

Further Reading

Part I - Introduction

Chapter 1 - The Global Economy

Useful background information throughout this book is provided by the **WTO's (World Trade Organization, 2011), *Trade patterns and global value chains in East Asia: from trade in goods to trade in tasks***, Geneva Switzerland. It can be downloaded for free from:

http://www.wto.org/english/res_e/booksp_e/stat_tradePAT_globvalchains_e.pdf

Most books and reports deal with Asia as one overall region without looking into the detailed developments within Asia. This WTO report on globalization in East Asia provides a detailed account of globalization in this part of Asia. It also includes the crisis years and how it affected regions in China, for example. It uses many of the data sources we refer to as well in our book. It is a joint effort of the WTO and the Institute of Developing Economies (IDE-JETRO). Different chapters of this e-book are relevant for different parts of the book, see pages 8-17 for chapter 1.

A long-term perspective to globalization and economic growth is **Jared Diamond's (1999), *Guns, germs, and steel: a short history of everybody for the last 13,000 years***, W.W. Norton, see also chapter 13.

To get an idea of China's importance and integration into the world economy more than four centuries ago you are encouraged to consult **David Mungello's (2013), *The great encounter of China and the West, 1500-1800***. Rowman & Littlefield publishers, Lynham UK.

Chapter 2 – Getting the numbers right

For further information look at the **WTO's *Trade patterns and global value chains in East Asia: from trade in goods to trade in tasks* pages 48-105**, see chapter 1 for details.

Data on foreign direct investment have been gathered systematically on a global scale for a surprisingly short period of time: UNCTAD started to produce the ***World Investment Report*** in 1990. This work has clearly demonstrated the growing importance of foreign direct investment and multinational production

and trade (UNCTAD's preferred term is transnational, rather than multinational). The World Investment Report remains the most important source for anyone interested in the big investment developments and the data to support these developments.

Part II: Firms, Trade, and Location

Chapter 3 - Trade, comparative advantage, and competition

Highly accessible

A great account of global trade can be found in **Douglas Irwin, *Free Trade under fire***, Princeton University Press (frequently updated, try to find the latest edition). Irwin analyses the always present tendencies for governments to give in to demands for protectionist measures. He uses Ricardo / comparative advantage to argue why (in almost all cases) this is wrong. He also explains the differences between comparative advantage and competitiveness.

A subset of authors from this book took a look at Thomas Friedman's bestseller *The World is Flat*. We argue, by giving examples based on simple statistics, why the world is not flat but spikey, see **Brakman and van Marrewijk (2008) "It's a big World after all: on the economic impact of location and distance," Cambridge Journal of Regions, Economy and Society** 1: 1-27.

More difficult, but good

Edward Leamer (2012) *The Craft of Economics*, MIT Press. In this short book Leamer uses the trade models that are covered in chapter 3 to discuss what can, and what cannot be concluded using these models. For the less-mathematically inclined this is a great read; Leamer argues that 'Ohlin offers something useful, though vague' and Ohlin's mathematical successors 'offered something precise, but not necessarily useful'. Read this book once you have mastered chapter 3.

Chapter 4 - Modern trade theory: the role of the firm

An accessible discussion of the history of monopolistic competition in trade theory can be found in **Peter Neary (2008) "Monopolistic competition and international trade theory,"** in: **Brakman, and Heijdra, eds. (2008), *The monopolistic competition revolution in retrospect***, Cambridge University Press. A useful account of the pros and cons of this theory. Neary clearly states what is missing in the Monopolistic Competition Revolution and offers an interesting alternative. In the same volume, the founding fathers of the Dixit-Stiglitz model – Avinash Dixit and Joseph Stiglitz – look back on their famous model and also suggest ways forward. They all point out that the lack of strategic interaction between firms is one of the less attractive features of the monopolistic competition models.

Elhanan Helpman (2011), *Understanding Global Trade*, Harvard University Press, offers a detailed and accessible discussion on Firm Heterogeneity and international trade. He surveys the recent contributions in a non-mathematical manner. It requires nonetheless that you understand the models discussed in chapter 4.

For an in depth historical account of trade in the Mediterranean 11th and 12th century and the need to have well-functioning institutions to facilitate trade flows please consult **Avner Greif's (2006) *Institutions and the path to the modern economy. Lessons from medieval trade***, Cambridge University Press.

Chapter 5 - Trade restrictions and trade policy

For further information look at the **WTO's *Trade patterns and global value chains in East Asia: from trade in goods to trade in tasks* pages 36-47**, see chapter 1 for details.

Again – now that you already have bought it – **Douglas Irwin (see reading chapter 3), *Free Trade under fire***, Princeton University Press (frequently updated, try to find the latest edition) is a great book to understand everything that surrounds protectionism.

A more historical account can be found in **Douglas Irwin (2012), *Trade Policy disasters***, MIT Press. Irwin discusses the trade collapse during the great depression of the 1930s. He explains the policy choices that faced governments during this period. Although tariffs were high, these were not the main cause of the

trade depression, as is often stated. The main cause, according to Irwin, was that many countries tried to keep the exchange rate fixed. His discussion refers to the so-called Policy Trilemma, discussed in chapter 9, which explains that there is a fundamental relationship between free trade / free capital movements, the exchange rate system, and monetary policy. The book is included in this list because the trilemma helps us to understand the present economic situation. For a discussion on the WTO, its success, and the recent rise of regional trade agreements, see the **PhD of Kohl (2012)**, that can be downloaded at: <http://dissertations.ub.rug.nl/faculties/feb/2012/t.kohl/> (note: in English, not in Dutch or German).

Chapter 6 – Firms, location, and distance

For further information look at the **WTO's Trade patterns and global value chains in East Asia: from trade in goods to trade in tasks** pages 28-35, see chapter 1 for details.

For a discussion of the recent theoretical models on FDI: see **Elhanan Helpman (2011), Understanding Global Trade**, Harvard University Press. It offers a detailed and accessible discussion on Firm Heterogeneity and international trade. He surveys the recent contributions in a non-mathematical manner, chapter 6 is about outsourcing and offshoring.

A state-of the art discussion of trade costs and the gravity model can be found in: **Keith Head and Thierry Mayer (2013) "Gravity equations: workhorse, toolkit, and cookbook"**. This chapter will appear in the **Handbook of International Economics Vol. 4, Gopinath, Helpman, and Rogoff, eds.**, Elsevier. On Mayer's website an appendix to this article is available, as well as STATA code, in case you want to try the gravity equation yourself. Knowledge of the monopolistic competition model is required (and some basic knowledge of econometrics).

Chapter 7 – Managing across borders

For further information look at the **WTO's Trade patterns and global value chains in East Asia: from trade in goods to trade in tasks** pages 18-27, see chapter 1 for details.

A wonderful book providing a detailed view on how different cultural traditions affect management styles in aluminum factories in France, the United States and the Netherlands is provided by **Philippe**

d'Iribarne's (2003) *The Logic of Honor: National Traditions and Corporate Management*, Welcome Rain Publishers.

Part III: Capital, currency, and crisis

Chapter 8 – Exchange rates

A more complete discussion of different types of exchange rates, their determinants (including forward-looking behaviour), and exchange rate regimes can be found in **Charles van Marrewijk (2012)**, *International Economics: Theory, Application, and Policy*, Oxford University Press. If you skip the technical notes (and the text is designed such that you can) the level of difficulty is comparable to that of this book. A more advanced treatment is provided by **Charles Engel** in “Exchange rates and interest parity”, to appear in appear in the *Handbook of International Economics* Vol. 4, Gopinath, Helpman, and Rogoff, eds., Elsevier, see also Chapter 6.

The International Monetary Fund provides an updated overview of exchange rate regimes in its *Annual Report*. An accessible introduction to the *Economics of monetary union* is provided by **Paul de Grauwe** (with that title, in its ninth edition since 2012), Oxford University Press. Up to date remarks on international issues, real and monetary, are also provided by **Paul Krugman's blog** for the New York Times, see: <http://krugman.blogs.nytimes.com/>

Chapter 9 – Currency crises and exchange rate policy

On the history of currency crises and, despite the fact that history never repeats itself, how these crises are remarkably similar throughout history see **Carmen Reinhart and Kenneth Rogoff (2009), *This Time is Different***, Princeton University Press. **Paul de Grauwe's** textbook *Economics of monetary union* (2012 edition, see also chapter 8) offers a good further introduction on currency crises with special attention to the Eurocrisis. For further reading on the policy trilemma see the writings of **Dani Rodrik** <http://www.hks.harvard.edu/fs/drodrik/research.html>

Chapter 10 – Gains from international capital mobility

Maurice Obstfeld and Alan Taylor (2004), *Global Capital Markets: Integration, Crisis and Growth*, Cambridge University Press provides a good and wide ranging analysis of the (alleged) benefits of international capital mobility. For what is still a state of the art and more advanced analysis of international capital mobility from a macroeconomic perspective see **Maurice Obstfeld and Keneth Rogoff, 1996, *Foundations of International Macroeconomics***, MIT Press. The writings of **Raghuram Rajan** serve as a good introduction on the linkage between financial markets and the macro-economy in general but one might start with his views on capital market mobility from the perspective of economic development see <http://faculty.chicagobooth.edu/raghuram.rajan/research/papers/CCAL.pdf>

Chapter 11 – Financial crises, firms, and the open economy

To learn more about the interaction between (national) financial crises and the role that international capital mobility typically plays in this respect see again the ***This Time is Different*** book mentioned in chapter 9 by **Reinhart and Rogoff (2009)** for a historical account backed up by a wealth of empirical evidence. A great and high readable international economist who is arguably a leading scholar when it comes to the role of capital mobility in financial crises is **Barry Eichengreen**. His work is an excellent starting point for further reading, <http://emlab.berkeley.edu/~eichengr/research.html>

To keep an update on the actual and latest developments with respect to international capital mobility (with often freely accessible data) see the **homepages of the IMF and the World Bank** at www.imf.org and www.worldbank.org respectively.

Chapter 12 – The Great Recession

Books and papers on the still unfolding Great Recession are in no short supply. Here a few books that we can recommend and that nicely complement and extend the analysis of our own book:

- **A. Blinder (2013), *After the Music Stopped, The Financial Crisis, the Response and the Work Ahead***, Penguin (<http://www.princeton.edu/~blinder/>) (a great book on the causes and consequences of the financial crisis)
- **A. Admati and M. Hellwig (2013), *The Bankers' New Clothes: What's Wrong With Banking and What to Do About It***, Princeton University Press (a book that deals with the banking crisis and how banks should raise more capital)
- **R. Skidelsky (2009), *Keynes, The Return of the Master***, Allen Lane (how modern macroeconomics got it wrong with respect to the Great Recession by ignoring the main messages from John Maynard Keynes on the interaction between the financial sector and the macro-economy. See also Paul Krugman's blog mentioned above for many examples of this Keynesian view of the Great Recession)
- **C. Borio (2012) *The financial cycle and macroeconomics: What have we learnt?*** Bank for International Settlements, see <http://www.bis.org/publ/work395.pdf> (not a book but a good paper by an economist who warned all of us for the financial turmoil that led to the Great Recession and who was right on the mark)

Part IV: Consequences of globalization

Chapter 13 – Globalization and growth

For further information look at the **WTO's *Trade patterns and global value chains in East Asia: from trade in goods to trade in tasks* pages 106-113**, see chapter 1 for details.

A long-term perspective to globalization and economic growth is **Jared Diamond's (1999), *Guns, germs, and steel***, W.W. Norton. Superbly written and full of dramatic details he emphasizes the importance of geography and biology in the initial stages of the growth process.

Contrasting Diamond's analysis, **Daron Acemoglu and James Robinson** focus on the role of man-made institutions in the development process. A good starting point is their (2012) book ***Why nations fail: the origins of power, prosperity, and poverty***, Crown.

Another useful and broad source of information on the relationships between globalization, trade, and prosperity throughout history is **Kevin O'Rourke and Jeffrey Williamson's book (1999) *Globalization and history: the evolution of a nineteenth-century atlantic economy***, MIT Press. A longer term perspective is provided in **Ronald Findlay and O'Rourke's (2009) *Power and plenty: trade, war, and the world economy in the second millennium***, Princeton University Press.

Trying to put all of the above in perspective is **Enrico Spolaore and Romain Wacziarg's review "How deep are the roots of economic development?"**, forthcoming in *Journal of Economic Literature*.

Chapter 14 – Globalization and inequality

All the work referred to in Chapter 13 also provides some information regarding the role of globalization and inequality throughout history. Influential other studies focus more directly on the evolution of global inequality. First, **François Bourguignon and Christian Morrison (2002)** analyze the rise of inequality in their *American Economic Review* article **"Inequality among world citizens: 1820-1992."** Not much later, using a more detailed approach since 1970, **Xavier Sala-i-Martin (2006)** argued convincingly that the rising trend of global inequality has been reversed around 1980 such that global inequality has

been falling since then, see his *Quarterly Journal of Economics* article **“The world distribution of income: falling poverty and ... convergence, period.”** To put the above in proper perspective: the standard book on what inequality is, how it can be measured, and how it has developed over time is **Branko Milanovic’s (2007) *Worlds apart: measuring international and global inequality***, Princeton University Press.