

Globalization

September 27, 2017

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Office:	Economics 312	
Office hours:	Thu 11:00a-12:00n	
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Class Times:	TueThu 9:30a-10:50a	
Classroom:	Center Hall 101	
Course Web Page:	econ.ucsd.edu/muendler/teach/17f/102	
Section Times:	Wed 3:00p-3:50p	Wed 4:00p-4:50p
Section Room:	Center Hall 216	Center Hall 216
Section IDs	914016	914017
Teaching Assistants:	Mengyan Han	Jacob Orchard
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Office hours:	TBA	Tue 11:00a-12:00n
Readers:	Junyuan Chen	Minki Kim

1 Course Objectives

This course on the economics of globalization presents theories of global economic integration, each grounded in the principle of comparative advantage. Lectures investigate patterns of trade when trade is balanced and capital flows when trade is not balanced, with a focus on trade in goods, services and sovereign debt securities. The course aims to assess the consequences of economic globalization and evaluate economic policies for industry location, incomes, welfare and economic growth.

The course is designed as an early upper-division class that presents foundations for *International Trade* (Economics 101) and *International Monetary Relations* (Economics 103) and other related courses. The first half of the course shares topics with Econ 101, emphasizing the essentials of comparative advantage for specialization in economics activities and the trade in goods or services. The second half lays real-side foundations for Econ 103, emphasizing the idea of comparative advantage over time for lending and borrowing in international capital markets.

2 Prerequisites

Econ 1 and 2 or 3, or 100B.

(Students who are academically prepared to take Econ 100B, or have taken Econ 100B, are also academically prepared to take 102.)

3 Readings and Podcasts

Electronic lecture notes will become available online at econ.ucsd.edu/muendler/teach/17f/102 prior to each lecture. Key graphs are left empty for you to complete in class. On October 31, complete

lecture notes (with overlay graphs) will become available for lectures 1 through 10. On December 7, the remaining complete lecture notes (with overlay graphs) will become available for lectures 11 through 18.

Textbook draft: Muendler (2014)/ch. 1-4, 6 and 14

Chapters of the textbook draft Muendler (2014)/ch. 1-4, 6 and 14 are available for download from the class web page (see link above) prior to the respective lectures. The chapters are zipped and password protected. The password is given out on the first day in class.

The lectures will become available, as held, in the form of video podcasts.

4 Problem Sets

There will be two problem sets, due on scheduled dates prior to the two exams. You are encouraged to work on the problems with your classmates. Your teaching assistant will hold sections over the course of the quarter (see schedule below) to help you solve the problems, and you can receive assistance during any of the scheduled office hours. The problem set questions are written in the style of review questions that span material *across* individual lectures.

Your solutions to the problem sets will be checked by question (check/half check/no check) and your performance on them will be a part of the final grade. Correct answers count five points per question, partly correct answers 2.5 points and incorrect answers zero.

Your teaching assistants Mengyan Han and Jake Orchard will offer three problem set review sections per problem set to help you solve the problems. Problem sets have to be handed in *on paper* on the due date. You can drop the problem sets off in the assigned course mailbox at the economics department on both due times, November 2 at 4:50p and December 8 at 4:50p. You may also bring problem set 1 to lecture on November 2 and hand it in *prior* to the start of lecture at 9:30a. Similarly, you may bring problem set 2 to lecture on December 7 and hand it in *prior* to the start of lecture at 9:30a. No problem set will be accepted after the respective due time (November 2 at 5:00p and December 8 at 5:00p after a ten-minute grace period).

5 iClicker

During lecture, you will be asked to answer policy-relevant questions on the economics of globalization using iClicker. Your answers will not be scored for correct or incorrect. Typically, the same question will be asked twice: once in the beginning of a lecture, prior to the presentation of the lecture's main theoretical or empirical material, and once after the main material has been presented and discussed.

If you answer *all* questions (typically two) during a lecture, your participation will be recorded. If, at the end of the quarter, your iClicker records show participation in twelve (12) out of the seventeen lecture days with iClicker use, then you receive a score of 30 points. However, if you do not want to use an iClicker or if your records do not show full participation in at least twelve lectures, your scores on all other assignments will be scaled by a factor that exactly compensates you for the foregone 30 points. iClicker participation in at least twelve lectures therefore guarantees you a full score of 30 points but, in case your iClicker participation falls short, you can make up the foregone score with a strong performance on the other assignments.

6 Assessment

There will be one midterm exam and a final exam. The midterm exam will take 80 minutes and the final exam will take 120 minutes (no extra time). The final exam is cumulative. The midterm exam contains eight 10-minute questions, the final exam contains twelve 10-minute questions. For problem sets to be considered, they have to be handed in *before* the due date and time.

Your final raw score will be your total points from the two exams, the two problem sets and, optionally, your iClicker participation:

Problem sets:	90 points (45+45 points)	November 2, December 8
Midterm (80 minutes):	80 points	November 7
Final (120 minutes):	120 points	December 14
iClicker participation (12 of 17 lectures):	30 points*	December 7
<i>Total:</i>	320 points	*otherwise score scaled by 320/290

If your iClicker records fall short of full participation in 12 out of the 17 lectures with iClicker use, or if you do not want to use iClicker, then your scores on all other assignments (which count for up to 290 points) will be scaled by a factor of 320/290 to compensate you for the foregone 30 points.

Your final *letter grade* will be inferred from the typical grade distribution (curve) in *economics* classes at UC San Diego. You can find this grade distribution at econ.ucsd.edu/muendler/teach/17f/102. The difficulty or simplicity of problem sets and exams will therefore not matter, whereas your relative performance in comparison to your classmates will determine your final letter grade. Grades of *D* or *F* will not depend on the curve but on a minimal performance standard.

There are two review sections, one prior to the midterm exam and one prior to the final exam, to help you prepare for the exams.

Participation in exams is mandatory and excused only under the conditions that also permit an incomplete grade: course work must be of non-failing quality and absence must be for a cause beyond the student's control. In particular, the incidence of other exams on the same day is no reason for an excuse from the exam. Under its current rules, Student Health Services offers access to medical excuses that document illness *only under extreme circumstances*. To be excused from the midterm because of illness, the student must inform the instructor *before* the midterm exam. To be excused from the final exam, however, the illness must be sufficiently severe so that Student Health Services or another health-care provider does document the illness.

During the exams, only a pen, a pencil, a ruler and an eraser are permitted for use. No other material is allowed. Principles of academic honesty are applied strictly. The complete UC San Diego Policy on Integrity of Scholarship can be viewed at: senate.ucsd.edu/manual/appendices/appendix2.pdf. On each exam, you are required to sign a personal pledge of academic integrity.

Appeals of scores on exams must be submitted in writing, along with all prior exams and problem sets. Following the appeal, all questions on all exams will be reconsidered. An appeal may be denied if the exam was written with a pencil.

7 Course Schedule

1. **Thu, September 28:** Globalization and the Principle of Comparative Advantage
(Muendler 2014/ch. 1 and 2, *no iClicker records*)
PROBLEM SET 1 OUT

I. International Product Markets

2. **Tue, October 3:** Comparative Advantage, Trade Flows and the Gains from Trade
(Muendler 2014/ch. 2)
Wed, October 4, *week 1 sections:* Linear Production Possibility Frontier
3. **Thu, October 5:** Competitiveness, Comparative Advantage, and the Terms of Trade
(Muendler 2014/ch. 3, sections 3.1 and 3.2)
4. **Tue, October 10** Trade in Final Goods and the Distribution of Incomes
(Muendler 2014/ch. 4)
Wed, October 11, *week 2 sections:* Standard Production Possibility Frontier
5. **Thu, October 12:** Offshoring and the Distribution of Incomes
(Muendler 2014/ch. 6, sections 6.1 and 6.2)
6. **Tue, October 17:** Primary Products and the Distribution of Gains from Trade
(Muendler 2014/ch. 6, sections 6.1, 6.2 and 6.4)
Wed, October 18, *week 3 sections:* Problem set 1, questions 1-3
7. **Thu, October 19:** Instruments of Trade Policy
(Krugman, Obstfeld, and Melitz 2011/ch. 9)
8. **Tue, October 24:** Costs and Benefits of Trade Restrictions
(Muendler 2014/ch. 7)
Wed, October 25, *week 4 sections:* Problem set 1, questions 4-6
9. **Thu, October 26:** Cases for Trade Interventions
(Muendler 2014/ch. 7)
10. **Tue, October 31:** Comparative Advantage, Productivity Change, and Growth
(Muendler 2014/ch. 9)
Complete lecture notes (with overlay) available for lectures 1 through 10
Wed, November 1, *week 5 sections:* Problem set 1, questions 7-9
11. **Thu, November 2:** Political Economy of Open-market Policies and Agreements
(Muendler 2014/ch. 7)
PROBLEM SET 1 DUE AT 4:50P (IN ECON 102 MAILBOX)
Mon, November 6, time TBA: *Midterm exam review* (room TBA)
Graded problem set 1 back *after* review
- Tue, November 7, 9:30a - 10:50a:** MIDTERM (80 minutes)
covering lectures 1 through 10 (*no iClicker records*)

II. International Capital Markets

Wed, November 8, week 6 sections: Expected Values and Expected Returns

12. Thu, November 9: International Capital Markets in Theory and Practice
(Muendler 2014/ch. 14)
PROBLEM SET 2 OUT

13. Tue, November 14: The Principle of Comparative Advantage in Capital Markets

Wed, November 15, week 7 sections: Intertemporal Production Possibility Frontier

14. Thu, November 16: International Capital Flows and Growth

15. Tue, November 21: International Capital Flows and Sovereign Risk

Wed, November 22, week 8 sections: Problem set 2, questions 1-3

16. Tue, November 28: Debt Overhang, Debt Buybacks and Debt Forgiveness

Wed, November 29, week 9 sections: Problem set 2, questions 4-6

17. Thu, November 30: Debt Sustainability and Financial Crises

Tue, December 5: Guest lecture on Current Policy Issues by UC San Diego alumnus Phil Gibbs
Introduction: Prof. Renee Bowen, moderation: Mengyan Han and Jacob Orchard
(no iClicker records)

Wed, December 6, week 10 sections: Problem set 2, questions 7-9

18. Thu, December 7: Perspectives on Globalization, Poverty, Inequality and Prosperity
Complete lecture notes (with overlay) available for lectures 11 through 18

Fri, December 8, 4:50p: PROBLEM SET 2 DUE AT 4:50P (IN ECON 102 MAILBOX)

Fri, December 8, time TBA: *Final exam review* (room TBA)

Thu, December 14, 8:00a-10:00a: FINAL EXAM. Room TBA (120 minutes only)
covering lectures 1 through 18

References

KRUGMAN, P. R., M. OBSTFELD, AND M. J. MELITZ (2011): *International Economics: Theory & Policy*, Pearson Custom Business Resources. Pearson Learning Solutions, New York, special extract compiled for UC San Diego.

MUENDLER, M.-A. (2014): "The Economics of Globalization," University of California, San Diego, unpublished textbook manuscript.