

MGT. 205A – International Economics 2/5/08

Introduction: enrollment formalities; discussion of empirical data on trade and questions they raise for the course.



[Alameda Corridor - Part One](#)

06:54

The Alameda Corridor was completed in 2002. It is a rail connection between the Ports of Los Angeles and Long Beach and the national railroad network. The idea was to take rail traffic off the streets. There still remains an issue of truck traffic to the ports.

<http://www.youtube.com/watch?v=dgfAQoGOpGU>



[Alameda Corridor - Part Two](#)

07:02

Part Two of Alameda Corridor. See Part One for description.

<http://www.youtube.com/watch?v=gttoEYBZH00>



[China Clipper Air Service](#)

07:20

"Flying Boats" (large seaplanes) were planned to connect the U.S. and China to access the "fabulous markets" of the latter in the 1930s. As it turned out, U.S.-China trade relations were largely delayed another half century.

<http://www.youtube.com/watch?v=zqOSQ5qSHXI>



[JFK on Telstar](#)

01:17

The 1962 launch of the Telstar satellite allowed TV transmission for short intervals. (The satellite was not geo-stationary.) A TV broadcast was arranged between Europe and North America showing various sites as a demonstration. One site was a presidential news conference. In this news clip, President Kennedy acknowledges the broadcast. Eventually, electronic communication helped foster globalization.

http://www.youtube.com/watch?v=F_dFgieApL4



[Telstar satellite launch and demonstration](#)

02:22

The Telstar satellite - launched in the early 1960s - provided only brief intervals for transmission since it was not geo-stationary. Nevertheless, the advance was the inspiration for a hit record. A demonstration TV broadcast showing scenes from Europe and North America (including a press conference by President Kennedy) introduced Telstar to viewers. In this video, we also see then-Vice President Johnson talking by phone via Telstar. See also above video description.

<http://www.youtube.com/watch?v=oqjw-L2hkKc>



[American Mood After Dollar Depreciation and Oil Shock 1974](#)

04:32

CKLW Canadian DJ Byron MacGregor improvised this lament for Americans in 1974. The radio station, located in Windsor, Ontario, had a broad audience in Detroit and other areas on the border. At the time, the U.S. dollar had depreciated and oil prices had risen thanks to OPEC. The U.S. "terms of trade" (ratio of export prices to import prices) had fallen. And the country was suffering from "stagflation." A record of MacGregor's lament became a hit. (Note that his assertion that only the U.S. could make a jumbo jet now seems odd, with the advent of Airbus.)

<http://www.youtube.com/watch?v=ZVpth-s6-rQ>

Unit I: Comparative International Costs as a Basis for Trade; comparative advantage; the terms of trade; country size and the gains from trade; is free trade always "best"?; is comparative advantage "fixed" or can it change?



[Low wage induces labor-intensive production: Calcutta](#)

01:38

This video shows Calcutta in the 1970s. Extremely low wages produces construction techniques that are heavily labor-intensive. It is not that the technology - in this case a pulley - is unknown, but that it doesn't pay to use it. The video illustrates an extreme version of capital/labor substitution.

<http://www.youtube.com/watch?v=jTMHGVuC5jI>



[Promoting Free Trade in the Victorian Era: Part One](#)

08:43

The latter half of the 19th century is often seen as an era of globalization. An intellectual case for free trade had been developed by David Ricardo in the early part of the century. However, it was many years before the doctrine took hold politically. This excerpt shows the promotion of the idea through the building of the Crystal Palace in London. The commentary notes the semi-religious aura that surrounded the concept. (You still hear people talking about "believing" in free trade.) The Crystal Palace itself was moved to another location after the exhibit depicted in the video. It burned in the 1930s. This is Part One.

<http://www.youtube.com/watch?v=ZXE7D2r8hts>



[Promoting Free Trade in the Victorian Era: Part Two](#)

01:42

See description in Part One.

<http://www.youtube.com/watch?v=Zw1oS8z4mS0>



[Spread of Technology from Ford to Europe in 1920s](#)

05:17

Ford was the preeminent manufacturer in the 1920s. However, the Ford techniques were spread internationally by Ford itself through subsidiaries and by other companies learning from Ford. This video shows both processes. Note that the British firm Morris, while instituting an assembly line, has a hand-driven version and thus paid its workers on piece rates. Ford had a mechanical line and thus could regulate the work pace without piece rate incentives.

<http://www.youtube.com/watch?v=SnEJvuvfBQo>



[Early Telegraph Unites Domestic Market But Not World Market](#)

01:49

The invention by Morse of the early telegraph in the 1840s provided a means of instant communication between locations in the U.S. The telegraph thereby united the domestic market. It also allowed coordination of long-distance railroads. However, the telegraph did not reach Europe until a transatlantic cable was laid. Prices information between the U.S. and Europe flowed only by sailing ships with great delay as a result. (The first completely successful cable across the Atlantic did not come until 1866. An earlier cable failed after a short time.)

<http://www.youtube.com/watch?v=DmolT6pI8eI>



[Are US and Japanese HR and Other Practices Converging?](#)

09:49

Prof. Sanford Jacoby discusses his research. He finds that the simple idea that globalization causes convergence in corporate practice is misleading as applied to Japan vs. the U.S.

<http://www.youtube.com/watch?v=JzQqi8qoin0>

Unit II: The Pattern of International Trade; can we predict which country exports what kind of goods based on supply-side criteria?; gains and losses in income distribution from trade.



[History of INS and Immigration - Part One](#)

09:47

The old Immigration and Naturalization Service (INS) made this history of itself, the Border Patrol, earlier agencies, and immigration generally. Immigration (movement of labor) and trade are viewed as substitutes under the Heckscher-Ohlin model. This is Part One.



[History of INS and Immigration - Part Two](#)

08:06

See Part One for description.

<http://www.youtube.com/watch?v=jMLydt9r2YQ>



[Health care and illegal immigration TV ad in California](#)

01:05

This TV ad blames illegal immigration for endangering health care in Kern County, California. The issue of use of ERs by those without insurance was part of the background of the revival of universal health care proposals by Gov. Schwarzenegger in 2007. Although immigration and trade are seen as substitutes under Heckscher-Ohlin, the former creates more social tensions.

<http://www.youtube.com/watch?v=6doW6VUQ1Cw>



[California's nursing shortage](#)

04:20

This video depicts an immigrant doctor from the Philippines who takes a job as a nurse in California and earns more money as a result. Various issues are raised related to immigration, exactly what is meant by a labor shortage, and international pay differentials. There is a longstanding literature in economics about monopsony in the labor market (employers holding down wages and creating a shortage) and its application to nursing in particular.

<http://www.youtube.com/watch?v=DEt6m9oB7-M>



[Control of California-Mexico Border](#)

05:35

This video shows the difficulty of border control. Making controls more intensive in the San Diego area shifts illegal border crossing to the east.

http://www.youtube.com/watch?v=WqdbLb0J_ow



[California's Proposition 187](#)

04:31

Proposition 187, which would have barred most public services to illegal immigrants, was on the California ballot in 1994. It became a major element in Governor Pete Wilson's campaign for reelection. Although enacted by the electorate, the proposition was largely voided through subsequent litigation. The first clip shows the situation as the election was unfolding. The second refers to the initial litigation.

<http://www.youtube.com/watch?v=D3x5cF19Umo>



[Pete Wilson's Two Campaigns for Governor: 1990 and 1994](#)

05:26

Pete Wilson ran for California's governor successfully in 1990 and for reelection successfully in 1994. He had been mayor of San Diego and a U.S. Senator before assuming the governorship. In both gubernatorial elections he ran against women. His opponent in 1990 was Dianne Feinstein, former mayor of San Francisco and later U.S. Senator. The 1994 opponent was Kathleen Brown, sister of former governor of Jerry Brown and daughter of former governor Pat Brown. In the 1994 election, the issue of illegal immigrant became a major factor. Wilson endorsed Proposition 187 which would have denied most public services to illegal immigrants. Prop 187 passed but was largely voided by litigation.

<http://www.youtube.com/watch?v=beO5FYIGDVg>

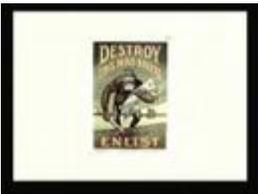


[Face-to-Face Job Skills](#)

07:52

In this clip, the argument is made that having computer skills is not the key to labor-market success. Rather it is having "face-to-face" skills a computer can't emulate. Education helps provide such skills. Issues of the future of international outsourcing are raised in this video.

<http://www.youtube.com/watch?v=YPvcCUhkwF8>



[World War One Patriotic Record Urges Immigrant Loyalty](#)

03:00

The large immigrant population of the U.S. at the time of World War One - with people from nations on both sides of the War residing in the U.S. - evidently raised concerns once the U.S. entered the War. This acoustical phonograph record urges listeners to be "Americans Now" and support the War effort, regardless of prior sympathies.

<http://www.youtube.com/watch?v=VWnlrc2FNX8>



[Warning on Immigrants in 1920 Film](#)

04:29

Large scale immigration into the U.S. from eastern and southern Europe was cut off during World War I. In the 1920s, new legislation was enacted which sharply curtailed a renewal of the immigrant flow. Eastern and southern Europe was feared as a source of leftists, anarchists, and terrorists. The plot of this silent film involves an American who is temporarily seduced by a band of immigrants seeking to create mayhem in the context of a labor dispute.

<http://www.youtube.com/watch?v=nUCTE3KDAjw>



[Telegraph cable across Atlantic](#)

03:27

The successful completion of a telegraph cable across the Atlantic in 1866 - after a previous failure - was a major technological feat. In economic terms, it helped unite international markets just as the domestic telegraph had done for regional markets within the U.S.

<http://www.youtube.com/watch?v=n6PXf8YnjV4>

Unit III: National Commercial Policies; Tariff analysis; arguments for protection, measurement of tariffs, dumping, quotas and non-tariff barriers.



[Concerns about US Merchant Marine After WW2](#)

05:53

During World War II, the merchant marine was substantially expanded. After the war, it faced competition from lower-wage foreign shipping firms. Arguments were made for offsetting subsidies, often citing national defense as the rationale.

<http://www.youtube.com/watch?v=nLPM0D6wsOo>



[Customs Bureau](#)

01:21

Brief video shows customs inspectors evaluating a product in 1940s. The Customs classification and evaluation process itself is sometimes seen as a potential international trade barrier. The perils of smuggling are also depicted.

<http://www.youtube.com/watch?v=C3QuF6M8o0M>



[Tariffs on Canadian fish in the 1930s](#)

02:17

Until the 1960s, Democrats were the party of free trade; Republicans were the party of protection. When the Democrats took control of Congress and the White House in the 1930s, the Roosevelt administration pursued reciprocal trade agreements to lower tariffs. However, because protection was the norm at that time, there was resistance to tariff reductions, as this video demonstrates.

<http://www.youtube.com/watch?v=0gBAIB7YVAU>



[Ending a US Tariff Preference on Socks - Part 1](#)

07:30

The US gave Honduras a zero tariff on socks. This segment explains the domestic political pressure to remove the preference in 2007. (Part 1)

<http://www.youtube.com/watch?v=J1Nnjp4SWMg>



[Ending a US Tariff Preference on Socks - Part 2](#)

07:41

See Part 1. Part 2 is from the Honduran perspective. Note that there is a trade creation/trade diversion element here. The preference created stimulated imports from Honduras but likely diverted them from other countries.

<http://www.youtube.com/watch?v=J1Nnjp4SWMg>

Unit IV: Economic integration; common markets such as the European Union, free trade areas such as NAFTA, and similar agreements.



[Tight Trade Restrictions in Europe Just After WW2](#)

04:22

This video illustrates the tightly controlled trade between European countries - in this case, France and Germany with regard to coal - immediately after World War II. The coal situation led eventually to formation of the European Coal and Steel Community. That institution led to creation of the European Economic Community in the late 1950s. The EEC eventually evolved into the current European Union. The excerpt also points to the political situation at the time and the prominence of the Communist Party in France.



[Introduction of Euro as a Currency in 2002](#)

02:48

Euro notes and coins replaced various national currencies within the European Union in 2002. Several years before, the euro had begun to be used for electronic transactions and the national currencies were frozen in value relative to the euro.

<http://www.youtube.com/watch?v=CeE23Zk0A8U>

Unit V: Exchange Rates and Other Price Adjustments; exchange rates changes; impact of exchange rate changes on the terms of trade; purchasing power parity, price-specie-flow with fixed exchange rates, spot and forward exchange rates.



[Spanish Confrontation with the Inkas](#)

04:55

This video shows a recreation - based on Spanish accounts - of the capture of the Inka king in what is now Peru by a small band of Spaniards under Pizarro in 1532. The Spaniards were being held in a palace of the king and were vastly outnumbered when the king and his large entourage came calling. However, they hatched a military strategy which ended with the capture of the king. As depicted, the Spaniards had technological superiority in the form of guns and steel swords. But they also had literacy - which the confrontation demonstrates - an invaluable tool for organization and transmission of knowledge, military or otherwise. The gold that flowed from South America to Spain gave rise to an early form of the price-specie-flow model.

<http://www.youtube.com/watch?v=Z5Vx00iIsI0>



[The French Franc Crisis of 1968-69: Part One](#)

09:56

In May 1968, a student strike eventually became a workers' strike and shut down France. To settle the strike, the government agreed to wage increases which pushed up costs and led to speculation against the French franc. At the time, the franc and other major currencies were under the Bretton Woods fixed exchange rate regime. By Nov. 1968, it appeared the franc would be devalued. The first news clip indicates a devaluation was certain. But a second one, a few days later, reports that President DeGaulle decided not to devalue. This is Part One. In Part Two, the devaluation occurs, delayed until August 1969.

<http://www.youtube.com/watch?v=qJVFwBYSIKk>



The French Franc Crisis of 1968-69: Part Two

02:13

See Part One for description.

http://www.youtube.com/watch?v=TImGFkSn_Yk

Unit VI: Macroeconomic Aspects; business cycles in an open economy; macroeconomic policies, forecasting models in an open economy.



[International Spread of Depression](#)

06:48

This video illustrates how falling demand in the U.S. during the early days of the Great Depression spread to other countries. The international linkage of world economies occurred despite greater trade barriers in that era as compared to contemporary "globalization."

<http://www.youtube.com/watch?v=sJdwmkAwqxs>

Unit VII: Balance of Payments; balance of payments accounting; an empirical look at the balance of payments.



[U.S. Attitudes Toward Japanese Direct Investment](#)

06:12

During the 1980s, Americans became aware of foreign (especially Japanese) direct investment in the U.S. To some, Japanese management practices seemed odd. Others found the phenomenon threatening. Two excerpts are shown here: mid-1980s and early 1990s. The latter, which includes investment in downtown Los Angeles real estate, is ironic after the fact. Due to the lengthy recession in L.A. in the early 1990s, such investment was notably unprofitable.

<http://www.youtube.com/watch?v=FEdHsJChTJA>



[NUMMI - Part One](#)

06:30

In the early 1980s, Toyota and GM reopened a closed GM auto assembly plant in Northern California. The notion was to apply "Japanese" management techniques which were all the rage in the U.S. in that era.

http://www.youtube.com/watch?v=Ng_Sa0T04Ts



[NUMMI - Part Two](#)

05:39

See NUMMI - Part One - for description.

<http://www.youtube.com/watch?v=zaYXSbGzDcs>

Unit VIII: The International Monetary System; history and development of the international monetary system; the future of the international monetary system; course review.



[Nixon Ends Bretton Woods International Monetary System](#)

04:05

On August 15, 1971, President Nixon announced on TV 3 dramatic changes in economic policy. He imposed a wage-price freeze. He ended the Bretton Woods international monetary system. And he imposed a temporary surcharge (tariff) on all imports. The Bretton Woods system was created towards the end of World War II and involved fixed exchange rates with the U.S. dollar as the key currency - but also a role for gold linked to the dollar at \$35/ounce. The system began to falter in the 1960s because of an excess of dollars flowing out of the U.S. which foreign central banks had to absorb. A run on gold in 1968 was stemmed by a patch on Bretton Woods known as the two-tier gold system. All of this was ended unilaterally by the Nixon decision. After a brief attempt to create a modified fixed exchange rate system, the world moved to flexible rates.

<http://www.youtube.com/watch?v=iRzr1QU6K1o>



[FDR Ends Gold Standard in 1933](#)

04:02

After other countries abandoned the gold standard in the early days of the Great Depression, the Hoover administration stayed on in, even though doing so may U.S. goods less competitive. Franklin Roosevelt effectively abandoned the gold standard in 1933. He returned to a modified version of it the following year but with the price of gold raised to \$35 per ounce. After WW2, the Roosevelt \$35 price became enshrined in the Bretton Woods international monetary system until President Nixon ended that system in 1971.

http://www.youtube.com/watch?v=3_ex0sTsb_I



[Britain Abandons Exchange Rate Mechanism in 1992](#)

03:36

As a prelude to creation of the euro, various European Union countries agreed to the exchange rate mechanism (ERM) under which they would keep their currency exchange rates within a narrow range. Britain was initially part of the ERM. But in 1992, the pound was hit with a wave of speculation and Britain abandoned the ERM. This experience may in part explain why Britain did not adopt the euro subsequently. George Soros explains how he speculated against the pound as part of this video clip.

<http://www.youtube.com/watch?v=9bXNt1ec2FQ>



[Plaza Accord of 1985 Leads to Dollar Depreciation](#)

04:29

During the first half of the 1980s, the U.S. dollar appreciated dramatically, undermining the competitiveness of American products. The Plaza Accord of 1985 was designed to reverse the earlier appreciation.

<http://www.youtube.com/watch?v=g2vMRjO1oXY>



[1944 Bretton Woods International Monetary Conference](#)

01:34

This newsreel excerpt briefly describes the international monetary conference of 1944 (before WW2 ended), held at the Mount Washington Hotel in Bretton Woods, New Hampshire. The conference founded the International Monetary Fund and the World Bank. The fixed exchange rate system created at the conference came under increasing strain in the 1960s and was ended unilaterally by President Nixon in 1971.

<http://www.youtube.com/watch?v=GVytOtfPZe8>



[British Film from the 1940s Highlights U.S. Diversity](#)

04:45

The 1946 British film "Stairway to Heaven" (British title: "A Matter of Life or Death") was made to rejuvenate Anglo-American friendship by reminding Americans of the World War II alliance. Britain was trying to obtain U.S. foreign aid to rebuild after suffering substantial wartime damage. The film was made before the Marshall Plan came along to provide such aid. In the 1940s, many Americans still viewed Britain suspiciously as imperialistic and the center of world financial domination. The film is a fantasy characteristic of the period. Scenes on Earth are in color; scenes in Heaven are in black and white. The jury selection scene here points to British interest in American population diversity. Although the U.S. had severely limited immigration in the 1920s, there was a substantial immigrant and second-generation population. In contrast, in Britain in the 1940s, there was a much more homogeneous population and immigrants - to the extent there were immigrants - were largely from Ireland. The excerpt here is from the jury selection scene in Heaven and highlights U.S. diversity. The prosecutor is an American patriot from the Revolutionary War era. A plot summary, largely from [IMDB.COM](#), follows: Returning to England from a bombing run in May 1945, flyer Peter Carter's plane is damaged and his parachute ripped to shreds. He has his crew bail out safely, but figures it is curtains for himself. He gets on the radio, and talks to June, a young American woman working for the RAF, and they are quite moved by each other's voices. Then he jumps, preferring this to burning up with his plane. He wakes up in the surf. It was his time to die, but there was a mixup in Heaven. They couldn't find him in all that Channel fog. By the time his "Conductor" catches up with him 20 hours later, Peter and June have met and fallen in love. This changes everything, and since it happened through no fault of his own, Peter figures that Heaven owes him a second chance. Heaven agrees to a trial to decide his fate. The film leaves it ambiguous as to whether the conductor and trial are hallucinations cause by a brain injury or are "real." The trial takes place during Peter's Earthly brain surgery.

<http://www.youtube.com/watch?v=zGFJamy3CQg>



[The Smithsonian International Monetary Negotiations of 1971](#)

01:57

From the end of World War II until 1971, exchange rates were fixed under the Bretton Woods system. The system came under increasing stress in the 1960s. In August 1971, President Nixon unilaterally ended Bretton Woods. He ended the dollar's link to gold, allowed the dollar to float, and imposed an import surcharge and a wage-price freeze. A substitute fixed exchange rate system - the Smithsonian system - was negotiated in December 1971. This clip is a news report on the negotiations. Although Bretton Woods lasted a quarter century, the Smithsonian system lasted only 13 months. Thereafter, the world went to varying degrees of flexible exchange rates. (Of somewhat less importance is the question of why reporter Irving R. Levine chose to make his report on this clip from the coat room!)

<http://www.youtube.com/watch?v=8cNGeScxJNw>



[Telstar, Kennedy, and World Gold & Currency Markets](#)

09:54

The Telstar satellite was launched in 1962 and allowed TV transmission between the US and Europe for the first time for 18 minute intervals as it circled the Earth. To celebrate, an initial broadcast was transmitted on both sides of the Atlantic with scenes of famous sites. The broadcast caught a press conference of President Kennedy and a question was asked about gold and the dollar exchange rate. At the time, the world was on the fixed exchange rate Bretton Woods system and there were pressures on US gold reserves and the dollar. The President's answer affected gold and currency markets that day. This event illustrates the growing pressure on gold and the dollar of that era. A random 18 minutes caught the President dealing with the gold and dollar problems.

<http://www.youtube.com/watch?v=FgplIWibv4Q>



[President Kennedy & Advisors Discuss Steel Prices - Part 1](#)

09:16

This clip is an excerpt from a much longer White House recording made on April 10, 1963. The prior year, President Kennedy attacked the steel industry for raising prices and forced a price rollback. See:

<http://www.youtube.com/watch?v=aAVAJ6mwBVE>

The president viewed steel prices as important for inflation generally and important to maintain the U.S. dollar exchange rate and gold price commitments under the Bretton Woods exchange rate system of that era. He had helped foster a modest union contract in steel in 1962 and viewed the price increase as a betrayal. However, the confrontation upset the business community and in 1963, the president was reluctant to have a repeat. In addition, the industry had learned not to announce a general price increase and instead to announce selective increases on particular steel products. Participants are JFK, Attorney General Robert F. Kennedy, and advisor Clark Clifford. Secretary of Labor W. Willard Wirtz is mentioned in the discussion and may have participated in part of it. Concern is expressed that if steel raised prices, the Steelworkers union would demand a pay increase and others unions would follow. Increased steel prices, directly and indirectly, were viewed as inflationary and threats to the U.S. balance of payments. This is Part 1.

<http://www.youtube.com/watch?v=XN-6RmagJtg>



[President Kennedy & Advisors Discuss Steel Prices - Part 2](#)

09:29

See part 1. Part 3 follows.

<http://www.youtube.com/watch?v=ukA84gynl8w>



[President Kennedy & Advisors Discuss Steel Prices - Part 3](#)

06:23

See part 1. This is the final part.

<http://www.youtube.com/watch?v=fEMUodE3HEg>



[JFK Confers with Advisors on Gold & the Balance of Payments](#)

05:19

At the end of World War II, the US became the mainstay of the Bretton Woods international monetary system. Under this system, the US dollar was the key currency and interchangeable into gold at \$35 per ounce. Until the late 1950s, the dollar tended to be undervalued (dollar shortage). But after that time, there was a dollar surplus and a resulting drain on the US gold supply. The standard remedy would have been a tight monetary policy and austerity. But the Kennedy administration was elected in 1960 on a platform of economic expansion. There are hours of White House tapes of Kennedy and his advisors fretting over the dollar/gold situation. This clip contains illustrative excerpt from April 18, 1963. At the meeting are JFK, Treasury Secretary C. Douglas Dillon, George Ball, and Robert V. Roosa. Kennedy can be heard responding. The speaker presenting the report is probably Dillon.

<http://www.youtube.com/watch?v=eSl5IZryxOs>