

Globalization

Economics 102 — Fall 2020

September 30, 2020

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Reader: Smarika Bista

Class Time A: TueThu 9:30a-10:50a (Thu Remote Class R154)
 Class Time B: TueThu 11:00a-12:20p (Thu Remote Class R176)
 Class Time C: TueThu 9:30a-10:50a (Tue Remote Class R162)
 Class Time D: TueThu 11:00a-12:20p (Tue Remote Class R176)
 Classroom: Peterson 108
 Course Web Page: econ.ucsd.edu/muendler/teach/20f/102

Section Times A, C: Fri 5:00p-5:50p Fri 6:00p-6:50p
 Section IDs A, C 22146, 24283 22147, 24284

Section Times B, D: Mon 6:00p-6:50p Mon 7:00p-7:50p
 Section IDs B, D 22148, 24285 22149, 24286

Section Room: WLH 2005 WLH 2005

1 Description and Objectives

This course on the economics of globalization presents a foundational framework of global economic integration, grounded in the principle of comparative advantage. Using the foundational framework, lectures investigate patterns of trade when trade is balanced and investigate capital flows when trade is not balanced. The course studies international trade in goods and services including the formation of global value chains, and it studies international capital markets by considering mostly sovereign debt securities as a benchmark global asset class. The course aims to assess the consequences of economic globalization and to evaluate economic policies for industry location, real incomes, and economic growth.

The course material is guided by three main questions. *Why do countries globalize?* The theoretical answers point to the fundamental forces of the global division of labor. *How do countries globalize?* There are many modes of the division of labor and global integration of goods, services, and capital markets, both in theory and practice. *Should countries globalize?* There are gains from the division of labor, but their distribution between and within countries in practice creates winners and losers from global change, as does any economic change.

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 or 100B and 2 or 3 or Math 20C.

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

3 Format

The course will be taught in a rotating hybrid format. You can take the course in three ways.

- Synchronous-remote: Follow a live stream of the lecture, answer Canvas surveys live, and ask live questions using the Zoom chat (moderated by a Teaching Assistant).
- In-person (rotating): Be physically present in the classroom on one of the two lecture days a week (selected upon enrollment) and follow remotely the other day. When in person on the selected day, actively participate during lecture in the classroom, answer Canvas surveys live (using your own electronic device), ask questions, and talk to the instructor in person before or after lecture.
- Asynchronous-remote: Follow a Podcast/Zoom recording of lecture, answer Canvas surveys within 36 hours of the lecture for a full attendance score, but no opportunity to ask live questions.

You can always opt to follow any particular class synchronous-remotely or asynchronous-remotely (even if you are entitled to an in-person class on a given day). If you take the Canvas survey asynchronous-remotely within 36 hours of a class, your attendance will be recorded. You are not permitted to come in-person on the class day for which you did not enroll. If you miss your permitted in-person class day in a given week, you cannot come in-person on the other class day for which you did not enroll.

Following campus safety requirements, you must wear a mask in the lecture hall at all times (as on any UC San Diego location). The instructor and teaching assistants will wear a mask before and after lecture or section, and when necessary during lecture or section, and maintain proper physical distancing at all times. For the UC San Diego campus safety policy, please see returntolearn.ucsd.edu.

The format of the sections remains to be determined.

4 Readings and Podcasts

Electronic lecture slides become available online at econ.ucsd.edu/muendler/teach/20f/102 and through Canvas at canvas.ucsd.edu prior to lecture. An effective way to follow class and the course material can be to use the posted lecture slides for note taking. Key graphs are left empty for you to complete during class time or asynchronously using the Podcast/Zoom recording. On October 20, complete lecture notes (with overlay graphs) will become available for lectures 1 through 6, on November 10 for lectures 7 through 11, and on December 10 for lectures 12 through 18.

Textbook draft: Marc-Andreas Muendler (2020)/ch. 1-4, 6 and 14

Chapters of the textbook draft Muendler (2020)/ch. 1-4, 6 and 14 are available for download from the course web page and (see link above) and Canvas prior to the respective lectures. The chapters are zipped and password protected. The password is given out on the first day during class.

The lectures will become available, as held, in the form of Podcast/Zoom recordings.

5 Problem Sets

There will be three problem sets, due on scheduled dates prior to the three exams. You are encouraged to work on the problems with your classmates. The teaching assistants 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 answers to the problem sets will be checked by question (check/no check) for effort, not content, and your performance on them will be a part of the final grade. Valid answers (effort not content) count five (5) points per question, and incorrect answers zero.

Problem sets have to be uploaded to Canvas in electronic format (image scans of written answers or document files, permitted formats are png, jpg, pdf and doc/docx). The uploads must be complete by the due dates (Wednesday October 21, Wednesday November 11, and Saturday December 12 at 4:50p). No problem set will be accepted after the respective due time for upload (at 5:00p after a ten-minute grace period).

6 Canvas surveys

During class (or within 36 hours of class if you follow asynchronously), you will be asked to answer policy-relevant questions on the economics of globalization using Canvas (graded surveys). Please bring your own hand held device or computer with Canvas access to in-person classes. Your answers to survey questions will not be scored for correct or incorrect. Typically, the same survey question will be asked twice: once in the beginning of a class, prior to the presentation of the lecture's main material, and once after the main material has been presented and discussed.

If, at the end of the quarter, your Canvas records show participation in twelve (12) out of the seventeen lecture days with Canvas surveys, then you receive a score of 20 additional points. However, if you do not want to use the Canvas surveys or if your records do not show full participation in at least twelve lectures, your scores on all other assignments (problem sets and exams) will be scaled by a factor that exactly compensates you for the foregone 20 points. Canvas-survey participation in at least twelve lectures therefore guarantees you a full additional score of 20 points but, in case your Canvas-survey participation falls short, you can make up the foregone score in proportion to your performance on the other assignments.

7 Software

Please consider installing the Canvas app on a portable device and have the device next to you for both in-person and remote participation. The Canvas app can be a convenient and easy tool to take the live Canvas surveys in lecture (with a permitted 36 hours delay for asynchronous students) while following in-person or by Zoom.

8 Assessment

There will be two midterm exams and a final exam. The midterm exams will take 50 minutes each and the final exam will take 100 minutes (no extra time). All exams are cumulative. The midterm exams contain five 10-minute questions, the final exam contains ten 10-minute questions. For problem sets to be considered, they have to be uploaded to canvas.ucsd.edu by the due time (4:50p on the respective due days plus a ten-minute grace period).

Students taking the exam remotely online will have to adhere to strict procedures (including presenting student IDs on camera and showing the desk throughout the exam and upon request), following best practice that the economics department has developed over summer 2020.

- Students enrolled in Sections 24283, 24284, 24285 and 24286 (class times C and D) have the option to take midterm 1 (on Thu, October 22) in person.
- Students enrolled in Sections 22146, 22147, 22148 and 22149 (class times A and B) have the option to take midterm 2 (on Thu, November 12) in person.
- For the final exam, in-person exam policies will be announced during the quarter.

Your final raw score will be your total points from the three exams, the three problem sets and, optionally, your Canvas-survey participation:

Problem sets:	70 points (15+25+30 points)	Oct 21, Nov 11, Dec 12
Midterm 1 (50 minutes):	60 points	Oct 22
Midterm 2 (50 minutes):	60 points	Nov 12
Final (100 minutes):	100 points	Dec 16 and 17
Canvas surveys (12+ lectures):	20 points*	December 10
<i>Total:</i>	290 points	*otherwise score scaled by 290/270

If your Canvas-survey records fall short of full participation in 12 out of the 17 lectures with Canvas-survey use, or if you do not want to use Canvas-survey, then your scores on all other assignments (which count for up to 270 points) will be scaled by a factor of 290/270 to compensate you for the foregone 20 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/20f/102. The difficulty or simplicity of problem sets and exams will therefore not matter, whereas your relative performance in comparison to your classmates *across all sections* 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 three Zoom review sections, one each prior to the two midterm exams 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 a midterm exam 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 exams, only a pen, a pencil, a ruler and an eraser are permitted for use. No other material is allowed, and all other objects must be outside your immediate reach at all times during the exam.

The exams will be open book and open class materials. You must not use other resources, especially no online material, and you must not communicate with anyone by any means during the exam. Principles

of academic honesty are strictly applied. Regardless of any potential additional sanction from the academic integrity office, or the absence of an additional sanction, the exam score will be zero if there is an exam rule violation. The complete UC San Diego Policy on Integrity of Scholarship can be viewed at: senate.ucsd.edu/Operating-Procedures/Senate-Manual/appendices/2. On each exam, you are required to sign a personal pledge of academic integrity.

Appeals of scores on exams must be submitted in writing. Following the appeal, all questions on all exams and problem sets on record will be reconsidered. An appeal may be denied if the exam was written with a pencil and not scanned.

9 Academic Integrity

Students are expected to honor the highest standards of academic integrity. Failure to honor that code will be reported to the office of academic integrity. To review the campus policy, please visit: students.ucsd.edu/academics/academic-integrity.

10 Academic Accommodations

Any student with documented disability in accordance with UC San Diego policy has the right to a special accommodation. Please present the formal requests within the first two weeks of class so that the necessary arrangements can be made. Please contact GPS student services with any questions about documentation.

11 Non-discrimination and No Harassment

UC San Diego and GPS are committed to creating an environment free from all forms of discrimination and harassment, in which all students are able to learn and openly express themselves.

12 Course Schedule

1. Thu, October 1: Globalization and the Principle of Comparative Advantage
(Marc-Andreas Muendler 2020/ch. 1 and 2, *no Canvas-survey records*)

Fri and Mon, October 2 and 5, week 1 sections: Linear Production Possibility Frontier

I. International Trade

2. Tue, October 6: Comparative Advantage, Trade, and Country-wide Gains
(Marc-Andreas Muendler 2020/ch. 2)
PROBLEM SET 1 OUT

3. Thu, October 8: The Terms of Trade and the Between-country Distribution of Gains
(Marc-Andreas Muendler 2020/ch. 3, sections 3.1 and 3.2)

Fri and Mon, October 9 and 12, week 2 sections: Standard Production Possibility Frontier

4. Tue, October 13: Trade and the Within-country Distribution of Gains
(Marc-Andreas Muendler 2020/ch. 4)

5. **Thu, October 15:** Offshoring and the Within-country Distribution of Gains
(Marc-Andreas Muendler 2020/ch. 6, sections 6.1 and 6.2)

Fri and Mon, October 16 and 19, week 3 sections: Problem set 1, questions 1-3

6. **Tue, October 20:** Primary Products and the Distribution of Gains
(Marc-Andreas Muendler 2020/ch. 6, sections 6.1, 6.2 and 6.4)
Complete lecture notes (with overlay) available for lectures 1 through 6

Wed, October 21: PROBLEM SET 1 DUE AT 4:50P (Canvas upload)

Wed, October 21, 7:00p-8:20p: *Midterm 1 exam review* (Zoom)

Thu, October 22: MIDTERM 1 (50 minutes)
In-Person for class times C and D, Sections 24283, 24284, 24285 and 24286
covering lectures 1 through 6 (*no Canvas-survey records*)

I. International Trade Policy

Fri and Mon, October 23 and 26, week 4 sections: Problem set 2, question 1

7. **Tue, October 27:** Instruments of Trade Policy
(Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz 2011/ch. 9)
PROBLEM SET 2 OUT

8. **Thu, October 29:** Costs and Benefits of Trade Interventions

Fri and Mon, October 30 and November 2, week 5 sections: Problem set 2, questions 2-3

9. **Tue, November 3:** The Economic Rationale for Trade Interventions

10. **Thu, November 5:** Technological Change, Comparative Advantage, and Growth

Fri and Mon, November 6 and 9, week 6 sections: Problem set 2, questions 4-5

11. **Tue, November 10:** The Political Economy of Trade Interventions and Agreements
Complete lecture notes (with overlay) available for lectures 7 through 11

Wed, November 11, 4:50p: PROBLEM SET 2 DUE AT 4:50P (Canvas upload)

Wed, November 11, 7:00p-8:20p: *Midterm 2 exam review* (Zoom)

Thu, November 12: MIDTERM 2 (50 minutes)
In-Person for class times A and B, Sections 22146, 22147, 22148 and 22149
covering lectures 1 through 11 (*no Canvas-survey records*)

II. International Capital Markets

Fri and Mon, November 13 and 16, week 7 sections: Expected Values and Expected Returns

12. **Tue, November 17:** International Capital Markets in Theory and Practice
(Marc-Andreas Muendler 2020/ch. 14)
PROBLEM SET 3 OUT

- 13. Thu, November 19:** The Principle of Comparative Advantage in Capital Markets
(Marc-Andreas Muendler 2020/ch. 14)
- Fri and Mon, November 20 and 24, week 8 sections:** Intertemporal Production Possibility Frontier
- 14. Tue, November 24:** International Capital Flows and Growth
- Mon and Fri, November 30 and December 4, week 9 sections:** Problem set 3, questions 1-3
- 15. Tue, December 1:** International Capital Flows and Sovereign Risk
- 16. Thu, December 3:** Debt Overhang, Debt Buybacks, and Debt Forgiveness
- Mon and Fri, December 7 and 11, week 10 sections:** Problem set 3, questions 4-6
- 17. Tue, December 8:** Debt Sustainability and Financial Crises
- 18. Thu, December 10:** Perspectives on Globalization, Prosperity and Inequality
Complete lecture notes (with overlay) available for lectures 12 through 18
- Fri, December 11, 7:00p-8:20p:** *Final exam review* (Zoom)
- Sat, December 12, 4:50p:** PROBLEM SET 3 DUE AT 4:50P (Canvas upload)
- Wed, December 16, 11:30a-1:30p, and Thu December 17, 8:00a-10:00a:** FINAL EXAMS (100 minutes only)
Rooms TBA, covering lectures 1 through 18

References

- Krugman, Paul R., Maurice Obstfeld, and Marc J. Melitz.** 2011. *International Economics: Theory & Policy*. Pearson Custom Business Resources, New York: Pearson Learning Solutions. special extract compiled for UC San Diego.
- Muendler, Marc-Andreas.** 2020. "The Economics of Globalization." University of California, San Diego, unpublished textbook manuscript.