

The Future of the Global Economy – Course Information

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INTRODUCTION TO THE COURSE

Summary

Students in this course will study the long-term future of the global economy, including how businesses, governments and individuals will plan for, experience and possibly alter that future. The approach of the course will be rigorous and economics-driven, but not overly technical. It will focus on the fundamental forces that move the global economy in real-world settings, not just in theoretical models or blue-sky policy discussions. Students will learn about diverse topics ranging from the effects of global warming on income inequality to the development of markets for digital media in an increasingly globalized world. They will gain the broad set of tools needed to prepare for the vast changes that will occur during the course of their working lives.

Readings

Readings will be drawn from both the popular and the academic press, as well as from primary sources. They will be available online through the NYU databases, and will occasionally be supplemented by excerpts from the professor's current work. To conserve paper, printed sourcebooks will not be distributed; students can print what they wish to read. Students are advised to read up before each class meeting. Priority readings are starred on the syllabus.

Class meetings

The course will meet Tuesdays and Thursdays from 6 to 9 pm and Sundays from 9 am to 4 pm between August 17 and September 5. Attendance is not required, but students who do not attend class will be unable to achieve the best possible grades (see below). Meetings will typically follow this format: lecture from the professor, group activity, discussion and/or guest appearance. In several of the group activities, the students will represent governments or businesses from countries chosen at random at the beginning of the course. There will be short breaks between the different sections of each meeting.

Grading

Students will be graded on a combination of exams and class participation. There will be two one-hour Sunday quizzes and a three-hour final exam. Each quiz will count for 10 percent of the final grade, class participation will count for 20 percent, and the final exam will count for 60 percent. The final exam will require students to write a comprehensive, long-term, economic strategy for the public and private sectors in a country chosen at random at the first meeting of the course. There will be no make-up exams.

Lecturer

Daniel Altman holds a PhD in economics from Harvard University, where he received several teaching prizes. He has been an economics columnist for *The Economist*, *The New York Times* and the *International Herald Tribune* and is the author of three books: *Power in Numbers: UNITAID, Innovative Financing, and the Quest for Massive Good* (with Philippe Douste-Blazy), the award-winning *Neoeconomy: George W. Bush's Revolutionary Gamble With America's Future*, and *Connected: 24 Hours in the Global Economy*, which has been translated into seven languages. He recently completed a book on the future of the global economy that will be published in January 2011. Altman has also published articles in academic journals including the *American Economic Review*. Between stints as a columnist, he served as an economic advisor in the British government. He is also president of North Yard Economics, a not-for-profit consulting firm offering high-quality, cost-effective analysis to developing countries.

Office hours

Office hours will be held by appointment only.

COURSE OUTLINE

PART I: Introduction

Lecture 1; Tuesday, August 17: The difficulties of prediction

We will begin by discussing the shortcomings of common predictions for the global economy's future, as well as commonly used methods for making predictions, both theoretical and statistical. The merits of predicting trends using deep factors rather than looking at high-frequency data will be given special attention. We will examine newer and unconventional models used to predict discontinuous changes, such as fuzzy logic and neural networks. In our discussion, we will use predictions for Russia's growth, demographic forecasts from the United States, and a review of predictions from decades ago about the current economic situation.

Readings

*"Rational Expectations," by Thomas J. Sargent, *The Concise Encyclopedia of Economics*, via <http://www.econlib.org/library/Enc/RationalExpectations.html>

*"Introduction," by Colin F. Camerer, *Behavioral Game Theory* (Princeton, New Jersey: Princeton University Press, 2003), via <http://press.princeton.edu/chapters/i7517.pdf>

*"CBO's Economic Forecasting Record: 2007 Update," Congressional Budget Office (November, 2007) via <http://www.cbo.gov/ftpdocs/87xx/doc8713/11-14-Forecasting.pdf>

“A Child's Guide to Rational Expectations,” by Rodney Maddock and Michael Carter, *Journal of Economic Literature*, Vol. 20, No. 1 (Mar., 1982), pp. 39-51 [via JSTOR](#)

“Prediction with Neural Networks,” by Marek Obitko, via <http://www.obitko.com/tutorials/neural-network-prediction/prediction.html>

“Chapter 1: The Fuzzy World,” by F. Martin McNeill and Ellen Thro, in *Fuzzy Logic: A Practical Approach* (Chestnut Hill, Mass.: AP Professional, 1994), via <http://www.fuzzysys.com/books/FLlib/FUZZYPDF/FUZZYLOG.PDF>

“A Nobel Letdown in Economics,” by Michael Mandel, *BusinessWeek* (October 11, 2005), [via](http://www.businessweek.com/bwdaily/dnflash/oct2005/nf20051011_3028_db084.htm)
http://www.businessweek.com/bwdaily/dnflash/oct2005/nf20051011_3028_db084.htm

“Economic View: Economics can’t solve everything, can it?” by Daniel Altman, *The New York Times*, (August 3, 2003), [via](http://www.nytimes.com/2003/08/03/business/yourmoney/03VIEW.html)
<http://www.nytimes.com/2003/08/03/business/yourmoney/03VIEW.html>

PART II: The global economic pecking order (four lectures)

Why do some countries get richer while others stay poor? We will take three approaches to answering this question, all framed by the theory of conditional convergence. Unlike in standard macroeconomics courses, we will focus on relative changes in living standards and levels of human development rather than absolute growth rates.

Lecture 2; Thursday, August 19: Conditional convergence

Why do some countries catch up to the world’s leaders in economic living standards, while others seem to lag perennially behind? Why are there differences in economic growth rates between countries with similar resources and populations? We will extend our discussion of the importance of deep factors – including climate, legal systems and cultural underpinnings – in determining the economic future by considering the theory of conditional convergence and the idea of convergence clubs: Is China in the same convergence club as the United States? Can a country change its convergence club, and how long does it take for the effects to take hold?

Readings

*“Chapter 4: Globalization and Convergence,” by Steve Dowrick and J. Bradford DeLong, in *Globalization in Historical Perspective* (Michael D. Bordo et al., eds.; Chicago: The University of Chicago Press, 2003), [via](http://www.nber.org/chapters/c9589.pdf)
<http://www.nber.org/chapters/c9589.pdf>

*“Dreaming With BRICs: The Path to 2050,” by Dominic Wilson and Roopa Purushothaman, *Goldman Sachs Global Economics Papers*, No. 99 (October 1, 2003), via <http://www.goldmansachs.com/ideas/brics/book/99-dreaming.pdf>

*“The Economic Consequences of Legal Origins,” by Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, *Journal of Economic Literature*, Vol. 26, No. 2 (June 2008), via [JSTOR](#)

*“Chapter 9: Climate, Coastal Proximity, and Development,” by Andrew D. Mellinger, Jeffrey D. Sachs and John L. Gallup, in *Oxford Handbook of Economic Geography*, (Gordon L. Clark et al., eds.; New York: Oxford University Press, 2000), via <http://www.earthinstitute.columbia.edu/sitefiles/file/about/director/pubs/OxfordHandbook2000.pdf>

“Confucian Business Ethics and the Economy,” by Kit-Chun Joanna Lam, *Journal of Business Ethics*, Vol. 43, No. 1/2 (Mar., 2003), pp. 153-162, via [JSTOR](#)

“The Great Transformation of Central Eastern Europe: Success and Disappointment,” by János Kornai (speech, 2005), via http://www.economics.harvard.edu/faculty/kornai/files/Pres_Address_Morocco.pdf

“Doing Business 2010: Overview,” by The World Bank (2008), via http://www.doingbusiness.org/documents/db10_overview.pdf

“How to spot a fast-growing free-market economy,” by Daniel Altman, *International Herald Tribune* (December 12, 2007), via <http://www.nytimes.com/2007/12/11/business/worldbusiness/11iht-rtrglob12.8694009.html>

Lecture 3.1; Sunday, August 22, morning: Individual growth

Once deep factors have been established, what are the most important inputs for future growth in living standards? We will discuss the five major contributors to economic production – labor, capital, human capital, raw materials and technology – in an empirical and forward-looking setting, including the potential for a “resource curse”, the effect of population dynamics on the labor force, the importance of financial development, and liquidity pools. We will also study how to predict the risks and effects of idiosyncratic events such as financial meltdowns, wars, disease, natural disasters and resource discoveries.

Readings

*“Chapter 7: The Process of Creative Destruction,” by Joseph A. Schumpeter, in *Capitalism, Socialism and Democracy*, (1942 and later editions), pp. 81-85, via http://w7.ens-lsh.fr/amrieu/IMG/pdf/Schumpeter_chapter_7.pdf

*“Financial Development and Economic Growth: Views and Agenda,” by Ross Levine, *Journal of Economic Literature*, Vol. 35, No. 2 (Jun., 1997), pp. 688-726, [via JSTOR](#)

*“Economic Growth and the Demographic Transition,” by David E. Bloom, David Canning and Jaypee Sevilla, *NBER Working Paper Series*, No. 8685 (December 2001), [via http://www.nber.org/papers/w8685.pdf](http://www.nber.org/papers/w8685.pdf)

“Resource Rents, Governance, and Conflict,” by Paul Collier and Anke Hoeffler, *The Journal of Conflict Resolution*, Vol. 49, No. 4 (Aug., 2005), pp. 625-633, [via JSTOR](#)

“China's Growth to 2030: Demographic Change and the Labour Supply Constraint,” by Jane Golley and Rod Tyers, *ANU Working Papers in Economics and Econometrics*, No. 467 (June 2006), [via http://www.cbe.anu.edu.au/research/papers/pdf/wp467.pdf](http://www.cbe.anu.edu.au/research/papers/pdf/wp467.pdf)

“The Economic Impact of HIV/AIDS in Southern Africa,” *Brookings Institution Conference Reports*, No. 9 (September 2001), [via http://www.brookings.edu/comm/conferencereport/cr09.pdf](http://www.brookings.edu/comm/conferencereport/cr09.pdf)

“Why Worry About Corruption?” by Paolo Mauro, *Economic Issues*, No. 6 (1997), [via http://www.imf.org/external/pubs/ft/issues6/index.htm](http://www.imf.org/external/pubs/ft/issues6/index.htm)

“Do Democratic Transitions Produce Bad Economic Outcomes?” by Dani Rodrik and Romain Wacziarg, *The American Economic Review*, Vol. 95, No. 2 (May 2005), pp. 50-55, [via JSTOR](#)

Lecture 3.1; Sunday, August 22, afternoon: Interactive effects

How do economic interactions between countries determine their economic future? We will first consider “naturally occurring” economic phenomena such as the diffusion of technology and the demand for low-wage labor. Then we will move on to phenomena that result from policy choices, such as tax competition, protection of infant industries and the effects of special economic zones.

Readings

*“A Reconsideration of Import Substitution,” by Henry J. Bruton, *Journal of Economic Literature*, Vol. 36, No. 2 (Jun., 1998), pp. 903-936, [via JSTOR](#)

*“What has been the tax competition experience of the last 20 years?” by Rachel Griffith and Alexander Klemm, *Tax Notes International*, Vol. 34, No. 13 (2004), pp. 1299-1314, [via http://www.cepii.fr/anglaisgraph/communications/pdf/2004/161204/klemm.pdf](http://www.cepii.fr/anglaisgraph/communications/pdf/2004/161204/klemm.pdf)

“Chapter 13: Special Economic Zones and Economic Diversification; Some Evidence From South Asia,” by Aradhna Aggarwal, Mombert Hoppe and Peter Walkhenhorst, in *Breaking Into New Markets* (Richard Newfarmer, William Shaw, Peter Walkenhorst, eds.; Washington: World Bank, March 2009), pp. 223-236, [via Google books](#)

“The debate on elimination of free enterprise zones in Ukraine,” by the World Bank, mimeo (December 12, 2005), [via](#) <http://siteresources.worldbank.org/INTUKRAINE/147271-1089983407712/20757196/FreezonesEng.pdf>

“Eastern Enlargement and Western Labor Demand,” by Karolina Ekholm, mimeo (November 13, 2006), [via](#) http://www.oenb.at/de/img/ekholm_preliminary_tcm14-49000.pdf

PART III: The global economic architecture

How will the global economy be organized in the future? The factors discussed above will help to create a new economic pecking order, but what will be the framework on which it is built? This part of the course will explore the links that economies construct between themselves, both officially and unofficially, and the ways in which those economies construct themselves across national borders.

Lecture 4; Tuesday, August 24: Inter-country relationships

In the previous lectures, we spoke about how policies chosen within a country could change its economic fate. Now we will examine policies chosen jointly by more than one country or imposed by one country on another. We will discuss the relationships likely to emerge between the winners and losers identified in Part II of the course, including phenomena such as client states and donor capture. Can the benefits of these relationships in the short term truly outweigh the potential costs in the long term (such as a loss of self-sufficiency or a lack of diversification in the economy)? Can those costs be avoided?

Readings

*“An Estimate of the Effect of Common Currencies on Trade and Income,” by Jeffrey Frankel and Andrew Rose, *The Quarterly Journal of Economics*, Vol. 117, No. 2 (May, 2002), pp. 437-466, [via JSTOR](#)

*“Empire and Multilateralism: Maintaining Client States During Imperial Decline,” by David Sylvan and Stephen Majeski, mimeo (March 2005), [via](#) <http://faculty.washington.edu/majeski/decline-pap-5.pdf>

*“Trade liberalization and growth: New Evidence,” by Romain Wacziarg and Karen Horn Welch, *NBER Working Paper Series*, No. 10152 (December 2003), [via http://www.nber.org/papers/w10152.pdf](http://www.nber.org/papers/w10152.pdf)

“Foreign aid, debt and development in sub-Saharan Africa,” by Samuel M. Wangwe (presentation, August 1998), [via http://www.unu.edu/hq/academic/Pg_area4/Wangwe.html](http://www.unu.edu/hq/academic/Pg_area4/Wangwe.html)

“Rich countries launch great land grab to safeguard food supply,” by Julian Borger, *The Guardian* (November 22, 2008), [via http://www.guardian.co.uk/environment/2008/nov/22/food-biofuels-land-grab](http://www.guardian.co.uk/environment/2008/nov/22/food-biofuels-land-grab)

“China’s Copper Road,” by Paul Starobin, *The Atlantic* (June 3, 2009), [via http://www.theatlantic.com/doc/200905u/china-chile](http://www.theatlantic.com/doc/200905u/china-chile)

Lecture 5; Thursday, August 26: Future rules of commerce

The multilateral trading system is collapsing under its own weight. How will the world’s governments reorganize themselves to set the rules of commerce? We will study the effects of bilateral and regional trading agreements and project how these arrangements may affect countries in the future. We will build on our discussion of relationships between countries and play out game-theoretical scenarios to predict how trading blocs may evolve. Cases will include sub-Saharan Africa’s trading and customs unions, the DR-CAFTA agreement and the future potential for expansion of the European Union.

Readings

*“Discussion: Future of the WTO,” by Anu Bradford et al., *The University of Chicago Law School Faculty Blog* (February 23, 2009), [via http://uchicagolaw.typepad.com/faculty/2009/02/discussion-future-of-the-wto.html](http://uchicagolaw.typepad.com/faculty/2009/02/discussion-future-of-the-wto.html)

*“The Future of the WTO,” by Kevin R. Gallagher, *Issues in Brief*, No. 1 (April 2008), [via http://www.bu.edu/pardee/files/documents/BU-Pardee-Policy-Paper-001-WTO.pdf](http://www.bu.edu/pardee/files/documents/BU-Pardee-Policy-Paper-001-WTO.pdf)

*“Regional trade agreements and the WTO,” by Jo-Ann Crawford and Sam Laird, *CREDIT Research Papers*, No. 00/3 (May 2000), [via http://www.nottingham.ac.uk/economics/credit/research/papers/cp.00.3.pdf](http://www.nottingham.ac.uk/economics/credit/research/papers/cp.00.3.pdf)

“After 7 Years, Talks Collapse on World Trade,” by Stephen Castle and Mark Landler, *The New York Times* (July 30, 2008), [via http://www.nytimes.com/2008/07/30/business/worldbusiness/30trade.html](http://www.nytimes.com/2008/07/30/business/worldbusiness/30trade.html)

“Strengthening the WTO as *the* global trade body,” by Pascal Lamy (speech), via http://www.wto.org/english/news_e/news09_e/tnc_chair_report_29apr09_e.htm

“Regional trade agreements: A second-best choice,” *The Economist* (September 6, 2008), via [LexisNexis](#)

“China’s new regional trade agreements,” by Agata Antkiewicz and John Whalley, *NBER Working Paper Series*, No. 10992 (December 2004), via <http://www.nber.org/papers/w10992.pdf>

Lecture 6.1; Sunday, August 29, morning: Economic geography

We will examine why some places have arisen as commercial and financial hubs while others have not, and we will look at candidates for ascension and decline in the future. We will consider how the factors determining the location of hubs will change, and we will ask whether economic hubs will be necessary in an increasingly virtual economy. Cases will include Singapore, Dubai, Johannesburg and Sao Paolo.

Readings

*“The Global City: Introducing a Concept,” by Saskia Sassen, *Brown Journal of World Affairs*, Vol. 11, No. 2 (Winter/Spring 2005), via <http://www.columbia.edu/~sjs2/PDFs/globalcity.introconcept.2005.pdf>

*“Globalisation, economic geography and the strategy of multinational enterprises,” by Peter J. Buckley and Pervez N. Ghauri, *Journal of International Business Studies*, Vol. 35, No. 2 (March 2004), pp. 81-98, via [WilsonWeb](#)

*“Emerging Economies and International Financial Centers,” by George G. Kaufman, mimeo (November 13, 2000), via <http://sba.luc.edu/research/wpapers/001101.pdf>

“Special Report: Financial Centres,” by Julie Sell, *The Economist* (September 13, 2007), via [LexisNexis](#), with additional stories from the same issue

“Leveraging our Strength for an International Financial Centre,” by Ewart S. Williams (speech, April 2, 2008), via <http://www.central-bank.org.tt/news/speeches/2008/sp080402.pdf>

“You’re just a pawn,” by Bonnie Chen, *The Standard* (July 30, 2009), via http://www.thestandard.com.hk/news_detail.asp?pp_cat=30&art_id=85553&con_ty pe=3

“Arctic meltdown could hurt S’pore,” by Joshua Ho, *The Straits Times* (July 6, 2009), via [LexisNexis](#)

PART IV: Doing business in the future

Lecture 6.2; Sunday, August 29, afternoon: Finance

In the last lecture, we discussed how some cities might become financial centers of the future. That process will be accelerated and modulated by changes in regulation. Regulation of global financial markets is being transformed completely, and within a decade or two it is likely to take on a space-age, science-fiction sheen. The effects of this transformation will include changes in the volatility and synchronization of markets, a realignment of traditional relationships between financial institutions, the creation of new types of securities, and new markets. Our discussion will focus on the effects of these changes for the real economy.

Readings

*“Hedge Funds, Systemic Risk and the Financial Crisis of 2007-08,” by Andrew Lo (testimony before U.S. Congress, November 13, 2008), via <http://web.mit.edu/alo/www/Papers/JFEP2009.pdf>

*“The Future of the Global Financial System: A Near-Term Outlook and Long-Term Scenarios,” by the World Economic Forum, *World Scenario Series* (January 15, 2009), via <http://www.weforum.org/pdf/scenarios/TheFutureoftheGlobalFinancialSystem.pdf>

*“The Future of Global Financial Markets,” by Barry Eichengreen, mimeo (May 2006), via http://www.econ.berkeley.edu/~eichengr/research/future_global_5-06.pdf

“The High-Level Group on Financial Supervision in the EU: Report,” by Jacques de Larosière et al. (Brussels: European Commission, February 25, 2009), via http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf

The Global Financial Centres Index, No. 5, by the Z/Yen Group, (London: City of London, March 2009), via http://217.154.230.218/NR/rdonlyres/8D37DAE2-5937-4FC5-A004-C2FC4BED7742/0/BC_RS_GFCI5.pdf

“The Michael Mainelli Column: You better – gambling and risk management,” by Michael Mainelli, *The Journal of Risk Finance*, Vol. 6, No. 5 (November 2005), pp. 450-453, via ProQuest

Lecture 7; Tuesday, August 31: Labor flows

Labor has long been globalization’s laggard. While goods, services, money and ideas move relatively freely through the global economy, most people still have trouble crossing borders. Is this situation sustainable? We will look at the likely

motivations for migration in the future, both within and between countries, and how those flows are likely to affect different industries.

Readings

*“Immigration, Social Security, and Broader Fiscal Impacts,” by Ronald Lee and Timothy Miller, *The American Economic Review*, Vol. 90, No. 2 (May 2000), pp. 350-354, [via JSTOR](#)

*“The Economic Logic of Illegal Immigration,” by Gordon H. Hanson, *Council on Foreign Relations Special Reports*, No. 26 (April 2007), [via http://www.cfr.org/content/publications/attachments/ImmigrationCSR26.pdf](#)

*“Demographic Changes, Immigration Policy and Development in the European Union,” by Dr Katerina-Marina Kyriari, *Eipascope*, No. 3 (2007), [via http://www.eipa.eu/files/repository/eipascope/20080304164523_KKY_SCOPE2007-3_Internet-3.pdf](#)

“The Future of Japan’s Immigration Policy,” by Sakanaka Hidenori, *The Asia-Pacific Journal: Japan Focus*, No. 2396, [via http://www.japanfocus.org/-Sakanaka-Hidenori/2396](#)

“German Industry Calls for Reform of Immigration Policy,” by Sabine Kinkartz, *Deutsche Welle* (July 6, 2006), [via http://www.dw-world.de/dw/article/0,,2078908,00.html](#)

“Remittances: The New Development Mantra?” by Devesh Kapur, *UNCTAD G-24 Discussion Paper Series*, No. 29 (April 2004), [via http://www2.ssc.upenn.edu/about/Remittances.pdf](#)

“Recent labour immigration policies in the oil-rich gulf: How effective are they likely to be?” by Nasra M. Shah, *ILO Asian Regional Programme on Governance of Labour Migration Working Paper Series*, No. 3 (January 2008), [via http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_099165.pdf](#)

Lecture 8; Thursday, September 2: Middlemen

Globalization pundits have declared that the integration of the global economy will mean the death of the commercial middleman. The global economy is reorganizing itself, however, in a way that creates opportunities for individuals and businesses that can straddle multiple markets. We will investigate how this is occurring and who the winners and losers will be as ways of doing business change.

Readings

*"The New E-Commerce Intermediaries," by Philip Anderson and Erin Anderson, *MIT Sloan Management Review*, Vol. 43, No. 4 (Summer 2002), pp. 53-62, [via WilsonWeb](#)

*"Creative Commons and the New Intermediaries," by Michael W. Carroll, *Michigan State Law Review*, Vol. 45 (symposium issue, 2006), [via LexisNexis](#)

*"Tony Maddox: CNN squares up to Sky and BBC in 24-hour news battle," by Neil Midgeley, *The Daily Telegraph* (June 24, 2009), [via http://www.telegraph.co.uk/finance/newsbysector/mediatechnologyandtelecoms/media/5626462/Tony-Maddox-CNN-squares-up-to-Sky-and-BBC-in-24-hour-news-battle.html](http://www.telegraph.co.uk/finance/newsbysector/mediatechnologyandtelecoms/media/5626462/Tony-Maddox-CNN-squares-up-to-Sky-and-BBC-in-24-hour-news-battle.html)

"Free: An excerpt from Chris Anderson's Book," by Chris Anderson, *WIRED* (July 20, 2009), [via http://www.wired.co.uk/wired-magazine/archive/2009/08/features/free.aspx](http://www.wired.co.uk/wired-magazine/archive/2009/08/features/free.aspx)

"Translation services key to global Internet," by Robin Lloyd, CNN.com (October 15, 1999), [via http://edition.cnn.com/TECH/computing/9910/15/translation/](http://edition.cnn.com/TECH/computing/9910/15/translation/)

"CNN: Lost in translation?" by Michelle Malkin (blog, March 7, 2005), [via http://michellemalkin.com/2005/03/07/cnn-lost-in-translation/](http://michellemalkin.com/2005/03/07/cnn-lost-in-translation/)

PART V: The big picture

Economics is based on a search for utility, not money or economic growth, though those concepts may sometimes overlap. Even as we think about the future prospects for people around the world, are we asking the right questions? What goals should economies pursue? Can you pursue those goals without changing the goals themselves along the way?

Lecture 9: Sunday, September 5: Goal-setting

The processes above can change dramatically depending on the goals set by a society. Most economic prediction assumes that people continue to seek higher material living standards. If that is not the case, predictions can be wildly incorrect. We will ask whether previous predictions for economic trends have been wrong for this reason, with some reference to the implications for prediction of the new behavioral economic literature. We will consider the effects of goal-setting in government and business policy in different countries, from Bhutan's focus on gross national happiness to socially-motivated investment funds in the United States.

Readings

*"Income and Happiness: Towards a Unified Theory," by Richard A. Easterlin, *Economic Journal*, Vol. 111, No. 473 (Jul., 2001), pp. 465-484, [via JSTOR](#)

*“Happiness: Has Social Science a Clue?” by Richard Layard (three lectures, March 2003), via <http://cep.lse.ac.uk/new/staff/person.asp?id=970>

*“Capability and Well-Being,” by Amartya Sen, in *The Quality of Life* (Martha Nussbaum and Amartya Sen, eds.; Oxford: Clarendon Oxford Press, 1993), pp. 30-53, via [Google Books](#)

“Some Uses of Happiness Data in Economics,” by Rafael Di Tella and Robert MacCulloch, *Journal of Economic Perspectives*, Vol. 20, No. 1 (Winter, 2006), pp. 25-46, via [JSTOR](#)

“Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox,” by Betsey Stevenson and Justin Wolfers, *Brookings Papers on Economic Activity*, Spring 2008, via <http://bpp.wharton.upenn.edu/betseys/papers/Happiness.pdf>

“Happiness, growth and capitalism,” by Deepak Lal, *Business Standard* (August 7, 2007), via <http://www.business-standard.com/india/storypage.php?autono=293604>

“Hedonomics: Bridging Decision Research With Happiness Research,” by Christopher K. Hsee, Reid Hastie, and Jingqiu Chen, *Perspectives on Psychological Science*, Vol. 3, No. 3, pp. 224-243, via <http://faculty.chicagobooth.edu/christopher.hsee/vita/Papers/HedonomicsBridging.pdf>

“Recalculating Happiness in a Himalayan Kingdom,” by Seth Mydans, *The New York Times* (May 6, 2009), via <http://www.nytimes.com/2009/05/07/world/asia/07bhutan.html>

“Hang on, Australia may need to ‘catch up’ with us,” by John McMillan, *The Dominion Post* (June 18, 2005), via [LexisNexis](#)

FINAL EXAM

Write a comprehensive strategy to help your country prepare for and maximize the potential of its economic future, incorporating initiatives in both the public *and* private sectors. Be sure to acknowledge sources for information that is not widely known. Be concise yet thorough, and use language appropriate for a lay audience; imagine you are writing a brief for a chief executive, corporate board or government minister. You will have three hours to write.

Here are some thoughts to help you along. For mature economies (though not exclusively): What can you do better? Are you outsourcing too much production?

Are you on the wrong side of trade agreements, environmental compacts, etc.? Do you rely too much on imports or exports? For developing economies: How can you find your niche? Do you need to refocus or diversify your output? What sorts of partners should you seek abroad? Do you need to choose new institutions and try to change other deep factors in your economy? Can you, or do you face strict limits to growth?