Economics of Global Business – integration, limits and open questions.

Chapter 15

In this chapter:

- The integration of all macro markets;
- How to establish the correct context on which to design economic policies;
- The limits of economic policy.

Chapter 15.1

The Integration of all Macro Markets

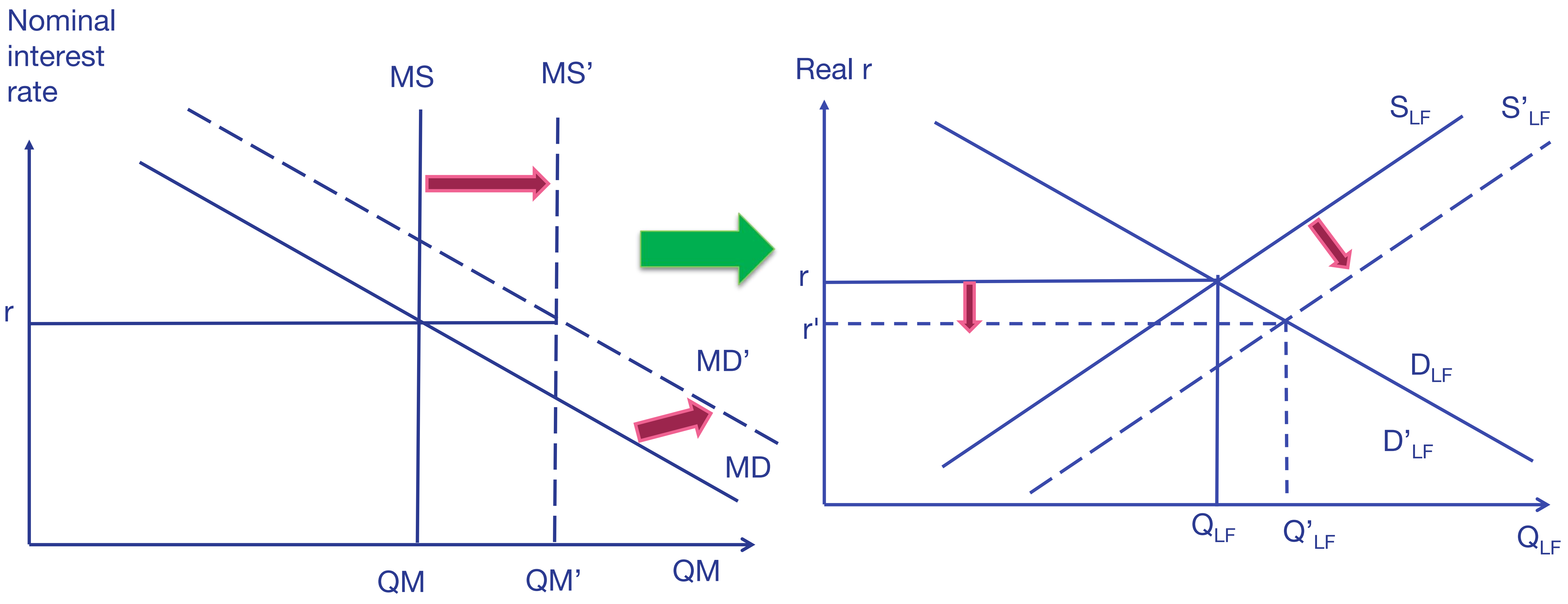
Just to Review

- ❑ Policy recommendations and effects are context-dependent.
- ❑ Shocks to one market affect all others simultaneously
- ❑ These shocks are representable through existing models

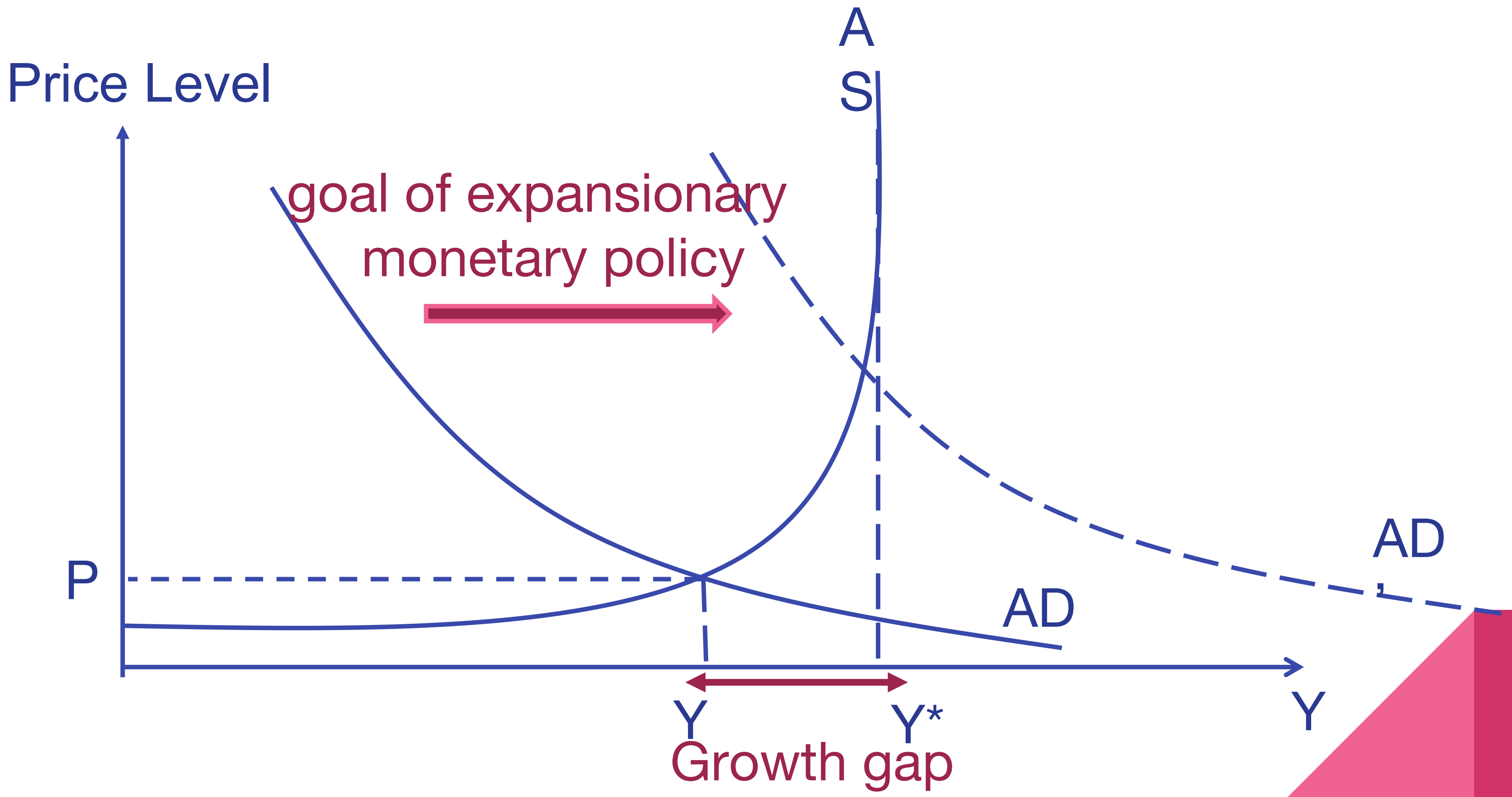
Policies Integrated

- Assume an economy is in a growth gap.
- Two policy routes to take: fiscal or monetary.
- Expansionary monetary policy: ***lowers debt services.***
- Expansionary fiscal policy: ***raises primary deficit.***
- ***Expansionary Monetary Policy would be the first choice.***

Expansionary Monetary policy: Money Market to Loanable Funds



Expansionary Monetary Policy and the MGS

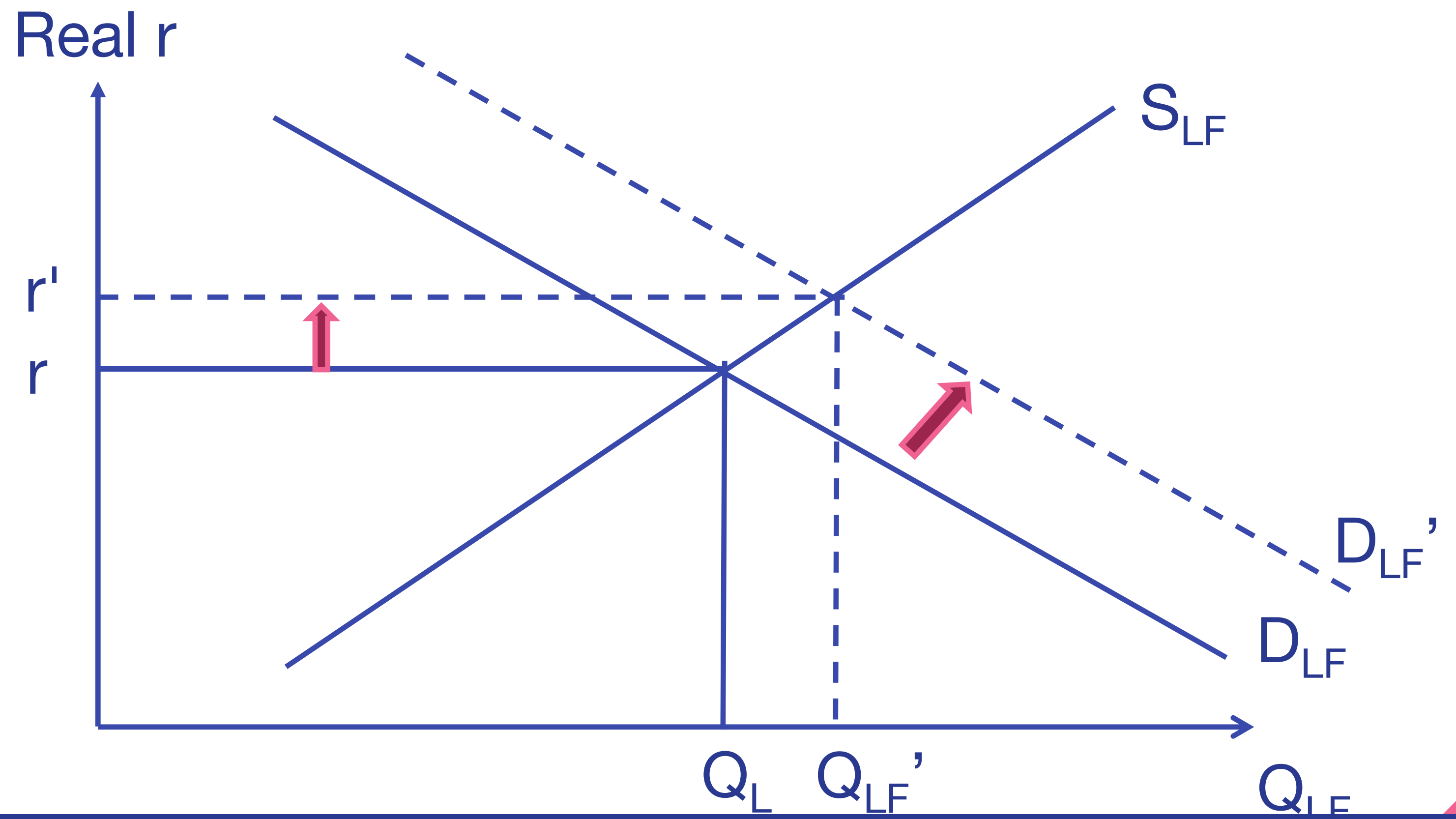


When Expansionary Monetary Policy Fails

- Sometimes monetary policy isn't enough:
  - Could be flawed transmission mechanisms;
  - Lack of trust;
  - Not strong enough monetary policy push/
- Nations will try expansionary fiscal policy:
  - E.x. United States "Stimulus Package" in 2008

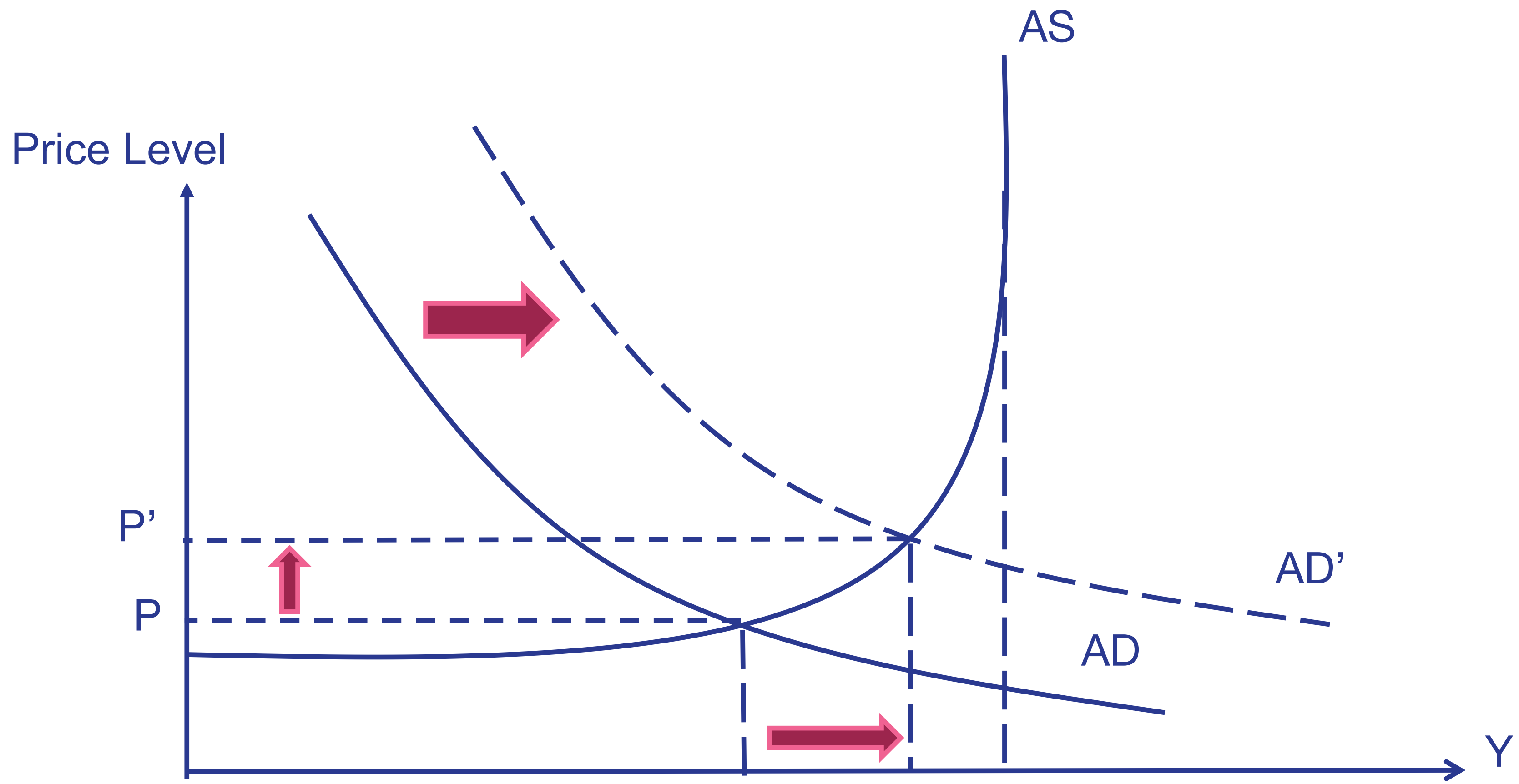
Fiscal Stimulus: Market for Loanable Funds

- Deficit Financed stimulus increases the demand for loanable funds;
- Government has to borrow to invest more. There is some crowding out.



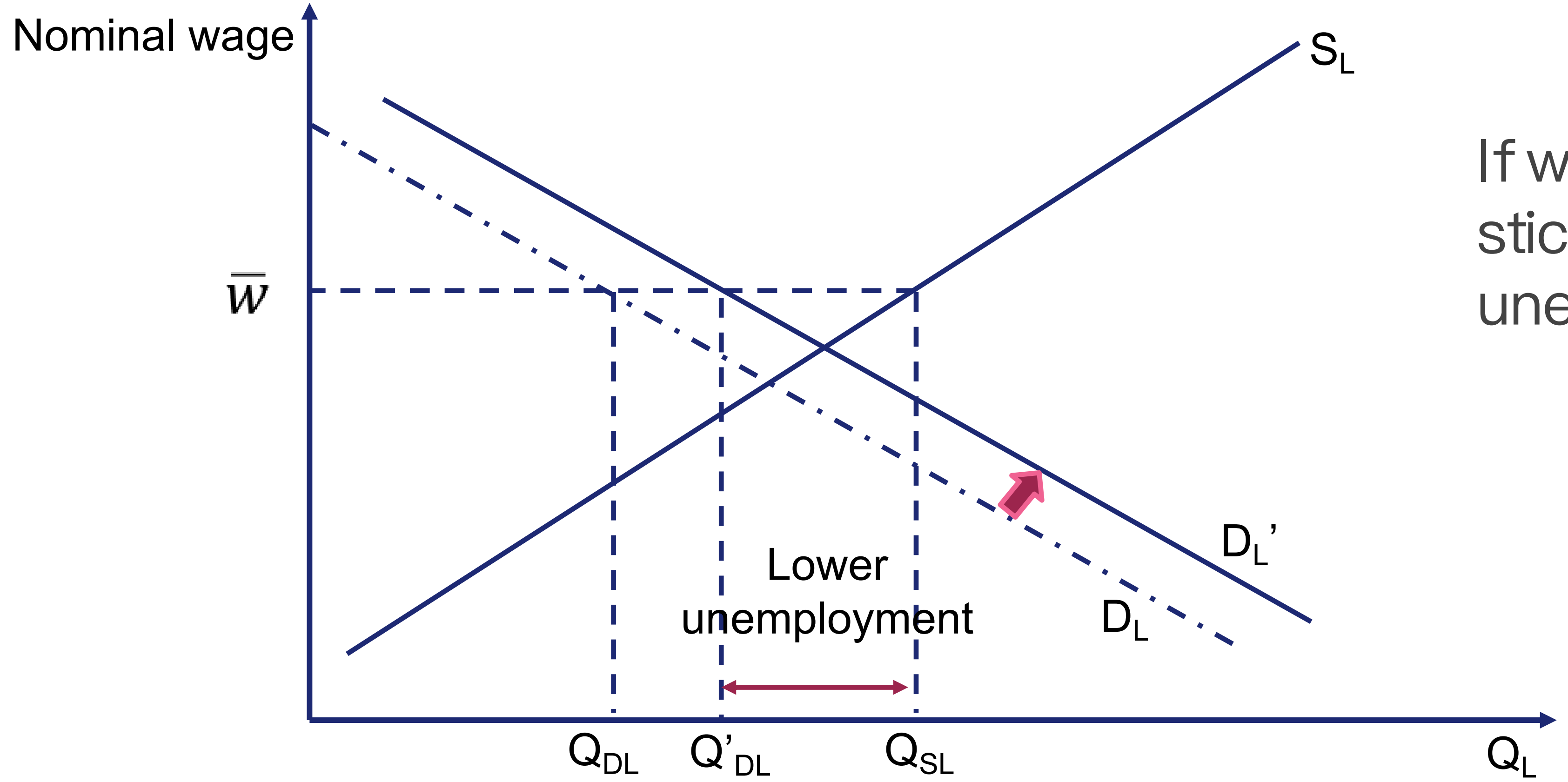
Fiscal Stimulus: Market of Goods and Services

- Fiscal Stimulus shows up in AD
- Increased spending in the economy
- Decreases unemployment,
- Upward pressure on wages, inflation



Fiscal Stimulus and the Labor Market

- ❑ Ideally, stimulus should raise wages.
- ❑ And reduce unemployment.



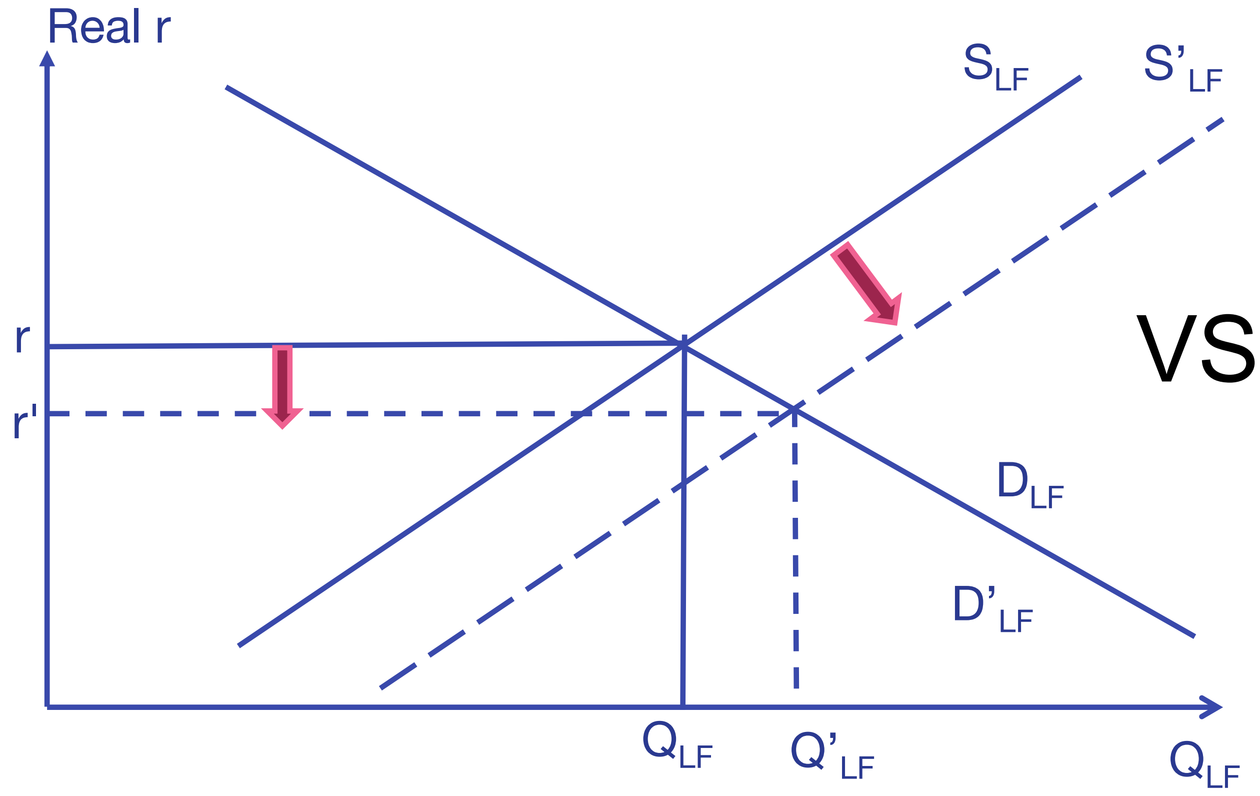
If we assume wages are sticky, then only unemployment falls.

Ricardian Equivalence

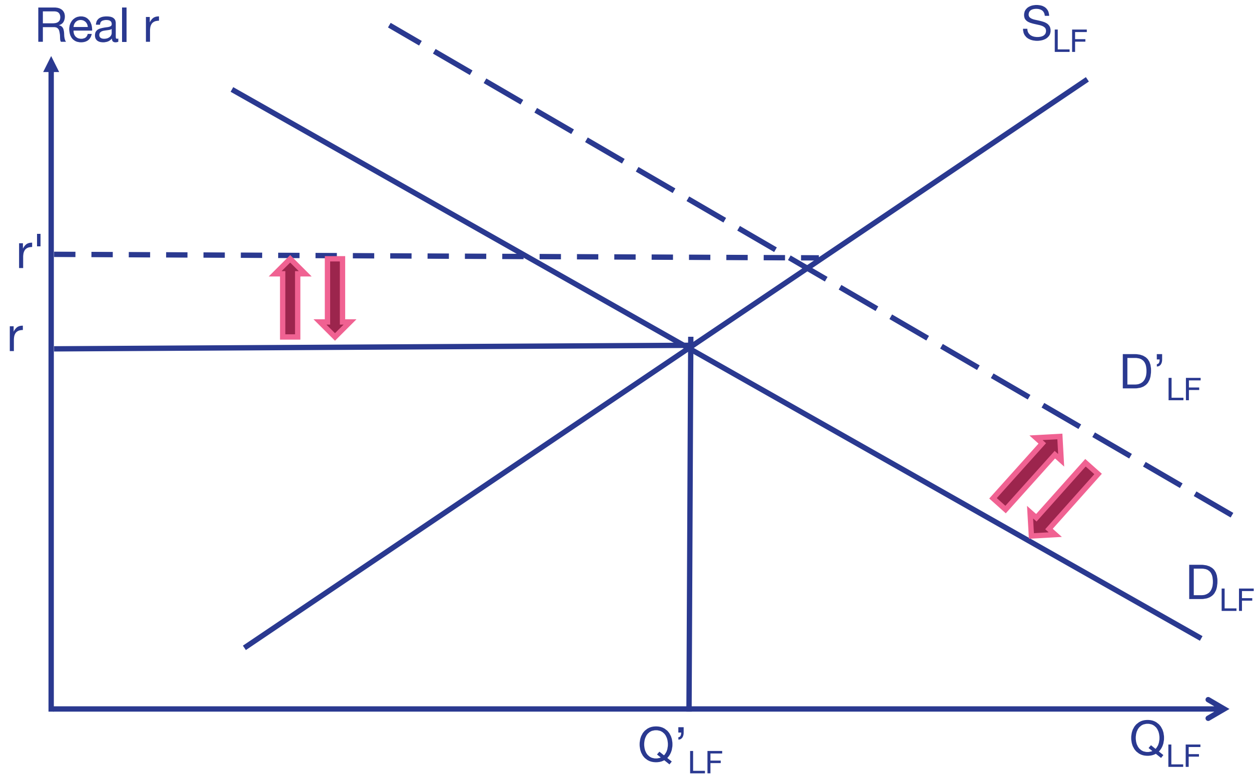
Of course, fiscal stimulus only works if the Ricardian Equivalence doesn't hold.

- If fiscal stimulus is deficit financed, rational agents will expect future tax increases;
- If it does hold, there is complete crowding out of the market for loanable funds, and total output remains unchanged.

Investment Boom Vs. Crowding Out



VS.



How Can We Know?

How can we accurately project how an economy will react?

Steps for tying it together: 1–3

1 —Determine the context of the economy. For instance, what is the foreign currency regime? Is the economy already in a growth gap or at full employment? What is the current level of interest rate, public deficit and debt? Is the world growing fast or slow?

2 —Establish the trajectory of the public debt and with it the possibility of crowding out or other effects from shocks.

3 —Make assumptions about the links between the real and monetary side. Are the transmission mechanisms of monetary policy working? If not, money may be neutral in the short run, as well as in the long run.

Steps for Tying it Together: 4–7

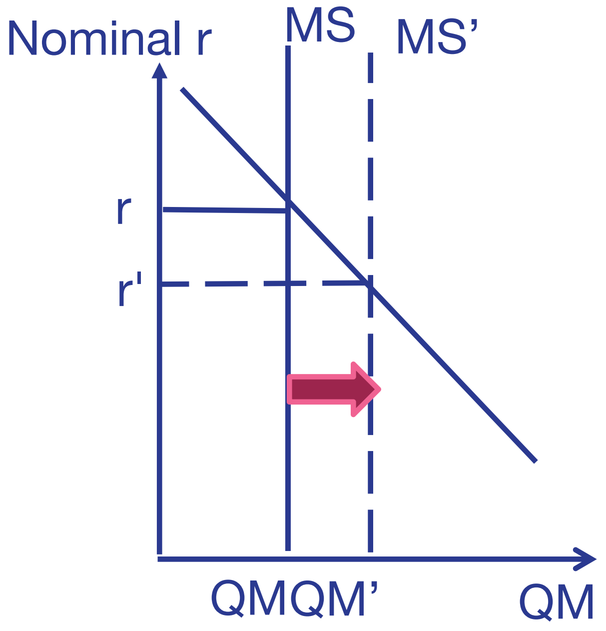
4 —Are there any other constraints in place?

5 —Form expectations about other markets that may indirectly affect the variables of interest.

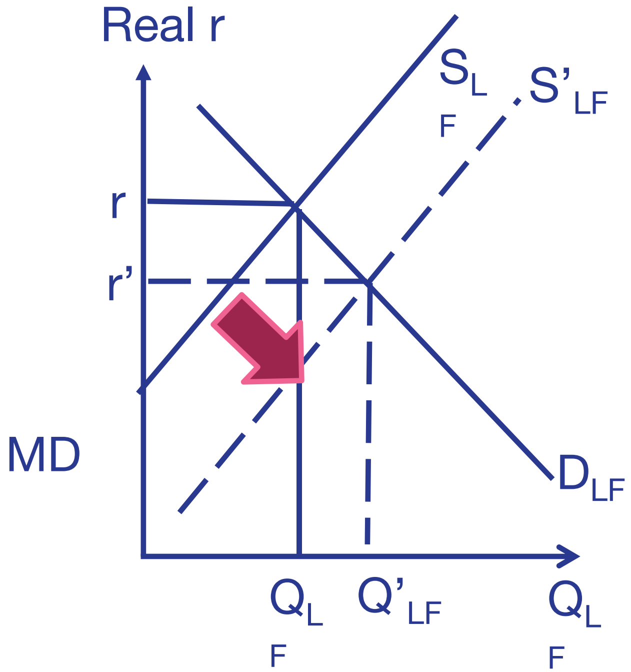
6 —Estimate the reaction of consumers and businesses.

7 —Build scenarios and counterfactuals.

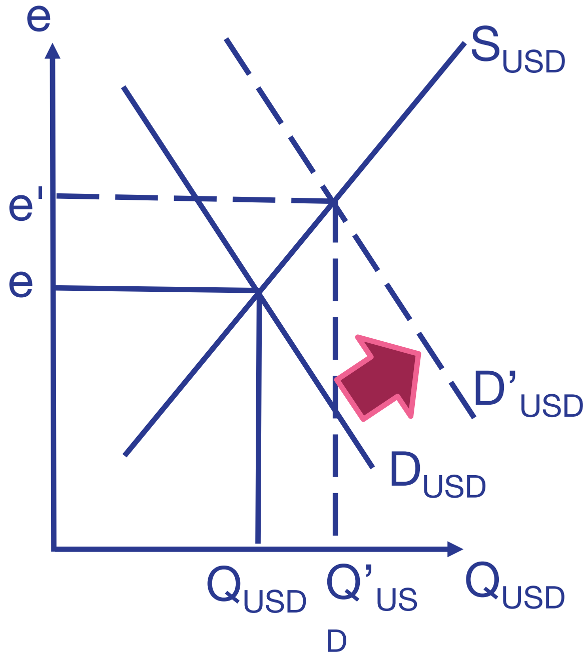
Money Market



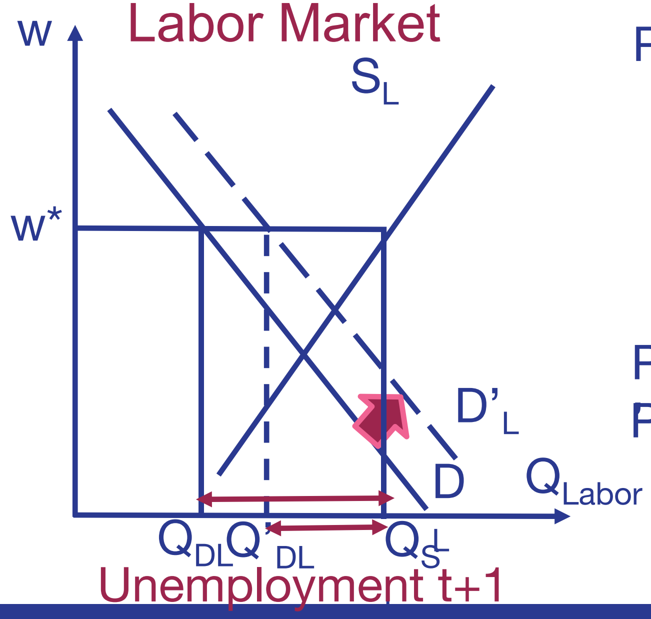
Loanable Funds Market



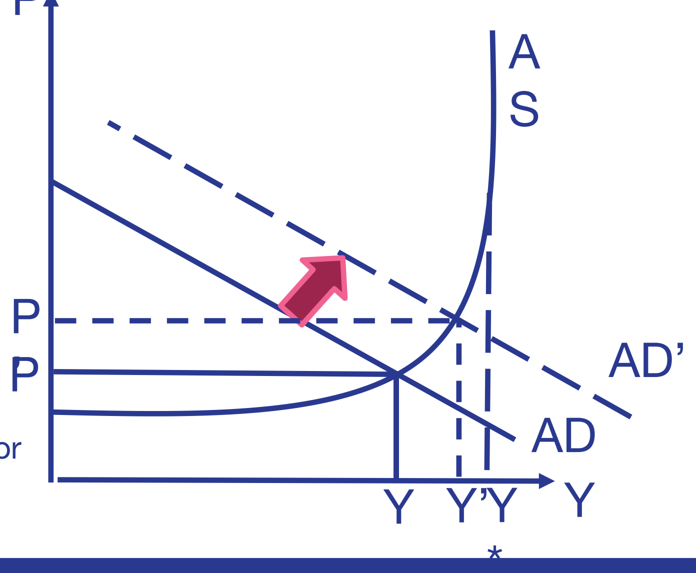
Foreign Currency Market



Labor Market

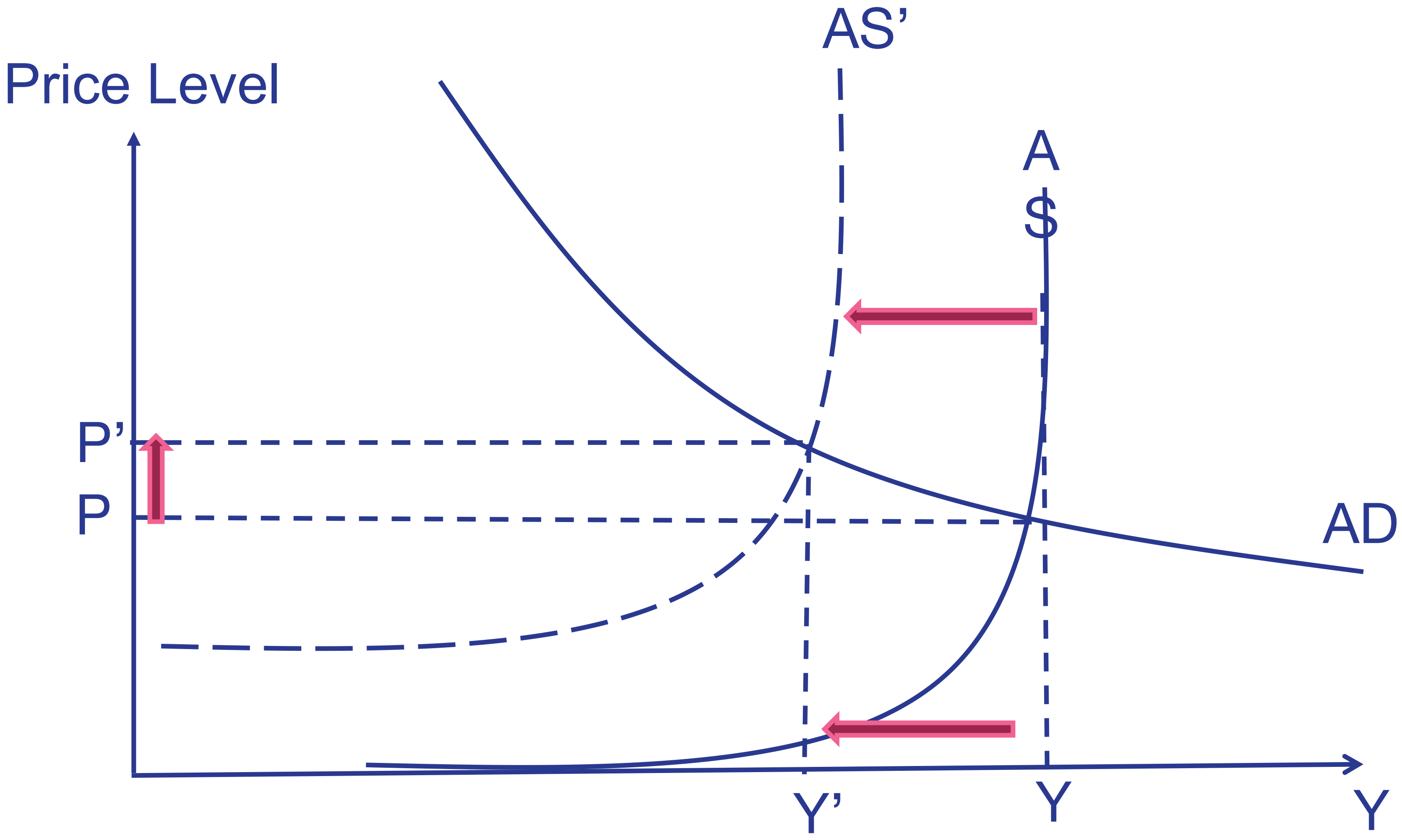


Market for Goods and Services

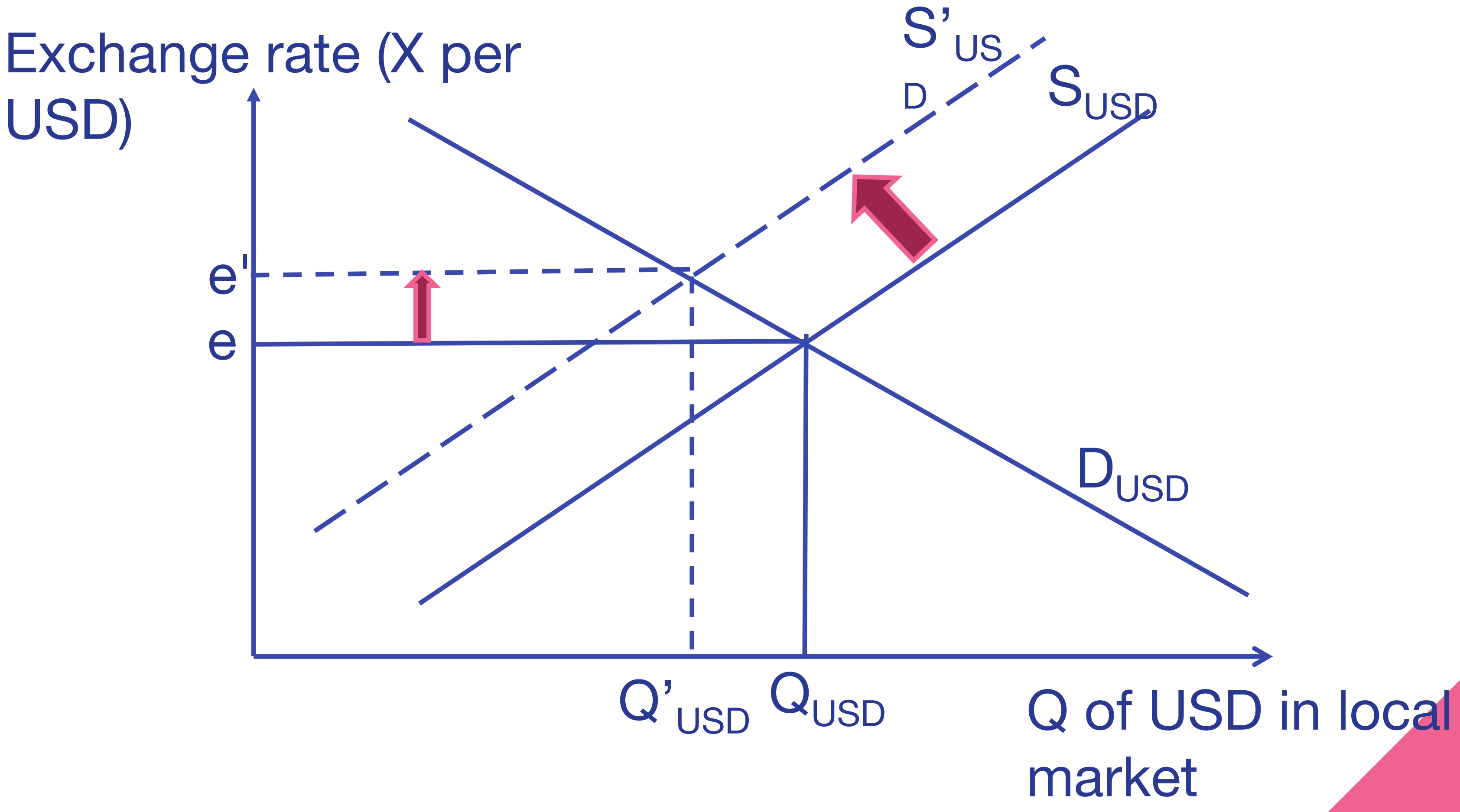


Working through a Supply Shock

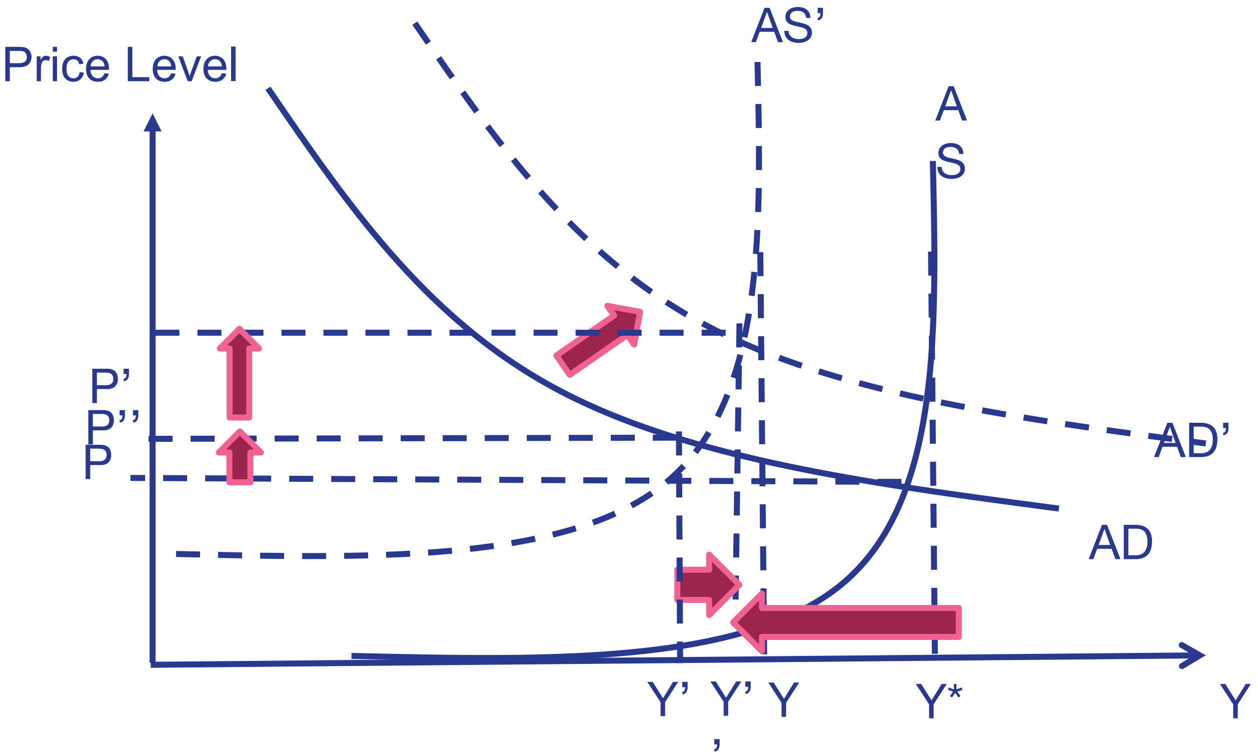
Supply Shock



Supply shock exchange rate effect



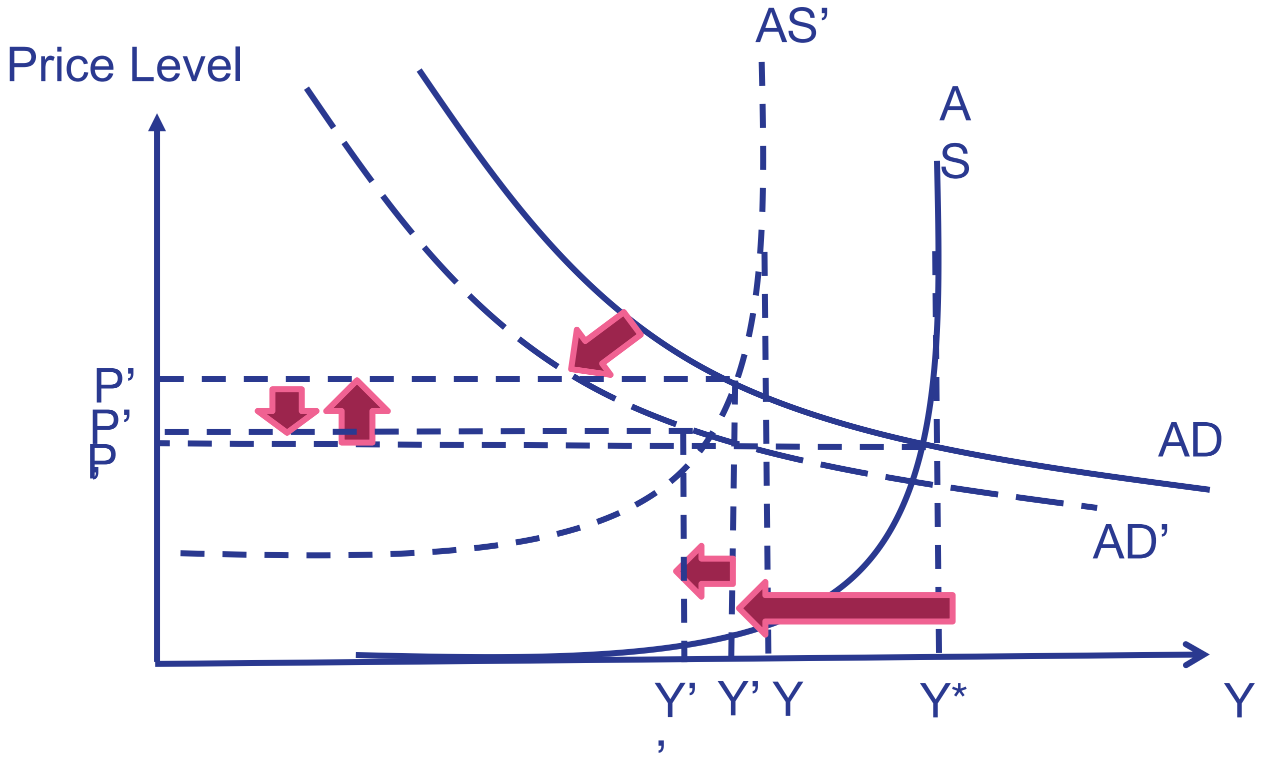
Expansionary Response to Supply Shock



Results of Expansionary Policy

- Increased inflation;
- Increased output (vs initial aggregate demand);
- Further devaluation of currency.

Fed's Response: Contraction in the face of Stagflation



Fed’s Reasoning

- The Fed knew that drastically raising interest rates would send a strong signal that the USA would stop its inflation.
- The economy would contract, he claimed, but the resulting recovery wouldn’t be characterized by inflation.
- The economy contracted severely, but inflation was brought under control.

Macro Applications: Argentina, Austria, Greece, Nigeria and Mongolia

Argentina seeks IMF aid financial aid 'to avoid crisis'

3 hours ago

Share

Argentina is to start talks about a financing deal with the International Monetary Fund (IMF) on Wednesday amid reports it is seeking $30bn.

Finance minister Nicolas Dujovne is due to fly to the IMF's Washington offices.

After recent turmoil that saw interest rates hit 40%, President Mauricio Macri said IMF aid would "strengthen growth" and help avoid crises of the past.

The talks come 17 years after Argentina defaulted on its debts and 12 years since it severed ties with IMF.

Mr Macri said in an address to the nation on Tuesday: "Just a few minutes ago I spoke with (IMF) director Christine Lagarde, and she confirmed we would start working on an agreement."

"This will allow us to strengthen our program of growth and development, giving us greater support to face this new global scenario and avoid crises like the ones we have had in our history," he said.

The peso has lost a quarter of its value in the past year amid President Macri's pro-market reforms. Last week the central bank raised interest rates from 33.25% to 40%. Many people still blame IMF austerity requirements for policies that led to a financial and economic meltdown in 2001 to 2002 that left millions of middle class Argentines in poverty. Argentina eventually defaulted on its debts. And although its last IMF loan was paid down in 2006, the country severed ties with the

Argentina

Classic case of a currency crisis that stokes inflation.
Options:

- Let the currency devalue;
- Sell reserves;
- Enact capital controls;
- Raise interest rates;
- Get loans from multilateral agencies.

The country tried all of them before moving, yet again, to get a loan from the IMF.

Greece and paths to stability.

Greece is “Stuck”

- Economy has been contracting since global financial crisis.
- Greek Debt crisis destroyed economic authority’s credibility.
- Can’t enact fiscal policy because of reliance on international organizations advocating austerity.
- Can’t enact monetary policy while part of the Eurozone (doesn’t control ECB).
- Two paths forward: Austerity or Grexit.

Greece: Austerity Path

Let’s model what happens with austerity.

Short Run:

1. Aggregate demand decreases;
2. inflation decreases, employment and output decrease;
3. Interest rates fall;
4. deficit decreases, debt trajectory lowers.

Long Run:

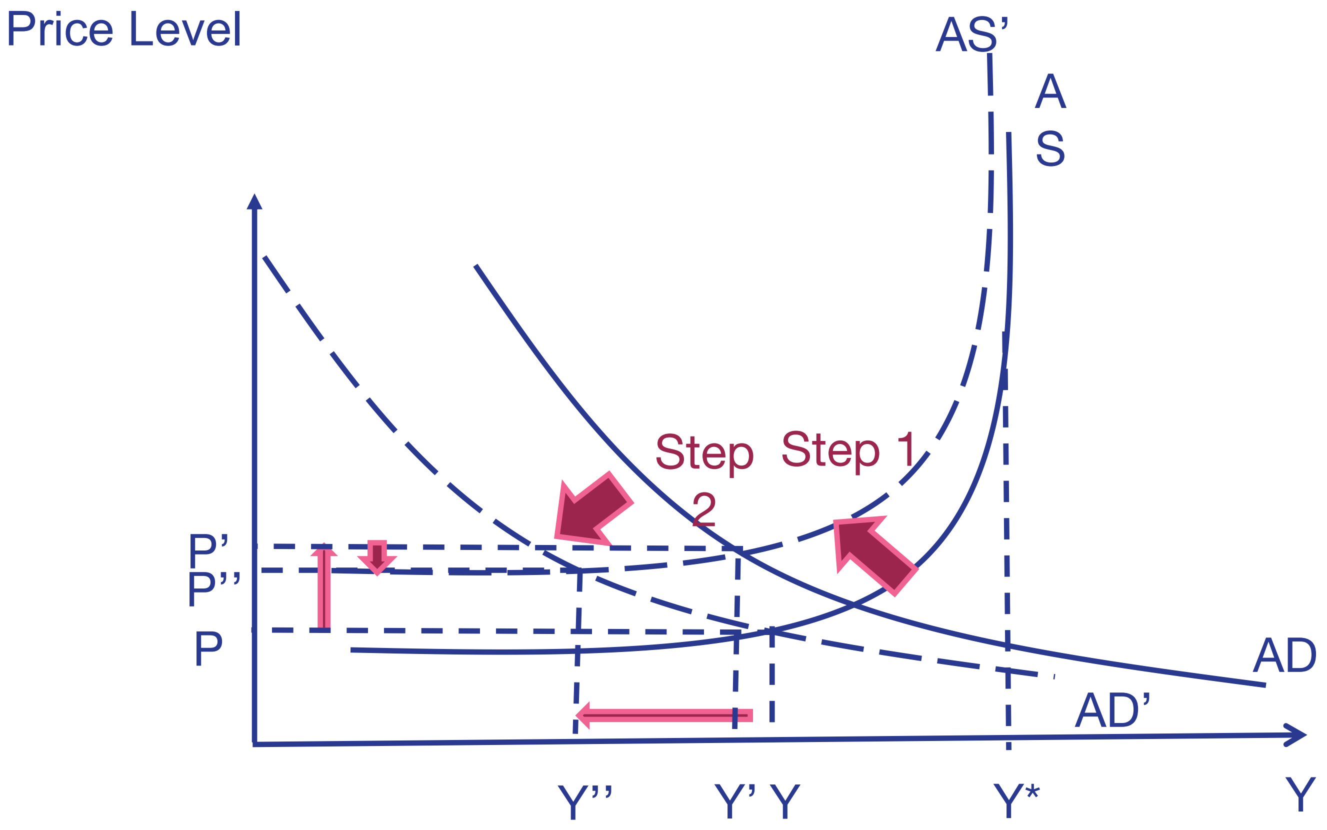
Hopefully:Credibility is regained, AD recovers, output normalizes.

Greece: Abandoning the Euro

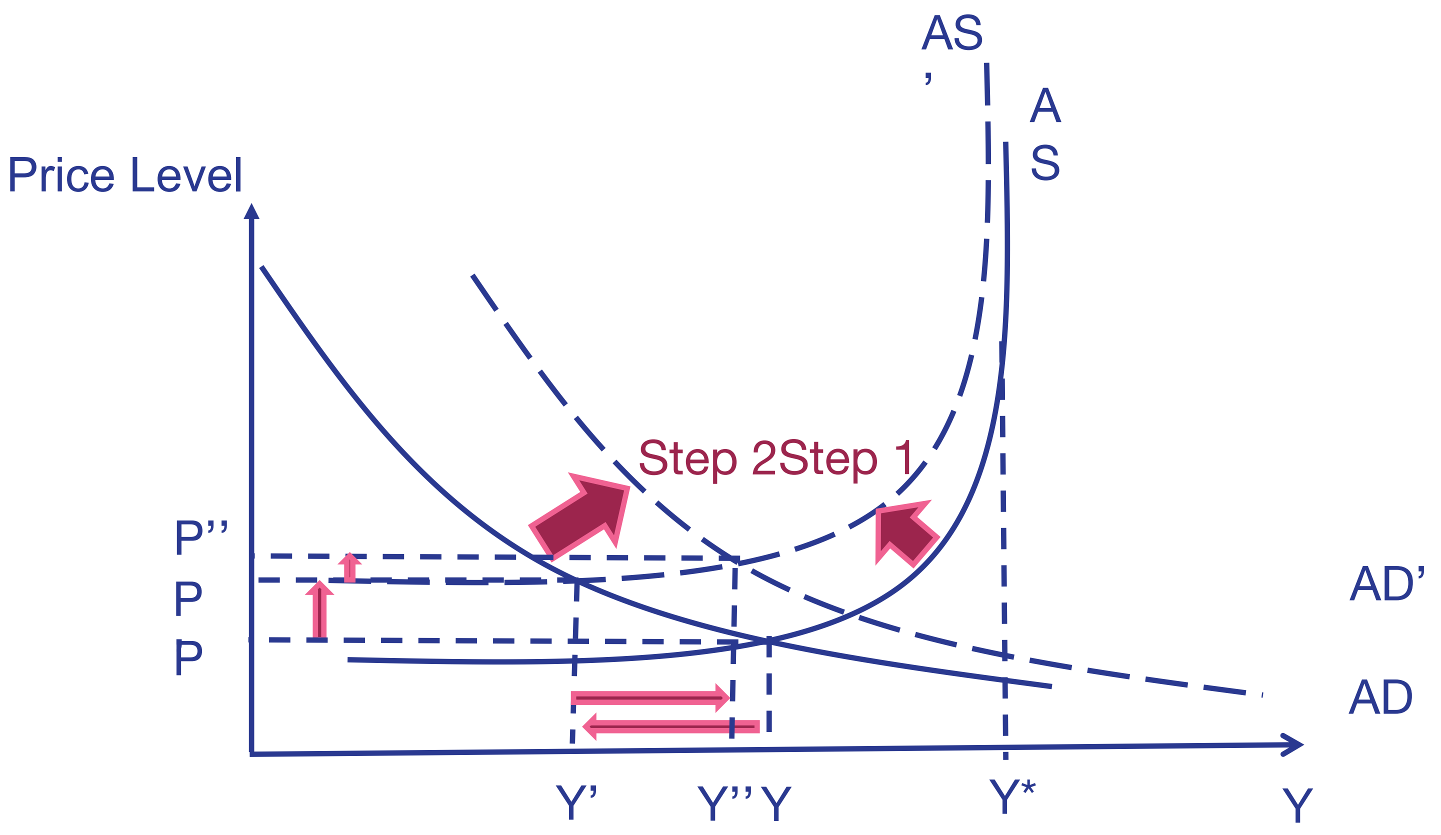
Assuming Costless and Stable Transition to New Currency:

1. Greece transitions to "New Drachma".
2. Massive outflows of currency as people attempt to arbitrage the new currency.
3. Supply of foreign currency decreases, demand for foreign currency increases, new drachma devalues rapidly.
4. Violent adjustment likely triggers currency crisis, short-term AS decreases, inflation increases, output falls.
5. If currency crisis is handled well, Greece can start its recovery.
6. Exports increase as prices become more advantageous.
7. AD gradually increases.

Greek Currency Crisis



Greek Currency Crisis: Recovery?



Austerity Vs. Exit

Austerity:

- Can establish credibility
- No monetary/fiscal autonomy is short or long-run
- Can access International organizations' funds
- Painful economic recession

Exit:

- Starts with immediately losing credibility
- More sovereign autonomy
- Can't rely on EZ or IMF help
- Likely currency crisis, potential financial crisis

Was Austerity the Right Choice?

Answering this question depends on the projected outcomes of each path and is context dependent.

Nigeria as a Global Super Power?

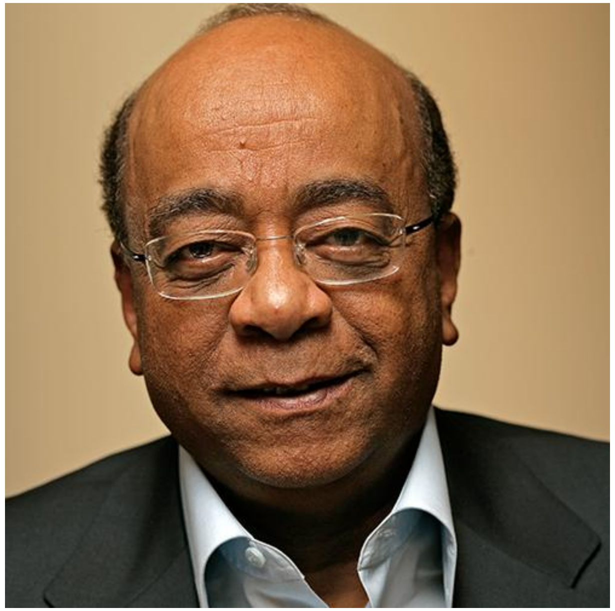
- Will likely surpass the USA as third most populous country in the world by 2050.
- Upward economic trajectory.
- Looming question of what is holding Nigeria back?

Shocks and long run growth: the experience of Nigeria.

- Longstanding economic issue: Why have African nations lagged behind other developing economies.
- One proposed reason: quality of local institutions and governance.
- Nigeria is the most populous country in Africa, and its largest economy.
- Despite ample room for significant GDP growth, Nigeria's GDP growth has been inconsistent and the economy even contracted in 2016.
- "Mediocre" institutions?

Mo Ibrahim Foundation

- Established in 2006.
- Focused on establishing good governance and leadership in Africa.
- Knows that good governance is key to fostering sustained human development as measured by the Human Development Index (HDI).



Overall governance of African countries.

Rank / 54		Score / 100	Δ2015/2006
	Africa	50.0	+1.0
1	Mauritius	79.9	+2.3
2	Botswana	73.7	-0.5
3	Cabo Verde	73.0	+1.9
4	Seychelles	72.6	+4.0
5	Namibia	69.8	+3.6
6	South Africa	69.4	-1.9
7	Tunisia	65.4	+3.4
8	Ghana	63.9	-2.1
9	Rwanda	62.3	+8.4
10	Senegal	60.8	+3.7

Source: Mo Ibrahim Foundation (2017).

Economic development data on selected countries.

		Human Development Index (HDI)	Life expectancy at birth	Expected years of schooling	Mean years of schooling	Income per capita
HDI rank	Country	Value	(years)	(years)	(years)	(2011 PPP USD)
	VERY HIGH HUMAN DEVELOPMENT					
1	Norway	0.949	81.7	17.7	12.7	67,614
	HIGH HUMAN DEVELOPMENT					
63	Seychelles	0.782	73.3	14.1	9.4	23,886
64	Mauritius	0.781	74.6	15.2	9.1	17,948
83	Algeria	0.745	75.0	14.4	7.8	13,533
97	Tunisia	0.725	75.0	14.6	7.1	10,249
	MEDIUM HUMAN DEVELOPMENT					
108	Botswana	0.698	64.5	12.6	9.2	14,663
111	Egypt	0.691	71.3	13.1	7.1	10,064
119	South Africa	0.666	57.7	13.0	10.3	12,087
	LOW HUMAN DEVELOPMENT					
185	Burkina Faso	0.402	59.0	7.7	1.4	1,537
186	Chad	0.396	51.9	7.3	2.3	1,991
187	Niger	0.353	61.9	5.4	1.7	889
188	Central African Rep	0.352	51.5	7.1	4.2	587

The Link Between Leadership and Development

- Though no African nation is classified as having "Very High Development", 7 of the top ten African countries reported as having the best governance possess Africa's highest HDIs.
- Just as countries with strong governance are more economically resilient, countries with poor governance are more susceptible to economic shocks:
  - Policymakers less likely to make correct decisions.
  - Public less likely to trust the policy decisions made.

Nigeria's Institutions

- Mediocre.
- 36th out of 54 overall.
- 44th in the Safety and Rule of Law Category.
- Relatively poor governance makes Nigeria's economy more susceptible to economic shocks.
- In 2014, Nigeria central bank head Lamido Sanusi ousted after alleging that $20bn (£12bn) in oil revenue had gone missing.

Nigeria and Oil Prices

Nigeria is a member of OPEC and its economy is heavily dependent on oil exports. Nearly 70% of Nigeria's government revenue comes from oil. Shocks to the oil market directly impact Nigeria's short-term outlook.

June, 2014: Oil prices hit 112 USD, Nigeria's economy is strong.
December 2014: Oil prices drop to 62 USD.
2015: Oil prices don't recover.
Jan 2017: Oil prices reach low of 27 USD/barrel.

Effects of Oil Price Decline

- Under flexible exchange regime:
  - Sudden devaluation could bring reduction in AS, and lead to stagflation.
- Under Fixed Peg:
  - Increase in likelihood of speculative attack as capital leaves country.
  - Country must decide whether to defend the peg.

Nigeria's Exchange Rate Regime

- Nigeria's exchange rate had historically been an overvalued, crawling peg.
- From Mid-2014 to May, 2016, Nigerian officials fought hard to maintain peg as oil prices declined.
- Because of the historical importance of the peg, the Central Bank's primary role was to protect the exchange rate.
  - Express goal was "preserving the value of the domestic currency, maintaining a favorable external reserves position and ensuring external balance without compromising the need for internal balance and the overall goal of macroeconomic stability."
- Nigerian President, Muhammadu Buhari, publicly refused to devalue currency.

Nigeria: Dropping the Peg

- June 2016: Nigeria allows the Naira to float.
- The decision allowed Nigeria to retain its remaining USD 26.5 billion in FX Reserves.
- Abandoning the peg led to significant overnight devaluation.
- The Naira's value dropped by 40%.

Nigeria's 2016 Recession

- Government expenditure fell by 6% as revenues shrunk.
- Public employees went unpaid; less federal transfers of money.
- Growth fell from 6–8% annual growth in prior 4 years to negative GDP growth in 2016.

Nigeria: Role of Institutions

Nigeria’s institutional credibility played a big role in its response to the oil decline:

- ❑ The Central Bank’s commitment to defend the peg wasn’t convincing enough to stop speculative attacks.
- ❑ The president committed to not devaluing and then did so anyways.
- ❑ The country seemed to have no contingency plan for if oil prices declined from their record highs.

INSTITUTIONS MATTER

Would Nigeria have been hit so hard by the decline in oil prices if its governmental and economic institutions were stronger, more developed, and more credible?

Mongolia, the IMF, profligacy and austerity.

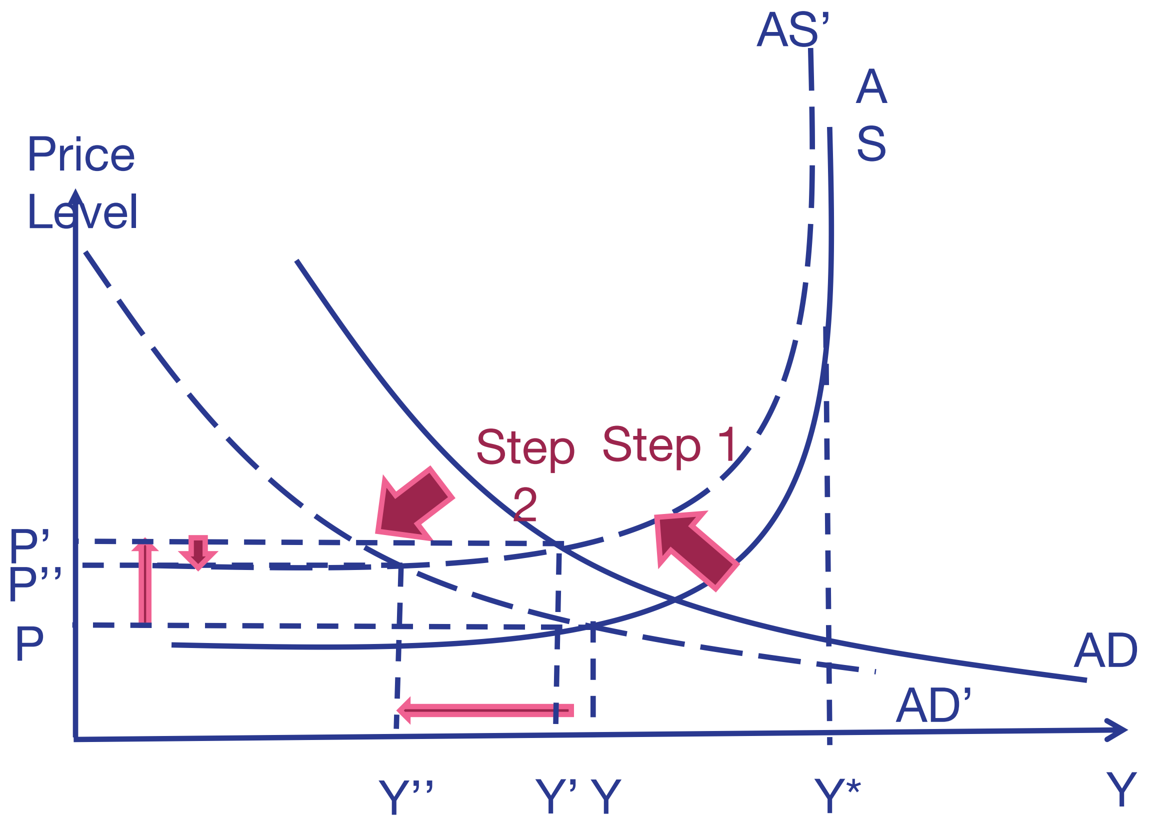
- Mongolia was devastated after the global financial crisis:
  - Total Mongolian exports halved.
- Mongolia relied on strong trade surpluses to service foreign debt.
- Without this windfall, Mongolia experienced a currency crisis.
- During this currency crisis Mongolia went to the IMF to seek a bailout, and agreed to enact the IMF’s recommended reforms in exchange for the money.
- Country received a rescue package of $229 million USD in exchange for market reforms and reigning in public spending.
- 2 potential routes?

Two Potential Routes?

The decrease in public spending combined with a drop in consumer confidence plunges the economy into recession.

The market liberalizations and increased credibility lead to an influx of foreign capital and/or more local investment, and an economic recovery.

Currency Crisis and Mongolian Contractionary policy, Illustrated



The First Mongolian Bailout: "textbook" example of success?

- In such a small economy, fiscal austerity actually jumpstarted economic growth, containing the deficit and bringing investment from abroad.
- By 2010 the economy was growing at 8%.
- Foreign reserves were up.
- Budget deficit and inflation were down.
- Arrears on foreign debt were paid.
- Confidence in the currency was restored.
- IMF lauded Mongolia as a "textbook" example of their recommended reforms working.

The Mongolian Recovery was ***CONTEXT DEPENDENT.***

Fast-forward a few years...

The End of the Honeymoon

- Mongolia's miraculous turnaround was short-lived:
  - Three straight years of double-digit GDP growth were followed by a sharp recession.
- Mongolian Togrog was in freefall from 2013-2016.
- Highly dependent on China, and Chinese demand slowed.
- Commodities prices fell, hurting exports.
- Foreign investment shrank, as investors lost interest and were spooked by inconsistent policies.

Effects of Profligacy

- Ballooning deficit and rising debt trajectory;
- Increased inflation;
- Significant devaluation of currency;
- Perceived weakness of institutions.

Effects of Austerity

IMF bailouts are capable of:

- Restoring credibility;
- Bringing foreign investment (expectations);
- Limiting inflation due to devaluation.

IMF may also:

- Exacerbate a growth gap;
- Make it harder to address inequality;
- Limit public spending.

Policymaking Lessons from Mongolia

- ❑ Business cycles may be inevitable;
- ❑ Many emerging markets need exports or capital inflows to offset current account deficits and avoid currency crises;
- ❑ Exchange rates in emerging economies are indicators of economic health;
- ❑ BoP vulnerabilities diminish monetary authority’s power;
- ❑ Fiscal Profligacy + weak institutions = budget crises;
- ❑ Debt trajectories matter more the poorer the country is;
- ❑ IMF bailouts necessitate market and institutional reforms like austerity, privatization and improved accounting.

The Washington Consensus

Washington Consensus, neoliberalism and Keynesianism.

- Summarized by John Williamson in 1989.
- 10 uniform economic policy prescriptions endorsed by the IMF and World Bank.
- Countries in need of bailout were "strongly suggested" to adopt these principles.
- "Peak Neo-liberalism".

One Economist's Take on the Washington Consensus

"The introduction of the Washington Consensus led to market–oriented policies, but also a shift in the ways in which development problems were framed and in the types of explanation through which policies were justified. Key changes were the partial globalization of development policy analysis, and a shift from historicism to a historical performance assessment. The main challenge to this approach is a latent Southern Consensus, which is apparent in the convergence between East Asian developmentalism and Latin American neostructuralism. The demise of the Washington Consensus is inevitable because its methodology and ideology are in contradiction."

—Charles Gore, 2000

Washington Consensus

1. Fiscal discipline.

2. Reordering public expenditure priorities. This suggested switching expenditure in a pro–growth and pro–poor way, from things like non-merit subsidies to basic health and education and infrastructure.

3. Tax reform. The aim was a tax system that would combine a broad tax base with moderate marginal tax rates.

4. Liberalizing interest rates.

5. Competitive (i.e. freely floating) exchange rate.

6. Trade liberalization.

7. Liberalization of inward foreign direct investment.

8. Privatization.

9. Deregulation. This focused specifically on easing barriers to entry and exit, not on abolishing regulations designed for safety or environmental reasons, or to govern prices in a non-competitive industry.

10. Property rights. This was primarily about providing the informal sector with the ability to gain property rights at acceptable cost.

Another Economist's Take on the Washington Consensus

"the consensus is a mix of outdated preoccupations (the focus on privatization); solid advice (on trade, pro-poor government expenditure and property rights); and either mistaken (flexible exchange rate regimes) or dubious policy prescriptions (interest rate liberalization)."

"The consensus strives for universal rules when economics is context-dependent."

Chapter 15.2

How Policymakers Act

The Similarity of Responses in Different Regimes

- Regardless of political or economic regime, countries tend to respond to economic stimuli similarly
- "Public authorities do not necessarily look for first-best economic solutions, as the political system and economic agents' responses constrains their actions."
  - Regimes tend to respond to recessions with expansionary monetary and fiscal policy, and respond to booms with monetary policy when fiscal policy would be more advisable due to its effects on the deficit and debt.

Fiscal Policy and Economic Consensus

- Countries can run small deficits as long as their debt/GDP ratio is relatively low (around 50-60%).
  - Ideally would run deficits during down times and surpluses during expansionary times.
- Policymakers don't necessarily do what's best for society; rather what is best for their base of political support:
  - Most countries direct public expenditure towards older population.
    - This is one of the reasons potential pension crises loom large around the world.
  - China prioritizes economic stability over full financial integration.
- Many developed countries have some level of social safety net.

Monetary Policy and Economic Consensus

- Works best when monetary authority is credible and acts rationally:
  - That credibility takes time to develop, and economic and financial crises often erode such credibility.
- Most developed nations enacted quantitative easing after the global financial crisis:
  - This included lowering interest rates to almost 0%.
- Many developed and developing countries attempt to peg their exchange rate and end up having to defend the currency against speculative attacks.

Chapter 15.3

The limits of macroeconomics and open questions.

Economic Policy in a Globalized world

- Increased globalization puts pressure on fixed currency regimes.
- Countercyclical policies can often be unpopular.
- Crowding out limits fiscal policy.
- Climate change related-shocks are increasing.

Economic Policy: Developing Countries

- Often fixed exchange rates.
- High real and nominal interest rates.
- Inflation usually higher than in developed countries.
- Economic authorities lack significant credibility; can’t exercise much discretion.
- Reliant on foreign investment.
- Education lags other countries.

Economic Policy: Developed Countries

- Long-term interest rates have been near zero for a decade.
- Rising income inequality, and secular stagnation.
- Must find ways to boost worker productivity.
- Need to ensure that debt trajectory isn't irresponsibly high.

Chapter 15.4

Should Economic Policy be Active?

Connectivity and Policy Efficacy

- Macroeconomic markets are connected.
- Monetary policy’s effectiveness depends on transmission mechanisms, credibility, public debt and the expectations of economic agents.
- Fiscal profligacy can solve short-term recessions and growth gaps but lead to later debt crises.

“Let It Be” and “Policy Inaction”

- Cases of economic authorities not intervening tend to come from the authorities being restrained as opposed to exercising restraint.
  - Example: Greece, which doesn’t control its own monetary policy and needs to abide by ECB standards for fiscal policy.
- Examples of exercising restraint could come from a new government taking power that aims to:
  - Build Credibility.
  - Avoid setting a precedent of impropriety.

Can’t Prove a Negative

Inaction is an impossible hypothesis to test, as no government in modern history waited for economic shocks to unwind naturally.

The Maastricht Treaty

- Signed in 1992.
- Huge, sweeping accord.
- Fiscal policy section aimed at fostering fiscal restraint.
- Failed effort to restrain budget deficits.
- At first Germany and France went over the budget limit. Other countries followed.

Unanswered Questions about Economic Policy

- What is the proper path towards economic liberalization?
- Should countries limit capital flows?
- Should countries have hard-caps on total public debt?
- What mechanisms could help countries escape the middle income trap?
- Should there be explicit rules for economic stabilizers?
- How should countries deal with income inequality?
- How should countries deal with climate change?

Chapter 15.5

Financial Globalization

In Defense of Globalization

- Globalization brings strong diffuse benefits and concentrated costs.
- Globalization helps countries develop faster.
- Financial globalization leads to more efficient allocation of financial resources (e.g. poor countries can use foreign savings to speed up growth).
- Globalization has helped lift millions of people out of poverty.

BUT

Against Globalization

- Globalization synchronizes business cycles.
- There are distinct losers.
- External shocks are transmitted quicker (e.g. the global financial crisis).
- Open capital accounts limit policy options.
- Free movement of labor and ideas (even tourists) can affect negatively local populations.

Antiglobalization Movements

Brexit

- A British Referendum ended up with the UK voting to leave the European Union.
- The decision puts a strain on trade relations and the flow of labor between the UK and the EU.
- The decision caused the British pound to devalue quickly.

Donald Trump

- Donald Trump was elected U.S. President in part on the back of his anti–globalization sentiments, whether it be antagonizing traditional U.S. trade partners or calling for a reduction of legal immigration, or for "building the wall".
- As President Trump has already instituted several tariffs on commodities like steel and aluminum, making it more difficult for U.S. manufacturers who use these imported goods to produce and potentially sparking a retaliatory trade war.

The (not-so-near) Victory of Marine LePen

- Right-wing nationalist Marine Le Pen was the French presidential nominee of the National Front
- The National Front was a hard-right, nativist political party that is opposed to immigration, the EU, the Schengen Area, and globalization in general.
- In the 2017 French presidential election, the National Front garnered 33.9% of the vote, more than double their highest percentage total in a prior presidential election
- Emmanuel Macron, a moderate from a center-left party, won the election with 66% of the vote.

The Political Victories in Austria and Italy

- The new governments (2018) in Austria and Italy enjoy great political support.
- They arrived in power on the basis of anti-globalization sentiments.
- The Austrian government plans to put immigration and borders at the heart of the EU political discussion.
- Some officials in the new Italian government are in favor of Italy leaving the euro.

EUROPE'S TRUST DEFICIT
CAUSES AND REMEDIES

Europe's Trust Deficit: Causes and Remedies

- Research paper by economist Barry Eichengreen examining the "tide of populism and distrust in Europe".
- Findings show of the eurozone countries, only certain countries like Italy, were truly susceptible to right-wing populism.
- Findings show that ' In addition to a strong economy, citizens and voters want a European Union that, together with national governments, delivers global public goods and provides security, while respecting their national identities'.

Chapter 15.6

The Role of the Public Deficit

Public Deficit: What we Still Don't Know

- The ideal number for public debt-GDP.
- The debt-GDP Ratio that will definitely trigger a crisis.
- Does a public deficit necessarily destroy social welfare? Is it necessarily a boon to the economy?
- All the costs and benefits of a particular set of fiscal policy decisions.
- What the evolving role of the government's spending in society will end up at.

Public Deficit: What we know

- Countries needn’t be run like a family (no need for a strictly balanced budget).
- Countries rarely follow the recommended path of anti-cyclical policies.
- More credible countries can rack up more debt.
- Debt trajectory is more concerning than actual debt levels.
- Effects of debt accumulation on economy are incredibly context dependent.

Chapter 15.7

Demographics, income inequality, sustainability, secular stagnation and other contemporary issues.

Demographics

- Most developed countries are aging quickly, but income isn't trul increasing for the developed countries' middle classes.
- Many middle-income countries are bracing for drastic demographic shifts
- Income inequality adds another dimension to demographic interplay
- Aging populations increase public expenditure on social safety nets, pensions, social security and healthcare spending.

Income Inequality

- Framed as a tradeoff between equity and efficiency.
- One of the largest economic issues in the developed world.
- The USA, Germany, and other developed market economies have seen income inequality get worse over time.
- The USA's tax policy evolution over the past 50 years indicates a shift in focus from equity to efficiency (Top tax rate lowered from 91% in the 1960s to 39% in 2017).

Secular Stagnation

- Secular Stagnation is the idea of a structural slowdown in the growth pattern of a market economy.
- The anemic global recovery to the global financial crisis could be a sign of secular stagnation.
- The threat of secular stagnation has led to many countries once open to globalization to become more closed.
- Trade relations are becoming more adversarial.
- Immigration/migration laws are tightening around the world.
- How much of that is due to the business cycle?

Sustainability

- One of the greatests issue facing the world today.
- Global economy needs to shift to one that doesn’t destroy the planet.
- Countries will collectively need to decide to sacrifice short-run GDP growth for long-run prosperity.
- How should the international community deal with pollution from poorer countries?
- Is economic development ALWAYS worth it?

Larger Questions

- ❑ Ethics rarely enters economics. Should it?
- ❑ Do people have a right to turn down progress?
- ❑ Is more really better?
- ❑ Is there an alternative to working in the modern economy?
- ❑ Should true economic development include “everyone”?