Economics 39F: Paper Topic

The paper for Economics 39F is due in class on Friday November 15 -- no late papers will be accepted. Papers should be five to seven double-spaced pages in length, plus any graphs, tables and references. Bring in the theory whenever possible, and support your arguments with graphs and/or algebra where appropriate. The paper should include a short introductory section containing a brief description of the issue and relevant background material, a main section presenting the analysis, and a brief concluding section summing up the main points of the paper. Any references, graphs, and tables should follow the concluding section.

Topic

An important sticking point in two of the world’s most critical multilateral negotiation efforts can be traced to the existence of fundamental asymmetries in the negotiating positions between industrialized countries and the large emerging economies of the developing world (the BRICS). In the continuing effort to negotiate a level of carbon taxes that could avoid the worst scenarios of global warming, industrialized countries may be willing to adopt high carbon taxes if the BRICS also do so, but as described by Mattoo and Subramanian (2013) the BRICS view carbon taxes as a threat to their development and want industrialized countries to adopt the needed carbon taxes non-reciprocally (and/or provide cash transfers in exchange for any carbon taxes the BRICS do introduce). And in the continuing effort to integrate developing countries more fully into the world trading system as embodied in the WTO’s now suspended Doha Development Round, the BRICS are willing to cut tariffs in exchange for reciprocal tariff cuts from industrialized countries, but as described by Bagwell and Staiger (2014) industrialized countries have few tariffs left to cut and want BRICS to cut their tariffs non-reciprocally.

Viewed together, the asymmetries across the two sets of negotiations could be summarized as follows: the BRICS want the industrialized countries to raise their carbon taxes, and the industrialized countries want the BRICS to cut their tariffs; and the sticking point in each negotiation is that the countries who are being asked to do something are not being offered enough in exchange to be willing to do it. Using the models and concepts studied in class, discuss the possibility that linking these two negotiations together might lead to progress on both issues, with the industrialized countries agreeing to adopt high carbon taxes in exchange for an agreement from the BRICS to cut their tariffs.