

# Globalization (DIP 740)

Fall 2012

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Meeting Time: Tuesday, 4:00-6:30

Meeting Place: Van Room

Offices Hours: Monday, 1-3:00

**Introduction:** The course will focus on three recent books--*The Globalization Paradox*, *Why Nations Fail*, and *Poor Economics*—which concentrate on trade, economic growth, and development respectively. They each present strong arguments, sometimes complementary, sometimes contradictory. The student will be expected to master each of the three books and then choose among the theories presented to analyze the situation in a particular country chosen in consultation with the instructor.

**Prerequisite:** DIP 740 requires some prior training in economics and statistical methods, thus consent of instructor is required.

**Format:** The class will be taught primarily through lectures, class discussions, and the completion of a country study. It is essential that students be fully prepared to participate in every class, which includes having done the readings ahead of time. Each student will be expected to read *The Economist* magazine on a weekly basis and be prepared to discuss any article relevant to the course.

**Grading:** Grading will be based on class participation (10%), two homework assignments involving statistical analysis (10% each), two midterm exams (25% each), and an 8-10 page paper applying the course lessons to a Latin American or African country chosen in consultation with the instructor (20%). There will be no final exam.

Students will be graded on a 100 point scale, 90-100 = A, 80-89.49 = B, 65-79.5 = C, and below 64.4 = E.

**Open-Door Policy:** If my office door is open (and I'm not on the phone or talking to someone else) I am available for consultation.

## Readings:

The main texts are listed below. They are all available from Amazon .com or BN.com. They will not be at the University Bookstore because that store does not offer the student the option of purchasing new books or ebooks. The Amazon.com prices are shown below for your convenience; used book prices at Amazon. com or Half.com are usually much cheaper.

Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy*, 2012 (\$13, \$10 ebook)

Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power and Prosperity*, 2012 \$22, \$14 ebook)

Abhijit Banerjee and Esther Duflo, *Poor Economics: A Radical Way to Fight Global Poverty*, 2011 (\$10, \$9 ebook)

Elhanan Helpman, *The Mystery of Economic Growth*, 2004 (\$18.95. \$12 ebook)

### Recommended

- Gary Koop, *Analysis of Economic Data*, 2<sup>nd</sup> edition (John Wiley and Sons, 2005, \$51)  
Sebastian Edwards, *Left Behind: Latin American and False Promise of Populism*, 2009,  
(\$18 hardback, \$16 ebook)  
Steven Radelet and Ellen Johnson Sirleaf, *Emerging Africa: How 17 Countries are  
Leading the Way* (\$19, \$10 ebook)

Most of the additional readings (marked DB below) will be found in a shared **Dropbox** file that has been made available to registered students. Other readings will also be assigned and may be found at the Young Library Website (noted below as either YLE for journal articles or YLebook for books available electronically), or from the listed URL. The readings listed for each class should all be read before class to ensure the class is as meaningful and helpful to all as it should be. (Reading assignments may vary somewhat from the syllabus as the class progresses.) Supplemental readings will be noted in lighter ink and might be discussed in class if time permits or student interest requires. They will be testable only to the extent they have been discussed in class. Each student will be expected to read *The Economist* and/or *the Financial Times* every week and be prepared to discuss current articles relevant to classroom materials. Lecture slides and other material will be posted to the Dropbox

### **Course Schedule and Assignments:**

*Do the readings before class, including the first class.*

#### **28 Aug Week 1: Debating Globalization**

- Rodrik, Chapters 1-4  
Jagdish Bhagwati, "Coping with AntiGlobalization", *Foreign Affairs*, Jan/Feb 2002 (YLE)  
Kevin O'Rourke, "The Politics of Globalization", *The International Economy*. Summer 2008. Vol. 22 # 3, pg. 36-41, (YLE)  
Amy Chua, "A World on the Edge", *Wilson Quarterly*, Autumn 200, pp 62-77.  
Available at <http://www.wilsonquarterly.com/article.cfm?AT=0&AID=234>

#### **4 Sep Week 2: : Trade Theory and Globalization**

- Rodrik, Chapters 5-7  
Paul Krugman, *Essentials of Economics*, chapter 13 (DB)

#### **11 Sep Week 3: Economic Growth I**

- Helpman, Chapters 1-4  
Acemoglu, Chapter 1

#### **18 Sep Week 4 Statistics/Econometrics I**

- Koop, Chs.4 and 6 (DB)  
Rodriguez and Rodrik (2000), "Trade Policy and Economic Growth: A Skeptics Guide to the Literature, *Macroeconomics Annual* (DB)  
Koop, Ch 3  
Homework: Regression Analysis 1, due 18 Sep

#### **25 September, Week 5 Econometrics II**

- Koop, Ch 8 (DB)  
Hendrik Houthakker and Stephen Magee, "Income and Price Elasticities in World Trade", *Review of Economics and Statistics*, May 1969, (YLE)

Homework: Regression Analysis 2, due 25 September

**2 Oct Week 6**

Rodrik, Chpaters 8-11

**9 Oct Week 7: Summation of Rodrik and some other voices**

Rodrik, chapter 12 and afterward

Larry Summers et. al. "The Modern Intellectual Free Trade Debate" (DB)

Michael Lind, "The American Way of Trade", in *The American Way of Strategy*, Oxford 2006, pp 224-259 (DB)

Steven Weber, "How Globalization Went Bad", *Foreign Policy*, Jan/eb 2007. pp 49-54 (YLE)

**16 Oct Week 8: Test on Weeks 1-7, Rodrik, etc. (Short answer questions on facts, concepts, computation)**

**23 Oct Week 9: Economic Growth**

Acemoglu, chapters 2-8

**30 Oct Week 10:**

Acemoglu, chapers 9-15

**6 Nov Week 11: Test on Weeks 9-10, Acemoglu, etc. (Essay test in style of comps)**

**13 Nov Week 12: Development 1**

Duflow, chapters 1-5

**20 Nov Week 13 Development 2**

Duflow, chapers 6-10

Dani Rodrik, "The New Development Economics" (from Cohen and Easterly, *What Works in Development*) (DB)

Jeffrey Sachs, "Clinical Economics", from *The End of Poverty* (DB)

Paul Collier, "Falling Behind and Falling Apart (Poverty Traps)", from *the Bottom Billion* (DB)

Robin Broad, "Alter-Development", pp 99-107, in *Development Redefined* (DB)

William Easterly, *What Works in Development?*, Chapter 1 (DB)

Paper assigned this week: due by 6:00 pm, Tuesday, December 11

Write an 8-10 page paper using the ideas presented in this class (including data, statistics, and econometrics) to discuss the economic health of your chosen country.

Your paper must show that you understand—not necessarily agree with—the central premises of the three books we have read. Your paper might also include some of the ideas discussed in the forthcoming classes on energy and the United States.

Note: this paper is optional for students taking comps this semester. In lieu of the paper students must answer a development/economics question on comps, which will be graded for this class.

**27 Nov Week 14: Global Interconnectedness—Great Depression to Euro Crisis**

There are four readings on the Great Depression and it relation to the US financial crisis and four readings on the Euro crisis. You should read at least 3 articles from either group and 1 article from the other group. You might also find the Africa article interesting.

**Depression and Great Recession:**

Peter Temin, "The Great Depression and the Great Recession", (2010), NBER WP 15645 (DB)  
Michael Bordo, "The Great Depression Analogy", (2009) NBER WP 15584 (DB)  
Carmen Reinhart, "The Second Great Contraction", (2009) (DB)  
Richard Grossman, "International Aspects of the Great Depression ...", (2010) (DB)  
Augustin Fosu, "The Global Financial Crisis and Development: Whither Africa ?", UN (2010), (DB)

#### **Euro Crisis**

Anders Aslund, "Failed Political Economy of the Euro Crisis" (2010) (DB)  
Emmanuel Murlon-Druol, "The Euro Crisis", (2011) (DB)  
Martin Feldstein, "EMU and International Conflict", *Foreign Affairs*, Nov/Dec 97, (YLE)  
Barry Eichengreen, "international Liquidity in a Multipolar World", *AER*, May 2012, (YLE)

#### **4 Dec Week 15: Globalization as Geopolitics and US Policy**

Robert Zoellick, "American Exceptionalism" (2012) (DB)  
Robert Kagan, "Ambition and Anxiety", Chapter 1 in *The Rise of China* by Gary Schmitt (2009), (DB)  
Evan Hillebrand *et al*, "Backtracking from Globalization"  
*Global Economy Journal*, December, 2010, Volume 10, Issue 4, article 6 (YLE)  
Evan Hillebrand, "Deglobalization Scenarios: Who Wins, Who Loses?" *Global Economy Journal*, 2010, Vol 10, Issue 2, article 3 (YLE)

**11 Dec- Paper due (by email)**

#### **University-Mandated Information**

**Student Learning Outcomes.** Students will acquire a broad knowledge of the theoretical literature on globalization especially the economic theory. Students will master the methodological tools necessary to help understand the debate.

**Academic Integrity.** Per university policy, students shall not plagiarize, cheat, or falsify or misuse academic records. Students are expected to adhere to University policy on cheating and plagiarism in all courses. The minimum penalty for a first offense is a zero on the assignment on which the offense occurred. If the offense is considered severe or the student has other academic offenses on their record, more serious penalties, up to suspension from the university may be imposed. Complete information can be found at the following website: <http://www.uky.edu/Ombud>. A plea of ignorance is not acceptable as a defense against the charge of academic dishonesty. It is important that you review this information as all ideas borrowed from others need to be properly credited

**Attendance** is not required at any class, therefore excuses for nonattendance are not necessary. Repeated absences will make it difficult to get a good grade on class participation. If an assignment or test cannot be completed on time, the student must make prior arrangements with me.

**Disabilities:** Any student with a disability who is taking this course and needs classroom or exam accommodations should contact the Disability Resource Center, 257-2754, room 2 Alumni Gym, [jkarnes@uky.edu](mailto:jkarnes@uky.edu).

**Major Religious Holidays.** Students are responsible for notifying the Instructor of Record **in writing** of anticipated absences due to their observance of such holidays no later than the last day for adding a class.