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**Reading 1: Johannes A. Schwarzer ‘Retrospectives Cost-Push and Demand-Pull Inflation: Milton Friedman and the “Cruel Dilemma”**

Schwarzer has discussed the history of economic terms and ideas. The aim behind this discussion is to extend the everyday dialogue of economists as well as casting new light on ongoing questions. During the years 1950 and 1970, the topic of debate by most of the economists was “the cost-push forces”. There were two conflicting views; inflation-unemployment tradeoff. These were discussed with the help of Phillips curve and Friedman. The discussion by economists with regard Phillips curve stressed apparently inevitable inflationary pressure that was even below full employment. This view of the Philips curve was resting on the previous experience of emerging inflation before attainment of the full employment. For example, there was an increase in wages despite the fact that there were millions of unplumbed people in the US. Furthermore, there was also inflation during the period 1955 and 1958 after World War II, despite unemployment at that time.

On the other hand, there was Milton Friedman, who had a view that full employment along with the price stability is not contradictory policy purposes. He considered inflation as an absolutely monetary phenomenon and had not admitted the existence of inflationary cost-push pressures at full employment. Thus, the views of Friedman's regarding the total adjustment of the expectations of inflation has a significant role to be played in the microeconomic research. This also shapes the monetary policy in the long run. The difference in opinion between these two groups was resting on different opinions regarding the inflationary process. Moreover, there is the union's market power that can explain the significance of inflation at full employment. Schwarzer not only explained the two schools of thoughts but also concluded these. He considered inflation, the result of the cost-push and demand-pull. He used the Philips curve approach to explain the goals of employment or prices.

**Reading 2. Rodrik, Dani. "What Do Trade Agreements Really Do?"**

Rodrik, Dani has discussed the question "What Do Trade Agreements Do?" As with the evolution of trade agreements, it has become problematic to apt them into conventional economic theory. When there is a reduction in transaction costs, then the result can be seen in the form of rent-seeking by diplomatically well-lined firms such as international banks and pharmaceutical companies. The result is the start of the mutually beneficial trade under the umbrella of free trade. Free trade is thus considered as beneficial due to the trade gains Accordingly, to discuss this phenomenon, he had used "the trade theory" to answer this question as it is the optimal economic policy. There is an exception with this theory that the broader nation might control the terms of trade at the expenditure of the trade associated with the employment of optimal tariff. This exception is considered as a reason for the nations to come into the trade agreements. However, there are other economists who had considered the trade agreements favorable such as the Trans-Pacific Partnership (TPP).

The role of the broader nations rests on their motivation to exploit the market. This also makes the Nash equilibrium ineffective. Thus, nations can take advantage of free trade in the form of trade agreements. There are different current trade agreements that have a focus on the reduction of the nontariff and tariff barriers. One such agreement is the General Agreement on Trade and Tariffs. These can lower the traditional border barriers and increase the trade volume but their competence and welfare effects are indeterminate. In addition to this, Rodrik, Dani had divided the connected issues into four categories such as the regulatory standard harmonization, settlement procedures of investor-state dispute, regulation concerning the capital flows of the cross border and the intellectual property rights that are trade related.

**Reading 3: Lederman, Daniel, et al. "Entrepreneurship, Entry, and the Life Cycle of Firms in Latin America and the Caribbean: Are All Forms of Firm Creation Entrepreneurial?"**

Lederman, Daniel, et al. hasexplained the entrepreneurship with the use of simple definitions. He has successfully explained the multifaceted nature of it and considered the formation of the new companies as the noteworthy requirement of it. There is a great entrepreneurial sector in the Caribbean and Latin America and this is bigger as compared to other regions. New companies are also being establishing in the Caribbean and Latin America at both high and low entrepreneurship spectrum. These have the capacity of providing high employment generating companies. There are businesses that create new jobs and shape the economy in this way. This results in abundant jobs and employment opportunities. For example, within the US, there are 5% of the companies that are offering over 75% of the employment opportunities. The article is not only examining the business creation process in the Caribbean and Latin America but it is also using this as a benchmarked against the other nations. There is also discussion about the lifecycle of the region and the establishment of it with the discussion of other factors.

**Reading 4. Stock Price Booms and Expected Capital Gains By Klaus Adam, Albert Marcet, and Johannes Beutel**

Over the post-war period, there were booms and busts in U.S. stock prices as a result of fluctuations in investor’s personal capital gains expectations. According to survey measures, these expectations were the result of a high level of optimism at the market such as excessive optimism at market peaks as well as excessive pessimism at market troughs. Moreover, there can be the use of a framework of Internal Rationality of Adam and Marcet to integrate subjective price beliefs as compared to the use of normal asset pricing structure. The model quantitatively replicates not only the volatility of stock prices but also establish a positive correlation between the price-dividend ratio and expected returns observed in survey data. Therefore, this can be used to show the role of subjective belief dynamics that can bring changes in stock prices for the moment from their basic value. These dynamics of subjective beliefs can cause the stock prices to move from their basic value and gush the asset prices leading to an inclusive unusable price. The U.S. stock price fluctuations were the consequence of the self-reinforcing belief dynamics rather the result of standard fundamental forces. Thus, the rational expectations hypothesis was bringing significant counterfactual forecast related to the pattern of investors to return. This counterfactual forecast is also a model-free inference of the rational expectation hypothesis. Thus, this rational expectation hypothesis forecasts about the non-optimism of investor relating to next future stock returns at the start of 2000. Thus, the rational expectation hypothesis is negatively relating to the empirical behavior of assets pricing to price-dividend. This model is also confirmed by the econometrics tests of the null hypothesis as well as the evidence of the survey. Thus, this model explains the market shortcomings as a result of stock price divergence from its basic value. When there is positive belief then there are more capital gain expectations.

**Reading 5. Faruqee, Hamid; Berhmen, S. Pelin, “Regional Economic Outlook: Seizing the Momentum.” *IMF*, Apr 2018.**

This article is discussing the growth factors of America, Canada, Latin America, the Caribbean, and South America, Central America, and Mexico. Different risks had also been discussed that have serious influence over the economic situation of these countries. For example, the economies of the United States and Canada have evidence of global growth in 2017. These are the results of expansionary US fiscal policy as well as promising global financial settings. This growth is expected to improve and will affect the financial condition and the hazard of the drive towards protectionist policies. This has been discussed by Scholars Hamid Faruqee and S. Pelin Berkmen in the regional economic outlook. There are different analytical chapters within this outlook that are discussing Regional Economic Outlook features in three different categories. The first chapter is discussing this. There is also discussion about the economic recovery in Latin America and the Caribbean after facing a contraction in 2016 in the next chapter. The rise in public debt in Latin America and the Caribbean led to the requirement of fiscal consolidation. Moreover, this growth can also be seen in Latin America that was a result of the reduction in inequality as well as poverty. Latin America's central banks tighten their monetary policy as a result of external supply shocks. There is also a growth seen in South America in 2017 as a result of a favorable external environment. This growth is further expected in 2018 and 2019. Thus, the outlook for Mexico, Central America, and the Caribbean are formed as a result of trade, financial, and migration associations in the United States.

**Reading 6. Timothy Besley and Torsten Perssen. (2014). Why do developing countries tax so little? Journal of economic perspectives Pg 99-120.**

In this journal, authors are discussing the need fo**r** tax in developing countries. They have also provided a description of ways of taxation and for this, they have taken the examples of eighteen countries. Countries use tax to finance different development projects. But developing countries tax much less as compared to developed countries. Authors have examined different reasons behind this behavior. One reason is the GDP that is not able to support huge taxation as it requires a number of people to be employed. Developing countries have people that need jobs and do not run any trade that can fetch income to the country. Moreover, there is the economic structure of these countries that offer hindrance for taxation. These countries have only small enterprises and big enterprises are owned by foreigners. In addition, there is less financing in developing countries.

**Reading 7. Baldwin, Richard. "The World Trade Organization and the future of multilateralism." *Journal of Economic Perspectives*30.1 (2016): 95-116.**

Baldwin, Richard has discussedthe GATT and the World Trade Organization (WTO) and the reason for its establishment. The main aim behind the establishment was to have such an organization that could facilitate trade liberalization. In 1947, there were 23 nations who signed the General Agreement on Tariffs and Trade. There are now 163 members that are taking advantage of this in the form of cutting of tariffs across the world. The working of the World Trade Organization (WTO) had been very effective, however, to lower the trade barriers Doha Round was unsuccessful. There are five principles of WTO; non-discrimination, transparency, reciprocity, flexibility as well as consensus decision-making. Moreover, the author has used liberal trade theory as the theoretical framework. Furthermore, there is also discussion about the new role of the World Bank in the world. There are two factors that are responsible for The WTO’s paralysis; frenetic tariff cutting as well as rule writing outside the organization. Thus, world trade governance is moving towards a two-pillar system. First is the governance of traditional trade and the other is multi-lateralization of different disciplines that facilities trade.

Works Cited

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