



Economics 400-02

Fall 2017

Economic Globalization since 1950

Prof. Berhanu Abegaz

M, W, F: 11:00 – 11:50 AM

Office: Tyler 317-A *Office Hours: M, W: 9:30-10:30; F: 2:00-3:00*

Classroom: Tyler 121

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I. OBJECTIVES AND REQUIREMENTS

Globalization refers to a multifaceted intensification of cross-border linkages—economic, political, cultural, and ecological. These dimensions are interconnected. Economic relations are set in motion by political decisions and these political decisions are, in turn, made in specific economic contexts. The postwar world economy has recently undergone two distinctive waves of economic globalization—1950-1990 and since 1990. The combination of new technologies and deep liberalization has produced an unprecedented global integration of economies. Manufacturing production has been disintegrated, China and India have industrialized rapidly, inequality has intensified, and mass poverty has declined. Popular support for free trade rose and fell as did the case for neo-liberalism.

Economic globalization, whose industrial form began with the First Global Century (1820-1913), has gotten deeper and more transformative since the interwar disintegration that ended around 1950. Economic historians call the period that followed the de-globalization of the inter-war decades the Second Global Century (1950-1990). We are currently well into what is being called the Third Global Century (1990--). Today, we have a three-engine global economy reflected in the regional distribution of world income: North America (30%), European Union (30%), Northeast Asia (25%), and the Rest (15%).

This research-oriented seminar focuses on the economic dimension with a nod to the political dimension. It will explore the interests and capabilities of the major state and non-state actors which have shaped the multipolar global economy, the case for a new governance architecture, and ways of balancing the pressures in favor of liberalization and selective protectionism. We will examine the genesis, dynamics and implications of these global trends, including the changing intellectual fashions which have rationalized them. We will also take a brief look at the global economic governance architecture, built up under Pax Americana, whose legitimacy is increasingly challenged by emerging economies, and whose adequacy is being tested by periodic global economic crises—most notably the Great Recession and its aftereffects.

LEARNING OBJECTIVES:

- Understand the mechanisms which have shaped international economic integration, and identify the consequences (for efficiency, growth and distribution), of globalization.

- Appreciate how the nature of globalization has changed in the past seven decades and think analytically about the changing institutional needs for effective global economic governance.
- Understand the behavior of the major actors (states—metropolitan and peripheral, multinationals, international organizations), and the motive forces of globalization (ICT, transportation revolution, digital revolution, ideological shifts about free trade and trade unions, and convergence of income in some developing regions, end of the socialist bloc).
- Be familiar with such fundamental ideas as the international political trilemma, convergence and divergence, global Keynesianism and Neoliberalism, the growth-poverty-inequality triangle, and mismatches and lags between national economic power and international governance, and the myriad ways coordination fails and can be stemmed.
- Use your theoretical and empirical knowledge along with the econometric skills to conduct original research.

TEXTBOOKS:

By its very nature, this is a reading and discussion-intensive seminar. The following highly acclaimed books will be supplemented by articles and chapters which will be available from the course's **Blackboard** site. There are unavoidable overlaps—but repetition is a useful inconvenience in the mastery of complex economic ideas.

1. Manfred Steger, *Globalization: A Very Short Introduction*, Oxford, 2013.
2. Dani Rodrik, *The Globalization Paradox*, Norton, 2011.
3. Richard Baldwin, *The Great Convergence*, Harvard, 2016.
4. Angus Deaton, *The Great Escape*, Princeton, 2013.

GRADING:

The pre-requisites are Economics 303-304, and preferably one more courses which deal with international political economy. Your grade will be determined as follows: mid-term test (35%), class attendance and presentation (15%), and research paper (50%). You will give a class presentation of the preliminary findings of your research (provide an outline and 2 summary data tables) to be followed by a submission of 15-20-page paper. Guidelines will be provided.

RULES OF THE ROAD:

- The course has a two-tier structure: theoretical survey lectures and discussions in the first half, and policy-oriented research papers in the second half—separated by a mid-term. Please do the relevant readings well ahead of the lectures so that you can focus on the subtle issues and the connections among seemingly disparate ideas. Think about research questions along the way.
- I will not walk you through the readings per se. Rather, my lectures are designed to supplement, highlight, or problematize themes or big ideas. I will give two lectures (M and W), and we will have student-led discussions on Fridays.
- I do not assign or accept extra credit or grant make-up assignments for missed work or poor work. Submit your best work on time.
- I no longer allow the use of **laptops, tablets and smart phones** in class—too distracting for both of us. You will have detailed notes in the form of PPP slides as well as your own hand-written notes. The Honor Code applies fully and unconditionally.

II. SYLLABUS AND READINGS

Week 1: *The First Global Century (FGC)*

- The Second Industrial Revolution and the triumph of Europe
- Post-Mercantilist Imperialism under Pax Britannica
- Economic Diversification and the Great Divergence
- Inter-war de-globalization and the Great Depression

Steger (2013), entire booklet.

R. Findlay and K. O'Rourke, *Power and Plenty* (Princeton, 2007), ch. 1 and ch.10.

Picketty and Saez (2014), "Inequality in the Long run," *Science*.

Week 2-3: *The Second Global Century (SGC)*

- Shallow Integration under multilateralism and Pax Americana
- The Postwar Golden Age of Growth, Transnational Corporations, Regional Economic Integration
- Keynesian Synthesis, Washington Consensus, Financial Crises

Rodrik (2011), entire book.

Deaton (2013), entire book.

Week 4: *Economic Convergence, Divergence, and Inequality*

- Inter-country and Intra-country Inequality
- The Great Divergence
- The PGI Triangle: Is capitalism both anti-poverty and anti-middle class?

Branko Milanovic (2016), *Global Inequality*, chapter 1.

F. Bourguignon (2004), "The Poverty-Growth-Inequality Triangle."

Week 5-7: *The Third Global Century (TGC)*

- Value chains and supply chains: the new international division of labor
- The BRICS, rise of the Global South, and the multipolar economy
- Global governance

Baldwin (2016), entire book.

P. Lamy (2012), "Global Governance: From Theory to Practice."

⇒ **MID-TERM EXAM (just before Fall Break)**

⇒ **Research proposal due about here.**

Week 8-14: Student Presentation of Research

Economic globalization now encompasses an unprecedented economic integration via trade in goods and long-term investment, but also through large cross-border flows of labor, portfolio investment, modern services, and international public goods. Tensions and opportunities abound. You are expected to write a 15-20-page paper. For class presentation, provide an outline and supporting tables.

Here are sample research questions to which you can apply your modeling and econometric skills:

- Financial globalization and crises
- Migration and citizenship rent
- Tensions: coexistence of unipolarity (militarily), multipolarity (economically between states) & transnationality (collective goods and collective bads involving non-state actors)
- Links between economic policy and social policy
- International regulatory agencies
- The new industrialization
- Proliferation of regional economic blocs
- Non-state Actors: Main Street, Wall Street, and World Street
- Developmental states and the global market
- Middle class and middling class: domestic and international
- Reforming global governance institutions
- Illiberalism: Cracks in European and North American economic integration

If possible, you will be grouped into five “Commissions of International Experts” to diagnose and recommend institutional reforms to the most challenging coordination problems facing the world economy today. You will have the freedom to choose your paper topic before the Fall Break (and subject to approval of the instructor). You are required to do a class presentation on your preliminary findings. The papers will be grouped into the following five categories, and the chairs of the commissions will highlight the findings at a concluding roundtable:

Commission 1: International Financial Architecture

Commission 2: New International Trade Structure

Commission 3: Global inequality, Poverty, and Stability

Commission 4: New Models for Global Governance Institutions

Commission 5: New modes of industrializing South Asia and Africa

REFERENCES

Economic Blocs:

United States

European Union (E.U.)

OECD

BRICS (Brazil, Russia, India, China, S. Africa)

The Rest

Major Actors:

The World Bank

The International Monetary Fund

Multinational/Transnational Corporations

The European Central Bank

GATT and WTO

Regional Economic Blocs

International NGOs

Bilateral Aid Agencies

Basle Committee

Guidelines for Papers and Presentations

I. Topic Selection for Research Paper

- a) The best way to start your research is to do an EconLit search to come up with a preliminary bibliography, and then read a good book and a good recent journal article on the topic. At this stage, you should be able to identify interesting puzzles to focus your research effort.
- b) Select a topic that is interesting, and well defined to allow you to be as concrete as possible. It could be a common misconception, a conundrum, a puzzle, or an overlooked issue.
- c) Be critical in selecting the theoretical or analytical basis for your explanation and policy prescriptions, including the problems of implementation.
- d) Remember that the primary objective of the exercise is to learn about the interaction among theory, institutions and development policy.
- e) Obtain instructor approval by submitting a research questions and bibliography.

II. Research Papers and Class Presentations

- a) Motivate the reader by clearly defining your research question/problem
- b) Focus on the main issue and provide a logical structure for your arguments
- c) Focus on things you understand/researched well
- d) Try to write in the style of professional economists
- e) Summarize your main findings
- f) Provide adequate citations from credible sources
- g) Provide evidence for your theoretical claims
- h) Make sure that the discussion is well-balanced and aware of positive versus normative arguments.
- i) Consider doing a replication exercise on a well-known empirical paper for which data is available online.

III. Reaction/Response Papers (RPs)

- a) You may be asked to prepare discussion RPs or thought pieces based on the readings. These RPs are not intended to be onerous, busy-work, but are designed to get you thinking seriously, critically about the ideas/topics, help you with the two course papers, and stimulate in-class, post-lecture discussion.
- b) RPs shall not summarize descriptively the readings. Each RP shall respond to a specific, self-generated or instructor-provided, substantive, analytical question based on the readings and lectures, which should appear center page at the beginning of the RP. The RP shall then attempt to answer that question. Generally speaking, RPs should explore critically a particular aspect, theme, thought, controversy, or claim as a dry run for the research paper.
- c) Grades for the RPs are based on substantive and analytical content; and clarity, including focus.

IV. More on Class Presentation (readings and preliminary research findings)

1. Brief Synthesis of the Material Read

- a. What are the basic ideas?
- b. What are the implications for theory in general?
- c. What are the implications for policy?
- d. Relation of this work to others in the field.

2. Detailed Investigation

- a. What specific hypothesis has been formulated explicitly or implicitly?
- b. What assumptions does the author make?
- c. What are the conclusions or derivations? Are they logical and consistent?

3. Empirical Evidence (where applicable)

- a. What is your assessment of the quality and coverage of the data and how well can it help you answer the research question?
- b. How does the author suggest that the theory can be tested?
- c. Can you suggest any other tests?
- d. What does the empirical evidence suggest concerning the validity of the theory?
- e. Evaluate the sources of information (data), nature of the tests, and conclusions.

4. Policy Analysis

- a. Is the implied or stated policy measures conditional on others not explicitly analyzed here?
- b. What methods and techniques are appropriate for further analysis of the policy implications?
- c. What assumptions are being made, explicitly or implicitly, about the policy-makers and the policy environment that would affect implementation?

5. Presentation

- a. Have I stated my central thesis clearly, and concentrated on its explication?
- b. Have I paid special attention to spelling out the policy lessons?

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