

# International Economic Policy | Lecture 10

## 1. Bitcoin as a future global payment system?

- Gur Huberman, Jacob D. Leshno, Ciamac Moallemi (2017): "Monopoly without a monopolist: An economic analysis of the bitcoin payment system," Bank of Finland Research Discussion Papers 27.
- Saifedean Ammous (2018): *The bitcoin standard: The decentralized alternative to central banking*, Wiley, Hoboken, NJ.
- David Golumbia (2016): *The politics of bitcoin: Software as right-wing extremism*, University of Minnesota Press, Minneapolis, MN.
- Paul Vigna, Michael J. Casey (2015): *The age of cryptocurrency: How bitcoin and digital money are challenging the global economic order*, St. Martin's Press, New York.
- David Lee Kuo Chuen; ed. (2015): *Handbook of digital currency: Bitcoin, innovation, financial instruments, and big data*, Academic Press, London.
- Arvind Narayanan, Joseph Bonneau, Edward Felten, Andrew Miller, Steven Goldfeder (2016): *Bitcoin and cryptocurrency technologies: A comprehensive introduction*, Princeton University Press, Princeton, NJ.
- Hanna Halaburda, Miklos Sarvary (2016): *Beyond bitcoin: The economics of digital currencies*, Palgrave Macmillan, Basingstoke, UK.

## 2. The Tobin tax

- James Tobin (1978): "A proposal for international monetary reform," *Eastern Economic Journal* 4(3/4), 153-159.
- Mahbub ul Haq, IngeKaul, IsabelleGrunbergal; eds. (1996): *The Tobin tax: Coping with financial volatility*, Oxford University Press, Oxford and New York.
- James Brassett (2010): *Cosmopolitanism and global financial reform: A pragmatic approach to the Tobin tax*, Routledge, London and New York.

## 3. Monetary reform

- Robert A. Mundell (2003): "The international monetary system and the case for a world currency," Leon Koźmiński Academy of Entrepreneurship and Management (WSPiZ) and TIGER, Distinguished Lectures Series 12.
- Steve Waldman (2010): "Monetary policy for the 21st century," <https://www.interfluidity.com/v2/918.html>
- Roman Goldbach (2015): *Global governance and regulatory failure: The political economy of banking*, Palgrave Macmillan, Basingstoke, UK.

## 4. International gold standard

- Michael Bordo, Anna Schwartz; eds. (1984): *A retrospective on the Classical Gold Standard 1821-1931*, Chicago University Press, Chicago and London.

- MoonJoong Tcha; ed. (2003): *Gold and the modern world economy*, Routledge, London and New York.
- Ian M. Drummond (1987): *The Gold Standard and the International Monetary System, 1900–1939*, Macmillan, Basingstoke, UK.
- Charles P. Kindleberger (1985): “Losing Information: The More We Study the Gold Standard the Less We Know about It,” *Literatur* 382-386.
- Walter Bagehot (1915): *Lombard Street: A description of the money market*, John Murray, London.
- Antal Fekete (2011): *Le retour au standard or: les raisons pour lesquelles le standard-or va remplacer l'argent-papier, et pourquoi l'économie mondiale est condamnée à exploser*, Le Jardin des Livres, Paris.
- Samuel Knafo (2013): *The making of modern finance: Liberal governance and the gold standard*, Routledge, London and New York.
- Barry Eichengreen, Marc Flandreau (1997): *The gold standard in theory and history*, Routledge, London and New York.
- Robert Zoellick (2010): “The G20 must look beyond Bretton Woods II,” *Financial Times*, November 7. <https://www.ft.com/content/5bb39488-ea99-11df-b28d-00144feab49a>

## 5. Preferential trade agreements and world trade system

- Jagdish N. Bhagwati, Pravin Krishna, Arvind Panagariya; eds. (2016): *The world trade system : Trends and challenges*, MIT Press.
- Jagdish Bhagwati (2008): *Termites in the trading system: How preferential agreements undermine free trade*, Oxford University Press, Oxford, UK.
- World trade reports, WTO, and World investment reports, UNCTAD.

## 6. TARGET2 and eurozone imbalances

- Juan Barredo-Zuriarrain, Ricardo Molero-Simarro, Alejandro Quesada-Solana (2017): “Euro-dependence—A peripheral look beyond the monetary union: A proposal of reform of the TARGET2,” *Review of Radical Political Economics* 1-19.
- Whelan, Karl (2014): “TARGET2 and central bank balance sheets,” *Economic Policy* 29(77), 79-137.
- What is TARGET 2? <https://www.ecb.europa.eu/explainers/tell-me/html/target2.en.html>
- Eurocrisis monitor, Institute of Empirical Economic Research (Osnabrück University), <http://eurocrisismonitor.com/>
- Ulrich Bindseil, Philipp Johann König (2011): “The economics of TARGET2 balances,” SFB 649 Discussion Paper 2011-035.

## 7. Critical view of globalization: does anarchy prevail?

- Gabor Steingart (2008): *The war for wealth: The true story of globalization, or why the flat world is broken*, McGraw-Hill, New York.
- Michael R. Auslin (2017): *The end of the Asian century: War, stagnation, and the risks to the world's most dynamic region*, Yale University Press, New Haven and London.

## 8. The seven fallacies of the globalization debate (Steingart, 2008)

- “Fallacy No. 1: The natural progression for a developed economy is to move from an industry-based to a service-based economy (...) If the service and industrial sectors are parts of one and the same family, we cannot separate ourselves from one without destroying the family as a whole (...) if we allow manufacturing jobs to be offshored without blinking, service jobs will soon follow suit.”
- “Fallacy No. 2: Economics and morals have nothing in common (...). Every product is made up of only three things: First, there are raw materials (...). Second, there is knowledge, the know-how (...). Third, there is the set of conditions that enable a company to bring together the raw materials and knowledge. These production conditions—that is, laws, regulations, and a country’s unwritten traditions—make up the real difference (...) These values, which are documented thousands of times over in collective wage agreements, company agreements, laws, company regulations, and, to some extent, international treaties, are what make the difference in today’s world economy (...) The Chinese ignore Western intellectual property rights and they forbid independent trade unions. Their biggest advantage at present is an endless supply of very cheap labor and a political system that undermines Western regulations. They pay only low costs for environmental protection, they pay nearly nothing for a pension system, and they have very poor standards of health and safety in the workplace. They are willing to do everything for less.”
- “Fallacy No. 3: The new world is flat. (...) Then the unbelievable happened: Mao died and his successors started to reform the country in a very radical way. When the Soviet Union crashed, India followed. Since that time we have seen turmoil in the world labor market. The West’s workforce of 500 million suddenly saw itself confronted with an army of 1.2 billion potential employees in the emerging markets. These new workers were willing to work under conditions not much more advanced than those of the mid–nineteenth century. The level playing field had become fragmented. For ordinary people in the West, the world had become anything but flat. The highly developed capitalism of the West now had to compete with a system that favored the crude customs of Manchester capitalism. (...) Under the current conditions free trade often means unfair practices and translates into pressure for those who cannot compete. (...) Most people think Asia is exporting only products, but in fact these countries are also exporting their labor and environmental practices. This is the dark side of free trade.”
- “Fallacy No. 4: The tide of globalization automatically lifts all boats. Many authorities have told this to us, and claim that we don’t have to worry. This statement may be true in the long run, but for now it seems to be a fairy tale. It doesn’t reflect today’s reality. Globalization nowadays is an extremely divisive force for the American population. (...) This is precisely the paradox of globalization: while the competitiveness of American companies is on the rise, the standard of living of the average family is shrinking. Truth number one: globalization connects people. Truth number two: on the same day, and in the same country, it divides society. Economic growth and social decline are no longer mutually exclusive.”
- “Fallacy No. 5: Globalization is a great work of peace. Many people believe this. Nations that are economically intertwined do not shoot at one another. That’s the great hope. But the new world is by no means more peaceful than the old. Today’s victories are won on the field of business, and from there they are passed on to politicians and military leaders. Giddy with their almost magical successes of the last few decades, the prime ministers of China and India recently declared that their goal is to bring about ‘a new world order.’”

- “Fallacy No. 6: The nation can no longer do anything for the people in its care. Both the left and the right continually emphasize the powerlessness of the national state in the current age. (...) To this date, there is no established framework for globalization, nor is anyone searching for it. In fact, it would appear that the economic system of the West is being given up without a fight. Ironically, the biggest enemy of the market economy is the complacency of its friends and the ignorance of its beneficiaries. A misunderstanding (...) is held up as an excuse for this failure to take action: globalization, it is claimed, is a force of nature, a powerful law of historic progression (...) The powerlessness of national institutions is held up as proof of the omnipotence of globalization.

(...) If domestic companies had remained within their national borders, no one would have been able to stop their loss of significance. They too faced a choice between decline and expansion. What we are experiencing today is an economy that is expanding worldwide, and those who are complaining the loudest are the ones who have remained within the space once considered their sovereign territory. Economic policy stands at the threshold of a new and unfamiliar world, but it lacks the confidence to cross that threshold. Instead of joining the chorus of complainers, anyone making economic policy should follow in the footsteps of corporations, not just physically but intellectually.

(...) The state may be exercising restraint in the United States, but it does not do so in India, Singapore, Japan, Korea, and Malaysia, and certainly not in China. In fact, the state plays a dominant role in those countries—the ones currently reporting the most mind-boggling successes. It is the greatest promoter and protector of their export industries, and it organizes and guarantees the conditions that result in the underbidding of Western countries. The rise of China is principally the achievement of politicians, not market forces. (...) The invisible hand of the market, of which Adam Smith spoke, is guided and directed by the iron fist of the state. (...) The Chinese example is not worth emulating, but it does stimulate thought. A new debate over society’s understanding of government seems long overdue in the United States.”

- “Fallacy No. 7: Globalization is a hot issue. Too hot to handle for a single person? Is the individual almost powerless to do anything to change his or her situation? (...) We are not born to tolerate history, even to tolerate it angrily. In a democracy, we are called upon to shape history: realistically and optimistically, bravely and cleverly. We are at least consumers and citizens, employees and investors, we have purchasing power, the power of taxpayers and political power. The thing we have to learn now is to use these assets properly under the new conditions. The challenge is to figure out how to ensure that globalization serves the people.”

- Jonathan Huebner (2005): “A possible declining trend for worldwide innovation,” *Technological Forecasting and Social Change* 72(8), 980-986.
- Svitlana Radzievska (2016): “Global crisis, financialization and technological development” *International Economic Policy* 24, 124-154.
- James M. Boughton, Domenico Lombardi, Anton Malkin (2017): “The limits of global economic governance after the 2007-09 international financial crisis,” *Global Policy* 8, 30-41.
- Zhu Min, Chen Weidong, Zhou Jingtong, Gai Xinzhe, Xiong Qiyue (2018): “The development of China’s financial system: a global perspective,” *China Economic Journal*, DOI: 10.1080/17538963.2018.1411057