

International Studies 190 — Spring 2008

# Understanding Globalization

March 31, 2008

Instructor:	Marc-Andreas Muendler
Office:	Economics 312
Office hours:	Mon and Tue 10:15am - 11:15am
Phone:	(858) 534-4799
E-mail:	muendler@ucsd.edu
Classroom:	SSB room 102
Class Time:	Wed 2:00pm - 4:50pm
Class Web Page:	<i>econ.ucsd.edu/muendler/teach/08s/190</i>
Section ID	616587

## 1 Course Objectives

This seminar's objective is to examine recent advances in globalization, its driving forces and its consequences for countries and societies. Globalization is understood as the international integration of markets for goods, services, and capital.

The seminar covers eight broad topics: What explains patterns of international trade? How does international trade relate to economic growth and poverty around the world? How does trade relate to job creation, destruction, and wages? What are the consequences of trade reforms? How are trade negotiations conducted and agreements achieved? What is the role of multinational companies? What determines international capital flows and the operation of global capital markets? Why do financial imbalances occur and to what extent are they sustainable?

A didactic goal of the seminar is to reinforce student skills in research, analytical writing, and oral presentation. To this end students will develop and write a significant research paper on a topic of their choice that falls within the scope of this seminar.

## 2 Prerequisites

Major in international studies with senior standing. Successful completion of Intl 101 and Intl 102.

## 3 Seminar Organization

Each seminar meeting is two hours and fifty minutes long. I will use the first 30 to 45 minutes of the meeting to introduce key concepts and established empir-

ical findings for the subsequent discussion. For the next 30 to 45 minutes, one or more student facilitators will present and discuss arguments in favor and against the main hypothesis of the session. The remaining 80 to 110 minutes will be for open discussion.

## **4 Research Papers**

Students will write a research paper on, or closely related to, one of the eight broad topics of the course: (1) The Principle of Comparative Advantage and Globalization, (2) Trade, Growth and Poverty, (3) Trade, Jobs and Wages, (4) Trade Reforms and Their Consequences, (5) Trade Negotiations and Agreements, (6) Multinational Companies, (7) International Lending and Capital Markets, (8) Financial Imbalances and Their Sustainability.

## **5 Course Requirements and Assessment**

1. Class Participation (25% of Final Grade)  
All students are expected to have read the required material so that we may have an active and thoughtful exchange of ideas. (Two readings are voluntary and accordingly marked as optional below.)
2. Topic Presentation (25% of Final Grade)  
In weeks 2 through 8, one or more students will be facilitators to present and discuss the arguments in favor and against the main hypothesis of the session (30 to 45 minutes). (Each topic is associated with a hypothesis for debate.) In their presentations, the facilitators will summarize the central arguments in the readings and critically assess their strengths and weaknesses. The facilitators will also generate questions for subsequent discussion.
3. Research Presentation (25% of Final Grade)  
In weeks 9 and 10, students will present their research papers in class (20 minutes). On the day of their presentations students will prepare a one-page outline of their presentation and a bibliography for distribution to classmates. Presentations will be graded on cogency of argument, presentation style and response to questions asked following the presentation.
4. Research Paper (25% of Final Grade)  
The research paper must be around 20-25 pages long (typed, double-spaced, paginated, with proper citations and a bibliography). The research paper should be on, or closely related to, one of the eight broad topics of the course. The specific choice of research topic is otherwise open. Empirical papers may rely on secondary sources and do not need

to generate own data. I am available to discuss the choice of topic during office hours and by appointment. A short description of the research topic (one paragraph to one page) is due by the end of week 3 (Friday, April 18). The bibliography and list of sources are due by the end of Week 6 (Friday, May 9). The complete research paper is due at the end of finals week (Friday, June 13).

**Academic Integrity.** You are expected to conduct your research for the paper independently, and to write the complete paper by yourself. You are expected to follow standard principles of citation and attribution. Any work that is not yours must be cited. Direct quotes and paraphrases require full citations. When in doubt, ask the instructor. Plagiarism or any other form of misconduct will not be tolerated. Assignments may be processed through programs that detect plagiarism. Any student who engages in forbidden conduct will be subject to the common disciplinary process (see the UCSD Policy on Integrity of Scholarship at [www-senate.ucsd.edu/manual/Appendices/app2.htm](http://www-senate.ucsd.edu/manual/Appendices/app2.htm)). Cheaters will receive a failing grade on the course.

## 6 Readings

The readings are mandatory for each meeting, except for two explicitly marked optional readings. There is no single required textbook. Required readings are based on select book chapters and articles.

All required and optional readings are available as Hard Reserves in the Social Sciences library. The required readings are also available through E-reserves, excepting only the main textbook (Irwin 2005). E-reserves readings from Bhagwati (2004) are slightly shortened for copyright purposes. The class web page at URL [econ.ucsd.edu/muendler/teach/08s/190](http://econ.ucsd.edu/muendler/teach/08s/190) lists all links to the required and one optional reading. Web links to copyrighted readings work only from on-campus domains. As an alternative to E-reserves and these links, a printed Course Reader for purchase contains required readings, excepting only the main textbook (Irwin 2005).

Introductory seminar notes become available online, before each meeting, at URL [econ.ucsd.edu/muendler/teach/08s/190](http://econ.ucsd.edu/muendler/teach/08s/190).

**Main book, not included in reader**

- IRWIN, D. A. (2005): *Free trade under fire*. Princeton University Press, Princeton, New Jersey, 2nd edn.

**Additional books (select chapters included in reader)**

- BAGWELL, K., AND R. W. STAIGER (2002): *The economics of the world trading system*. MIT Press, Cambridge and London
- BARBA NAVARETTI, G., AND A. J. VENABLES (2006): *Multinational firms in the world economy*. Princeton University Press, Princeton, New Jersey, 2nd edn.
- BHAGWATI, J. N. (2004): *In defense of globalization*. Oxford University Press, Oxford and New York
- EASTERLY, W. (2001): *The elusive quest for growth: Economists' adventures and misadventures in the tropics*. MIT Press, Cambridge and London
- RODRIK, D. (1997): *Has globalization gone too far?* Institute for International Economics, Washington, D.C.
- STIGLITZ, J. E., AND A. CHARLTON (2005): *Fair trade for all: How trade can promote development*. Oxford University Press, Oxford and New York
- TORNELL, A., AND F. WESTERMANN (2005): *Boom-bust cycles and financial liberalization*, CESifo Book Series. MIT Press, Cambridge and London
- WORLD BANK (2005): *Economic growth in the 1990s: Learning from a decade of reform*. World Bank, Washington, D.C.

**Articles and book chapters** (see complete references below)

- Bordo, Eichengreen, and Irwin (1999); Blinder (2006)
- Bardhan (2006); Aisbett (2007)
- Krugman (1998); Richardson (1995)
- McMillan (2004) and Havrylyshyn (2004); Goldberg and Pavcnik (2007)
- Krugman (1997); Berger (2000); Oxfam (2002); Staiger (2006)
- Roberts (2004); Klein (2000)
- Reinhart and Rogoff (2004); Henry (2007)
- McKinnon (2001); Obstfeld and Rogoff (2005); Stiglitz (2000)

## 7 Class Schedule

### 1. Wed, April 2: The Principle of Comparative Advantage and Globalization

*Hypothesis for debate: The world is less global today than it was a century ago.*

1. IRWIN, D. A. (2005): *Free trade under fire*. Princeton University Press, Princeton, New Jersey, 2nd edn., Chapter 1, pp. 7-24 ("The United States in a New Global Economy") and Chapter 2, pp. 25-60 ("The Case for Free Trade").
2. BORDO, M. D., B. EICHENGREEN, AND D. A. IRWIN (1999): "Is Globalization Today Really Different from Globalization a Hundred Years Ago?," *Brookings Trade Forum*, 2(1), 1-72.
3. BLINDER, A. S. (2006): "Offshoring: The Next Industrial Revolution?," *Foreign Affairs*, 85(2), 113-28.
4. *Optional reading*. BHAGWATI, J. N. (2004): *In defense of globalization*. Oxford University Press, Oxford and New York, Chapter 1, pp. 3-27 ("Anti-Globalization: Why").

### 2. Wed, April 9: Trade, Growth and Poverty

*Hypothesis for debate: Trade promotes growth and reduces poverty.*

1. BARDHAN, P. (2006): "Does Globalization Help or Hurt the World's Poor?," *Scientific American Magazine*.
2. BHAGWATI, J. N. (2004): *In defense of globalization*. Oxford University Press, Oxford and New York, Chapter 5, pp. 51-67 ("Poverty: Enhanced or Diminished?").
3. IRWIN, D. A. (2005): *Free trade under fire*. Princeton University Press, Princeton, New Jersey, 2nd edn., Chapter 3, pp. 61-93 ("Protectionism: Economic Costs, Political Benefits?").
4. AISBETT, E. (2007): "Why are the Critics so Convinced that Globalization is Bad for the Poor?," in *Globalization and poverty*, ed. by A. Harrison, NBER Conference Report, pp. 33-85. University of Chicago Press, Chicago and London.
5. STIGLITZ, J. E., AND A. CHARLTON (2005): *Fair trade for all: How trade can promote development*. Oxford University Press, Oxford and New York, Chapter 2, pp. 11-40 ("Trade Can Be Good For Development").

### 3. Wed, April 16: Trade, Jobs and Wages

*Hypothesis for debate: Trade raises the rate of job loss and aggravates inequality.*

1. KRUGMAN, P. R. (1998): *The accidental theorist and other dispatches from the dismal science*. Norton, New York, pp. 18-23 ("The Accidental Theorist").

2. IRWIN, D. A. (2005): *Free trade under fire*. Princeton University Press, Princeton, New Jersey, 2nd edn., Chapter 4, pp. 94-130 ("Trade, Jobs and Displaced Workers").
3. RODRIK, D. (1997): *Has globalization gone too far?* Institute for International Economics, Washington, D.C., Chapter 2, pp. 11-27 ("Consequences of Trade for Labor Markets and the Employment Relationship").
4. KRUGMAN, P. R., AND R. Z. LAWRENCE (1994): "Trade, Jobs, and Wages," *Scientific American Magazine*, p. 22.
5. RICHARDSON, J. D. (1995): "Income Inequality and Trade: How to Think, What to Conclude," *Journal of Economic Perspectives*, 9(3), 33-55.

**4. Wed, April 30: Trade Reforms and Their Consequences**

*Hypothesis for debate: Trade reform should be bold and fast paced.*

1. MCMILLAN, J. (2004): "Reform: What Pace Works Best? Avoid Hubris and Other Lessons for Reformers," *Finance and Development*, 41(3), 34-37 and HAVRYLYSHYN, O. (2004): "Reform: What Pace Works Best? Avoid Hubris but Acknowledge Successes: Lessons from the Postcommunist Transition," *Finance and Development*, 41(3), 38-41.
2. BHAGWATI, J. N. (2004): *In defense of globalization*. Oxford University Press, Oxford and New York, Chapter 18, pp. 253-62 ("Managing Transitions: Optimal, not Maximal, Speed").
3. WORLD BANK (2005): *Economic growth in the 1990s: Learning from a decade of reform*. World Bank, Washington, D.C., Chapter 5, pp. 131-53 ("Trade Liberalization: Why So Much Controversy?").
4. GOLDBERG, P. K., AND N. PAVCNIK (2007): "Distributional Effects of Globalization in Developing Countries," *Journal of Economic Literature*, 45(1), 39-82.

**5. Wed, April 30: Trade Negotiations and Agreements**

*Hypothesis for debate: Trade agreements do not benefit less developed countries.*

1. KRUGMAN, P. R. (1997): "What Should Trade Negotiators Negotiate About?," *Journal of Economic Literature*, 35(1), 113-20.
2. BAGWELL, K., AND R. W. STAIGER (2002): *The economics of the world trading system*. MIT Press, Cambridge and London, Chapter 1, pp. 1-11 ("The Theory of Trade Agreements") and Chapter 11, pp. 181-6 ("The Practical Relevance of Terms-of-Trade Considerations").
3. BERGER, S. (2000): "Globalization and Politics," *Annual Review of Political Science*, 3, 43-62.

4. STIGLITZ, J. E., AND A. CHARLTON (2005): *Fair trade for all: How trade can promote development*. Oxford University Press, Oxford and New York, Chapter 3, pp. 41-56 ("The Need For a Development Round").
5. OXFAM (2002): *Rigged rules and double standards: Trade, globalisation, and the fight against poverty*. Oxfam, Oxford and Boston, Chapter 9, pp. 239-58 ("Making Trade Work for the Poor").
6. *Optional reading*. STAIGER, R. W. (2006): "Review of: Behind the scenes at the WTO: The real world of international trade negotiations: Lessons of Cancún," *Journal of Economic Literature*, 44(2), 428-42.

#### 6. Wed, May 7: Multinational Companies

*Hypothesis for debate: Multinational companies distort free trade.*

1. ROBERTS, J. (2004): *The modern firm: Organizational design for performance and growth*. Oxford University Press, Oxford and New York, Chapter 3, pp. 74-117 ("The Nature and Purpose of the Firm").
2. BARBA NAVARETTI, G., AND A. J. VENABLES (2006): *Multinational firms in the world economy*. Princeton University Press, Princeton, New Jersey, 2nd edn., Chapter 1, pp. 1-22 ("Facts and Issues") and Chapter 2, pp. 23-48 ("The Multinational Enterprise: an Overview of Theory and Empirical Findings").
3. BHAGWATI, J. N. (2004): *In defense of globalization*. Oxford University Press, Oxford and New York, Chapter 12, pp. 162-95 ("Corporations: Predatory or Beneficial?").
4. KLEIN, N. (2000): *No logo: Taking aim at the brand bullies*. Picador, New York, Chapter 9, pp. 195-229 ("The Discarded Factory: Degraded Production in the Age of the Superbrand").

#### 7. Wed, May 14: International Lending and Capital Markets

*Hypothesis for debate: International lending and investment promotes growth.*

1. EASTERLY, W. (2001): *The elusive quest for growth: Economists' adventures and misadventures in the tropics*. MIT Press, Cambridge and London, Chapter 6, pp. 101-20 ("The Loans that Were, The Growth That Wasn't") and Chapter 7, pp. 123-37 ("Forgive Us Our Debts").
2. REINHART, C. M., AND K. S. ROGOFF (2004): "Serial Default and the "Paradox" of Rich-to-Poor Capital Flows," *American Economic Review*, 94(2), 53-58.
3. WORLD BANK (2005): *Economic Growth in the 1990s: Learning from a Decade of Reform*. World Bank, Washington, D.C., Chapter 7, pp. 203-35 ("Financial Liberalization: What Went Right, What Went Wrong?").
4. HENRY, P. B. (2007): "Capital Account Liberalization: Theory, Evidence, and Speculation," *Journal of Economic Literature*, 45(4), 887-935.

**8. Wed, May 21: Financial Imbalances and Their Sustainability**

*Hypothesis for debate: Financial imbalances are a reason to limit globalization.*

1. MCKINNON, R. I. (2001): "The International Dollar Standard and the Sustainability of the US Current Account Deficit," *Brookings Papers on Economic Activity*, pp. 227–39.
2. OBSTFELD, M., AND K. S. ROGOFF (2005): "Global Current Account Imbalances and Exchange Rate Adjustments," *Brookings Papers on Economic Activity*, pp. 67–123.
3. TORNELL, A., AND F. WESTERMANN (2005): *Boom-bust cycles and financial liberalization*, CESifo Book Series. MIT Press, Cambridge and London, Chapter 1, pp. 1-5 ("Introduction") and Chapter 2, pp. 7-20 ("Road Map").
4. STIGLITZ, J. E. (2000): "Lessons from the Global Financial Crisis," in *Global financial crises: Lessons from recent events*, ed. by J. R. Bisignano, W. C. Hunter, and G. G. Kaufman, pp. 89–107. Kluwer Academic, Boston, Dordrecht and London.

**9. Wed, May 28: STUDENT PRESENTATIONS**

**10. Wed, June 4: STUDENT PRESENTATIONS**

## References

- AISBETT, E. (2007): "Why are the Critics so Convinced that Globalization is Bad for the Poor?," in *Globalization and poverty*, ed. by A. Harrison, NBER Conference Report, pp. 33–85. University of Chicago Press, Chicago and London.
- BAGWELL, K., AND R. W. STAIGER (2002): *The economics of the world trading system*. MIT Press, Cambridge and London.
- BARBA NAVARETTI, G., AND A. J. VENABLES (2006): *Multinational firms in the world economy*. Princeton University Press, Princeton, New Jersey, 2nd edn.
- BARDHAN, P. (2006): "Does Globalization Help or Hurt the World's Poor?," *Scientific American Magazine*.
- BERGER, S. (2000): "Globalization and Politics," *Annual Review of Political Science*, 3, 43–62.
- BHAGWATI, J. N. (2004): *In defense of globalization*. Oxford University Press, Oxford and New York.
- BLINDER, A. S. (2006): "Offshoring: The Next Industrial Revolution?," *Foreign Affairs*, 85(2), 113–28.
- BORDO, M. D., B. EICHENGREEN, AND D. A. IRWIN (1999): "Is Globalization Today Really Different from Globalization a Hundred Years Ago?," *Brookings Trade Forum*, 2(1), 1–72.
- EASTERLY, W. (2001): *The elusive quest for growth: Economists' adventures and misadventures in the tropics*. MIT Press, Cambridge and London.



- GOLDBERG, P. K., AND N. PAVCNİK (2007): "Distributional Effects of Globalization in Developing Countries," *Journal of Economic Literature*, 45(1), 39–82.
- HARRISON, A. (ed.) (2007): *Globalization and poverty*, NBER Conference Report. University of Chicago Press, Chicago and London.
- HAVRYLYSHYN, O. (2004): "Reform: What Pace Works Best? Avoid Hubris but Acknowledge Successes: Lessons from the Postcommunist Transition," *Finance and Development*, 41(3), 38–41.
- HENRY, P. B. (2007): "Capital Account Liberalization: Theory, Evidence, and Speculation," *Journal of Economic Literature*, 45(4), 887–935.
- IRWIN, D. A. (2005): *Free trade under fire*. Princeton University Press, Princeton, New Jersey, 2nd edn.
- KLEIN, N. (2000): *No logo: Taking aim at the brand bullies*. Picador, New York, Chapter 9, pp. 195–229 ("The Discarded Factory: Degraded Production in the Age of the Superbrand").
- KRUGMAN, P. R. (1997): "What Should Trade Negotiators Negotiate About?," *Journal of Economic Literature*, 35(1), 113–20.
- (1998): *The accidental theorist and other dispatches from the dismal science*. Norton, New York, pp. 18–23 ("The Accidental Theorist").
- KRUGMAN, P. R., AND R. Z. LAWRENCE (1994): "Trade, Jobs, and Wages," *Scientific American Magazine*, p. 22.
- MCKINNON, R. I. (2001): "The International Dollar Standard and the Sustainability of the US Current Account Deficit," *Brookings Papers on Economic Activity*, pp. 227–39.
- MCMILLAN, J. (2004): "Reform: What Pace Works Best? Avoid Hubris and Other Lessons for Reformers," *Finance and Development*, 41(3), 34–37.
- OBSTFELD, M., AND K. S. ROGOFF (2005): "Global Current Account Imbalances and Exchange Rate Adjustments," *Brookings Papers on Economic Activity*, pp. 67–123.
- OXFAM (2002): *Rigged rules and double standards: Trade, globalisation, and the fight against poverty*. Oxfam, Oxford and Boston, Chapter 9, pp. 239–58 ("Making Trade Work for the Poor").
- REINHART, C. M., AND K. S. ROGOFF (2004): "Serial Default and the "Paradox" of Rich-to-Poor Capital Flows," *American Economic Review*, 94(2), 53–58.
- RICHARDSON, J. D. (1995): "Income Inequality and Trade: How to Think, What to Conclude," *Journal of Economic Perspectives*, 9(3), 33–55.
- ROBERTS, J. (2004): *The modern firm: Organizational design for performance and growth*. Oxford University Press, Oxford and New York, Chapter 3, pp. 74–117 ("The Nature and Purpose of the Firm").
- RODRİK, D. (1997): *Has globalization gone too far?* Institute for International Economics, Washington, D.C.
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- STIGLITZ, J. E. (2000): "Lessons from the Global Financial Crisis," in *Global financial crises: Lessons from recent events*, ed. by J. R. Bisignano, W. C. Hunter, and G. G. Kaufman, pp. 89–107. Kluwer Academic, Boston, Dordrecht and London.

- STIGLITZ, J. E., AND A. CHARLTON (2005): *Fair trade for all: How trade can promote development*. Oxford University Press, Oxford and New York.
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- WORLD BANK (2005): *Economic growth in the 1990s: Learning from a decade of reform*. World Bank, Washington, D.C.