the main issues here?
5. Chapter 5 economics of information. Wheelan notes that the chapter is not about discrimination it is about information. What does he mean by this? Illustrate with a few examples.
6. Chapter 6 productivity and human capital. What is human capital and what insights does it give us as to the workings of the economy?
7. Chapter 8 organized interests. Wheelan observes that "if people know so much about public policy, then why is everything so messed up?" – for example why can't the pursuit of public policy translate into a perfect world? As he goes on to explain, what are some of the main problems associated with public policy in a democracy such as the United States
8. Chapter 12. Trade and globalization. What are the main benefits of trade? If trade provides so many benefits, why are so many groups opposed to it?

### Questions on New Papers from Foreign Affairs

9. Following Rafael Reif (How to Maintain America's Edge: Increase Funding for Basic Science) what are some of the concerns regarding research and development in the

United States? What are some of the factors causing the slow-down in R&D in this country. What are some of his recommendations? Do agree? Why or why not?

10. A common perception is that globalization is in retreat – that protectionism is on the rise and that a slow-down in trade volumes and financial flows set in motion by the 2007-08 global financial crisis will continue. However, Susan Lund and Laura Tyson develop a different picture. How do they view the current process of globalization and what implications do they draw? Do you find their arguments compelling? Why or why not?

### **Questions on New Papers from The Milken Institute**

11. Dani Rodrik (Rebalancing Globalization) concludes that “We should not reject globalization but save it in a form that works better for more people.” What problems does he find with globalization, and how does he propose to better the situation? Do you find his arguments compelling? Why or why not?

12. Brad DeLong (When Globalization is Public Enemy Number One) wonders why after delivering a period of high growth and increases in income, globalization has fallen out of favor. What have been the benefits of globalization and what factors does he feel have brought on the anti-globalization mood that is so prevalent today? What are his suggestions for improving globalization’s impacts?

13. NAFTA has come under increasing pressure in recent years, with the U.S. threatening unilateral withdrawal. Following Gary Hufbauer and Euijin Jung, trace some of the reasons NAFTA was formed in the first place, some of its accomplishments, and some of the criticisms levied against it. For the future, what possible scenarios do see as possible? Which do you feel is most likely? Why

### **Questions on New Papers from The Peterson Institute**

14. The tariffs imposed on China by President Trump stemmed from US concerns about China’s high technology aspirations. Following Mary Lovely and Yang Liang (Trump Tariffs Primarily Hit Multinational Supply Chains, Harm US Technology Competitiveness) what problems are associated with a tariff-based approach? What might a better US policy involve? Do you agree with her assessment? Why or why not?

### **Questions From Chapters in the Routledge Handbook of International Trade Agreements**

15. A number of myths and misconceptions surround regional trade agreements. Kati Suominen (Chapter 2, Regional Trade Agreements: Myths and misconceptions) goes a long way in clarifying (and correcting) these myths. What are the main myths she addresses and her clarifications on each? Do you feel her arguments are convincing? Why or why not?

16. Kimberly Ann Elliott (Chapter 3 The WTO and Regional/bilateral Trade Agreements) asks if regional trade agreements (RTAs) can lead the way to deeper integration and lay the foundation for new rules in new areas at the WTO.? What are her main arguments

and conclusions and their policy implications? Do you find her arguments compelling? Why or why not?

17. Holger Breinlich (Chapter 6 The Economic Effects of FTAs) examines the impact of past FTAs. He finds both positive and negative aspects associated with their what are typical positive effects? Negative effects. In what areas to we need further research on these effects? Do you feel the positive effects offset the negative effects? Why or why not?

18. As Chapter 9 (Jonathan Lipow and Ryan Garcia, Trade agreements and national security) note, bilateral and regional trade agreements serve both to promote ties between friendly states and to isolate rivals. Following their arguments how can trade agreements enhance signatories' ability to defend themselves against from their enemies and rivals? Do you find their arguments compelling? Why or why not?

19. In many countries a growing anti-globalization movement (Anne Clunan, Neoliberal Globalization and its Opponents) is casting doubts on the wisdom of engaging in preferential trade agreements. What are the core claims of this movement? What appear to be the best way trade-oriented governments can counter the anti-globalist claims in order to move ahead with increased trade?

### **Questions From Class Readings**

20. Robert McNally and Michael Levi (Crude Punishment) trace the development of oil markets and prices over the last several decades. What are some of the major patterns that they identify? What factors do they identify as responsible for the increase in price volatility? Their suggestions for policy? Do you find their assessment useful? Why or why not?

21. Donald Leal (Saving Fisheries with Free Markets) provides an interesting example of the "tragedy of the commons." What is the tragedy of the commons and how does it affect Fisheries? How has the US attempted to avoid this tragedy through fisheries regulation? What have been some of the problems associated with this traditional regulatory approach? What are the advantages of a more market based quota system? Do you think the US should adopt this alternative? Why or why not?

22. Recently rice markets have exhibited considerably marked volatility (Milan Brahmbhatt, The Run on Rice). What are some of the main explanations for these recent patterns of rice prices, especially their rapid rise? How might governments help in providing more stability to these markets?

23. Based on the chapter, Trade Model Extensions and Applications, what are the main theories used to explain trade patterns? Are these distinct and unique theories or are they variants on the same basic theory? Explain?

24. Claudia Goldin and Lawrence Katz (The Future of Inequality) are concerned with the growing gap between the wages of educated and less educated workers (especially since the early 1980s). Following their analysis, what factors appear to have contributed

to long run trends in the income distribution in the United States? What are their concerns about future trends? Their policy suggestions? Do you find their arguments compelling? Why or why not?

25. Global trade is becoming increasingly fragmented with vertical disintegration taking place at an accelerating rate. In their *Slicing Up Global Value Chains* Timmer et.a., identify four main trends associated with this phenomenon. What are these trends and their major consequences?

26. For many years the United States dominated the world-wide market for weapons. Caverley and Kapstein (*Arms Away*) claim that over time we have squandered this position. What are some of the factors that lead to the U.S. fall in market share? What are some of the broader consequences of this decline? What might the U.S do to regain some of its lost position? To you agree with their basic assessment? Why or why not?

27. William Bonvillian "*Donald Trump's Voters and the Decline of American Manufacturing,*" draws a number of dire conclusions from his assessment of the manufacturing sector. How does he see the American manufacturing sector evolving and the problems thus created over the last 30 years? Do you agree with his assessment? Why or why not?

28. Richard Katz notes (*China Didn't Take U.S. Jobs*) that "getting it wrong on whether international trade is destroying millions of American jobs is not just a mistake, it's dangerous". How does he support this argument? To you find his arguments compelling? Why or why not?

29. Michael Porter (*Enhancing the Microeconomic Foundations of Prosperity: The Current Competiveness Index*) has spent a great deal of time developing his current competitiveness index. Briefly outline factors this index represents. Following Porter what appear to be the components of the microeconomic business environment? The Keys for successful national economic development?

30. Jeffrey Sachs (*Globalization and Patterns of Development*) notes that one of the most important challenges facing economics is to understand why globalization seems to help some places much more than others. One approach is to look at sub-groupings of countries, based on a set of common elements. According to Sachs what are the main patterns (sub-groupings) of development and how is each related to the underlying geography, economic policies and resource endowments of a country? The policy implications for each group?

31. Xavier Sala-I-Martin and associates examine the major building blocks of competitiveness (pillars) what are these blocks? Which pillars are more effective at the major stages of development?

32. Daniel Drezner (*The Outsourcing Bogeyman*) examines the current public discussion over outsourcing. What is outsourcing? The main alternatives to outsourcing? Do you agree with Drezner's general conclusions regarding outsourcing? Why or why not? What

do you feel would be the best policy for the United States to follow at this time with regard to outsourcing? Why?

33. Alan Blinder (Offshoring: the Next Industrial Revolution) examines a number of long run structural changes that have taken place in the U.S. economy. What are these? What are his main concerns for the future as the U.S. moves into the next phase of our economic evolution? What are the policy implications?

34. Nobel winner Michael Spence is concerned with some recent developments in the world economy (The Impact of Globalization on Income and Employment: The Downside of Integrating Markets) sees some dire trends in the U.S. economy stemming from recent shifts in globalization. What are these developments and the implications for policy that he draws? Do you find his arguments compelling? Why or why not?

35. In "The Truth About Trade: What Critics Get Wrong About the Global Economy" Douglas Irwin responds to several contemporary criticisms against trade. What are some of the more common anti-trade arguments and Irwin's response? What does he recommend for U.S. policy in the trade area? Do you find his arguments compelling? Why or why not?

36. Douglas Irwin argues (The False Promise of Protectionism) that while President Trump pledges that economic nationalism would be the hallmark of his trade policy, his brand of economic nationalism is just one step away from old-fashioned protectionism. He then argues that Trump's trade policy could backfire. What arguments are these conclusions based? What are some of the relevant lessons from the past?

37. Despite non-stop carping by economists over the folly of imposing tariffs, the U.S. and other countries still resort to them. Following Hufbauer and Lowry (US Tire Tariffs: Saving Few Jobs at High Cost) summarize the factors that led to the imposition of tariffs on Chinese tires. What were the effects and costs of the tariff? The approximate cost of saving a job in the industry? What other actions might the U.S. have considered in this situation?

38. Moran and Oldeski (The U.S. Manufacturing Base: Four Signs of Strength) note that the assumptions concerning the state of the U.S. manufacturing sector made by many politicians are at odds with the actual state of affairs in that sector. How do Moran and Oldeski see the state of the U.S. manufacturing sector and what implications for policy do they draw from this? How do these differ from that of the politicians? Do you find their arguments compelling? Why or why not?

39. Spence and colleagues (New World Order: Labor Capital, and Ideas in the Power Law Economy) identify several key trends in the global economy. What are the most significant developments in this regard and their implications for income distributions? What policy implications do they draw from their analysis? Do you find their arguments compelling? Why or why not?

40. Buy American sounds like a sound idea, yet things aren't always what they seem. Following Gary Hufbauer and Jeffrey Schott (Buy American: Bad for Jobs, Worse for

Reputation) suggest we should be very careful going down this road. What are their concerns and suggestions for a better policy? Do you find their arguments sound? Why or why not?

41. Edith Ostapik and Kei-Mu Yi ask why don't we have more international trade given most developed countries have reduced tariffs in the last several decades. What are some of the impediments to trade their study feels are significant?

42. The WTO meeting in Cancun, Mexico ended in a failure to arrive at an agreement, even though the world economy might have gained anywhere between \$290 to \$520 billion from a new trade pact (Robert Looney, *The Cancun Conundrum*). What were some of the main issues at the meeting? The factors responsible for the meeting's failure? What do you feel has to be done to eventually arrive at a new WTO trade pact? Why?

43. Fred Hu and Michael Spence (*Why Globalization Stalled: And How to Restart It*) are concerned with the assault by political leaders on the assault on globalization. Following their arguments, what forms does this attack take? How does the assault on globalization affect China? What do they recommend countries do to preserve globalization and the benefits it provides?

44. Considerable frustration has developed over the long delay in completing the WTO's Doha trade round. Numerous suggestions have been made concerning action that might be taken by the United States regarding Doha. Following Jeffrey Schott (*What Should the United States Do About Doha?*) what are the main courses of action the U.S. might consider? What is the rationale of each? Which alternative and supporting actions do you feel would be best for the United States? Why?

45. In the first part of his paper Moran (*The Globalization of America's Defense Industries*) sees globalization as both a threat and an opportunity for United States' national security. What are some of the considerations that underlie his proposals to manage the threat of foreign dependence? Do you feel he has made a good case? Why or why not?

46. In the second part of his paper, Moran examines the role of the US government in funding research and development. What are his recommendations in this area and the rationale for them? Other issues that he feels need to be resolved to strengthen the US Industrial base?. Do you find his recommendations sound? Why or why not?

47. Moises Naim (*The Five Wars of Globalization*) identifies five areas of trade that are increasingly a problem. What are these areas and the challenges faced in controlling these markets? Do you agree with his assessment? Why or why not?

48. Moises Naim (*Mafia States: Organized Crime Takes Office*) paints a dark picture of expanding criminal activity and sophistication. What are some of the recent developments in this area that are of main concern? What are some problems in combating the problems posed by the spread of organized criminal activity? Do you find his arguments compelling? Why or why not?

49. Daniel Yergin attempts to outline a program for US energy security. What are his main recommendations? The considerations underlying his suggested program? Do you agree with his approach? Why or why not?

50. Michael Ross (Blood Barrels) feels that often oil is a curse rather than a blessing for many developing countries. What problems do oil-based economies often encounter? What policies might these countries consider to prevent oil from becoming such a detriment to their development?

51. In *Feeding the Dragon*, Theodore Moran examines China's natural resource policies. What are some of these resource-based policies? Based on his findings how do you see these policies affecting the available supply of the world's resources? Are there some resources that might be of concern to the United States?

52. Robert Looney (*Recent Developments on the Rare Earth Front*) examines some recent developments in the rare earth markets. Regarding rare earths, what are some of the main areas of concern? Does China appear to have captured a monopoly in these products? What factors might lead one to conclude that Chinese policy in the area is a new form of mercantilism?

53. For years the United States has been losing manufacturing capacity to other countries, especially to East Asia and China in particular. New evidence presented by the Boston Consulting Group (*Made in America, Again*) suggests that this pattern may be slowing and even reversing. Briefly summarize the evidence suggesting a manufacturing resurgence in the United States – i.e. what factors appear to be moving in a direction favoring the U.S. as a location for manufacturing activity. Do you see the government playing a role in enhancing this process?

54. Derek Scissors (*Free Markets and National Defense: U.S. Import Dependence on China*) proposes a scheme to identify possible U.S. dependence on foreign supplies that threatens U.S. national security. What are the main components of his plan? What appear to be some of the main problems involved in implementing his suggestions? Do you feel his ideas are an improvement over previous attempts in this area? Why or why not?

55. Tom Donilon (*Energy and American Power: Farewell to Declinism*) develops a framework for U.S. energy security. What are some of the main considerations underlying his approach? Do you agree with his assessment? Why or why not?

56. Judging the extent to which NAFTA is a success is difficult. Weintraub (*Scoring Free Trade a Critique of the Critics*) comes up with an overall positive assessment of NAFTA's accomplishments. In this regard, what are some of the conceptual difficulties noted by him? What evidence does he present to support his argument that NAFTA has produced positive results? Do you agree with his assessment? Why or why not?

57. Castaneda (NAFTA at 10: A Plus or a Minus?) notes that NAFTA has not been the win-win situation some of its supporters said it would be. Nor has it been the catastrophe its critics predicted). What evidence does he present to back up this conclusion? Do you feel he made his case? Why or why not?

58. Gary Hufbauer and Jeffrey Schott (NAFTA's Bad Rap) confront NAFTA's critics with a strong defense of that trading group's accomplishments. What are their main arguments against the usual criticisms directed toward NAFTA? Do you feel they make a compelling case? Why or why not?

59. Traditionally most economists felt the gains from regional integration were not particularly significant. However recent research summarized in Uwe Deichmann and Indermit Gill (The Economic Geography of Regional Integration) makes a case why this approach may be very beneficial for some countries. What is their basic argument? What type of countries appear to benefit the most from this type of integration? Why?

60. Following Mireya Solis, "The Case for the Trans-Pacific Partnership" what do you feel are the main reasons the U.S. should move ahead with the TPP? What might the U.S. also do to improve the results obtained from the TPP?

## **Regional Papers**

### Latin America

61. As Robert Blecker (Chapter 14 NAFTA) notes the impact of NAFTA on employment, wages, productivity, and inequality remains controversial. Although most economists view NAFTA as a significant success story, U.S. politicians have also held the agreement responsible for many of the country's problems. Following Robert Blecker what are NAFTA's main accomplishments? What are the main arguments against NAFTA? At the time the chapter was written what were the main issues in the renegotiations?

62. Following Lester Henry (Chapter 16, CARICOM), what is CARICOM? How has CARICOM benefitted the member countries? What have been some of the main developments associated with CARICOM?

63. What is the Pacific Alliance? Following Gian Luca Gardini (Chapter 20 the Pacific Alliance) how does this group break new ground for Latin American economic integration? What have been some of its recent initiatives?

64. What is the Bolivarian Alliance for the Peoples of Our America (Alianza Bolivariana para los Pueblos de Nuestra América – ALBA)? Following Asa Cussack (Chapter 21 ALBA), what was its original purpose? Has it been effective in this regard? What have been some of its major initiatives? Do you feel the organization has a promising future? Why or why not?

65. Shannon O'Neil (The Mexican Standoff: Trump and the Art of the workaround) outlines a strategy for Mexico for combatting President Trump's hostile actions towards that country. What problems has Trump posed for Mexico? The best workarounds for that country to pursue. To you agree with her assessment? Why or why not?

66. Hal Weitzman (Resource Nationalism: Beyond Ideology) examines the policies of leftist governments in Latin America toward resources. Following his analysis, what are some of the common perceptions of the policies of leftist governments in the region? What policy patterns does he actually find being played-out? What are the main implications he draws for U.S. policy toward the region?

### Middle East

67. Joseph Kechichian (Chapter 27 GCC) traces the history of the GCC. Following his analysis what appear to be main purposes of the GCC? What key have occurred since the formation of the GCC? He goes on to argue the GCC states have confronted two sets of economic integration challenges, bilateral vs multilateral. What are the arguments for each put forth by their advocates. Which countries fell in the bilateral group and which are in the multilateral one. What are the main arguments put forth by the advocates of each approach?

68. Amr Adly (Chapter 28 Liberalization Without Integration: Egypt and PTAs (1990-2010) finds Egypt has by far the region's largest number of PTAs. However, he shows the country's path towards integration into global trade proved rather poor. Why did Egypt end up with so many PTAs and why they haven't they produced the desired effects? Do you find his assessment compelling? Why or why not?.

69. Yadin Kaufmann (Start-Up Palestine: How to Spark a West Bank Tech Boom) laments that that Palestine – Israel peace process has produced little and that the Palestine economy has stagnated over the years. Following his assessment what must the Palestinians do to improve their economic situation? What roles might Israel and the United States play in this regard? To you agree with his assessment? Why or why not

70. Historically, the Middle East has not been very integrated into the world economy (Robert Looney, Why has the Middle East been so Slow to Globalize?). What are some of the basic patterns of globalization in the MENA region? What are some of the causes of this relative isolation from world markets? How might the MENA countries speed up the process of integrating into the world economy?

71. The use of Free Trade Areas and to assist in the war on terrorism makes intuitive sense (Robert Looney, U.S. Middle East Policy: The Use of Free Trade Areas in the War on Terrorism). Summarize the arguments why FTA's can assist in combating terrorism? What are some of the limitations to this approach?

### Africa

72. Following Mark Langan (Chapter 29 African Union and the EU) documents the way in which the European Union has increasingly engaged the African Union on matters of trade and economic development. Briefly outline some of these initiatives. He also examines the parallel negotiations for Economic Partnership Agreements (EPAs) and Deep and Comprehensive Free Trade Agreements (DCFTAs) in Sub-Saharan Africa and the Maghreb, respectively. Briefly outline the key issues and concerns associated with the DCFTA/EPA negotiations.

73. Asaore Aideyan (Chapter 30 ECOWAS) examines the role of institutional design factors in providing the basis for the successful implementation of a common market and currency for the Economic Community of West African States (ECOWAS). Who are the main members of ECOWAS, and the main purpose of the organization? Briefly outline the organization's main achievements. What factors might lead to the strengthening of the organization?

74. Following Donald Sparks (Chapter 31 SADC) what is SADC? Who are its main members? What is the organization's mission? What are its main accomplishments and what are the key issues currently facing the organization?

75. The Common Market for Eastern and Southern Africa (COMESA) was established in 1994. Following B. Seetanah (Chapter 32 COMESA) what are the goals of COMESA and who are the group's major members. What is the purpose of the organization. How has it affected the performance of some of its key countries? What must be done to improve the organization's effectiveness?

76. Kym Anderson asks, "How Can trade Improve Food Security in Sub-Saharan Africa?" What are some of the trade related causes of food insecurity in agriculture? What must governments do to improve the situation?

## Europe

77. As Christian Schweiger (Chapter 22 the EU) notes the EU is most prominent global trading power in Europe and Eurasia despite having come under increasing pressure from competitors in Asia and lingering crisis conditions. Following his analysis, what are the EU's most pressing challenges? What impact did the global financial crisis have on the EU? What are the possible impacts stemming from Brexit?

78. Following Christoph Scherrer assessment (Chapter 23 TTIP), what is the TTIP? Briefly discuss its origins. What are the EU's objectives in TTIP negotiations? At the time this chapter was written, in what areas did the EU and the US agree? In the EU, what advantages might stem from the agreement? Disadvantages?

79. What is the Eastern Partnership initiative (EaP)? Following Immaculada Martinez-Zarzoso (Chapter 25 Eastern Partnership Countries). What progress have these countries made in improving the quality of their institutions? What trade patterns have emerged over time? What is her overall assessment of the progress made by these countries? Do you agree with her assessment? Why or why not?

80. Annette Bongardt and Francisco Torres (Chapter 26 The European Union After Brexit) examine the political economy of Brexit. Following their assessment, what are the possible arrangements for a post-Brexit EU-UK trade relationship? What challenges the UK face as an EU outsider? The EU's basic position in the Brexit negotiations? Their chapter also examines the UK's stated aim to become a global trading nation post-Brexit. What issues might the UK encounter here?

81. Matthias Matthijs (Europe After Brexit: A Less Perfect Union), notes that the U.K.'s vote to leave the European Union has triggered the worst political crisis the EU has ever faced. Following his assessment what are the roots of the EU's current crisis? What must the EU do to survive? Where should the EU go from here? Do you find his arguments compelling? Why or why not?

#### Asia Pacific

82. Jeffrey Schott (Chapter 34 TPP) traces the Trans-Pacific Partnership (TPP) from its origins to the initial agreement. What is the TPP and who were its major members? Briefly trace the history of the TPP. What were the broad objectives of the TPP? Why did the U.S. withdraw from the TPP? How have the remaining members moved on following the U.S. withdrawal. Do you believe the U.S. withdrawal was wise? Why or why not?

83. Of the major industrial countries, Japan has entered the fewest PTAs. As documented by Gregory Corning (Chapter 35 Japan's Approach to Preferential Trade agreements) what pressures pushed forced Japan to begin the negotiation of bilateral PTAs at the close of the 1990s? What constraints did the government faced in this regard? What factors caused Japan to join the TPP, and ultimately assume a leadership role after the U.S. withdrawal?

84. Kurt Campbell (The China Reckoning: How Beijing Defied American Expectations) notes that the U.S. has consistently failed to affect China's course of action. What are some of the major examples he cites? What were U.S. expectations when China joined the WTO, and how has China deviated from these expectations? What are the implications for the U.S. of China's actions?

85. Elizabeth Economy (China's new Revolution: the Reign of Xi Jinping) notes that in the past five years the Chinese leadership has made notable progress on a number of its priorities. What are some of these priorities in the economic area? She also discusses several misconceptions concerning Xi. What are these? What does she see as China's main challenge to the United States and what should the U.S. do in this regard? Do you find her arguments compelling? Why or why not?