



Economics 385

Spring 2020

## Economic Globalization since 1950

Prof. Berhanu Abegaz

MW: 2:00 – 3:20 PM

Office: Tyler 335

*Office Hours: MTW: 10 – 11 AM or by appt.*

Classroom: Tyler 121

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### OBJECTIVES AND REQUIREMENTS

Globalization refers to a multifaceted intensification of cross-border linkages—economic, political, cultural, and ecological. These dimensions are intimately interconnected. Economic relations are set in motion by political decisions. 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 market economies. Manufacturing production has been integrated and then 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, which 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 called the Third Global Century (1990--). Today, we have a three-engine global economy reflected in the regional distribution of world income in ppp terms: North America (25%), European Union (25%), Northeast Asia (30%), and the Rest (20%).

This research-oriented seminar focuses on the economic dimension with a nod to the political dimension of globalization. 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 in a world of global value chains (GVCs).

#### LEARNING OBJECTIVES:

- Understand the mechanisms that 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 critically and 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, the transportation revolution, the 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, global value chains, the elephant curve, the growth-poverty-inequality triangle, and mismatches and lags between national economic power and international governance, and stemming the frequent failure of cross-country coordination.

#### TEXTBOOKS:

By its very nature, this is a reading and discussion-intensive seminar. Articles and chapters that are available from the course's Blackboard site will supplement the following highly acclaimed books (available at the Bookstore). There are unavoidable overlaps—but repetition is a useful inconvenience in the mastery of complex economic ideas.

1. Richard Baldwin, *the Great Convergence* (Harvard, 2016). [Baldwin, 2016]
2. Branko Milanovic, *Capitalism, Alone* (Harvard 2019). [Milanovic, 2019]
3. Louis Catao and Maurice Obstfeld, *Meeting Globalization's Challenges* (Princeton, 2019). [CO, 2019]
4. World Bank, *Trading for Development in the Age of Global Value Chains* (Washington, DC, 2020). [WB, 2020]. Freely available from [www.worldbank.org](http://www.worldbank.org).

#### GRADING:

The pre-requisites are Economics 101-102. Your grade will be determined as follows: mid-term test (35%), class attendance and presentation (15%), and research paper (50%). You shall submit a 20-page paper on an approved topic.

#### 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 interconnections among seemingly disparate ideas.
- I will not walk you through the readings per se. Instead, my lectures supplement, highlight, or problematize themes or big ideas.
- I do not grant permission make-up assignments for missed work or extra-credit work 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 hand-written notes. The Honor Code applies fully and unconditionally, and attendance is mandatory per College rules.

## 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

Baldwin (2016), part 1.

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

Picketty (2014), Introduction.

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

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

CO (2019), chs. 3, 6.

Baldwin (2016), parts. 2-3.

Milanovic (2019), chs. 1-3.

### **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?

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

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
  - Global value chains and Transnational corporations
  - The BRICS, rise of the Global South, and the multipolar economy
- Baldwin (2016), the remainder of the book.

⇒ MID-TERM EXAM (just before Spring Break)

### **Week 8: Global Governance**

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

CO (2019), chs. 14 and 18.

### **Week 9-14: 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 inevitably abound.

As noted above, you will be responsible for two rounds of class presentations. The first round will focus on the theoretical aspects of your paper, which is a critical review and synthesis of the existing literature on the subject. Your second presentation will focus on the preliminary findings of your research.

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
- Redefining international regulatory agencies
- The new industrialization
- The 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
- Prospects for a multi-currency international monetary system
- Illiberalism: Cracks in European and North American economic integration
- USA & Mexico, Germany & Poland, Japan & Thailand, China, S. Korea, Vietnam, Bangladesh, Brazil

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 the approval of the instructor). 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 via GVCs

## REFERENCES

### *Economic Power Centers:*

United States  
European Union (E.U.)  
OECD  
BRICS (Brazil, Russia, India, China, S. Africa)

### *Major Organizational Actors:*

The World Bank  
The International Monetary Fund  
Multinational/Transnational Corporations  
The European Central Bank  
GATT and WTO  
Regional Development Banks  
Bilateral Aid Agencies  
Basel Committee  
European Bank for Reconstruction and Development  
Asian Infrastructure Investment Bank  
Belt and Road Initiative