

EC 410/510: Economics of Globalization

**Mondays and Wednesdays
16:00 – 17:20, McKenzie Hall 240C**

Contact Information:

Instructor: Anca CRISTEA
Office: PLC 514
E-mail: cristea [at] uoregon.edu
Phone: 346-1245

Office Hours: Tue, Thurs 3:00-4:00pm & by appt.
Course website: Blackboard

GTF: Nathan Adams

E-mail: nadams [at] uoregon.edu

Course Description:

This course explores the determinants and consequences of globalization from an economic perspective. It integrates material from various fields in economics including international trade, growth theory, labor economics, international finance, and political economy. We will investigate how the current wave of globalization differs from the past, what are the benefits and costs from liberalizing the flow of goods, services, labor and capital across country borders, and what are the effects of globalization on poverty, income inequality, environmental quality and financial stability. The course content relies heavily on facts and empirical evidence from the recent economic literature.

The aim of the course is to give students the necessary knowledge and tools to understand the forces at play in a globalized world, and to critically assess current policy issues and their economic implications.

Course Prerequisites:

The prerequisites for this course are Intermediate Microeconomic Theory (EC 311) and Introduction to Econometrics (EC 320).

Readings:

The course material will be drawn from a variety of sources. The required readings are marked with (*) in the syllabus. They will be posted on Blackboard and announced in class in advance. You are required to read the assigned papers before the class meetings, as we will discuss the content of the papers in class. At random times, I may conduct a “pop quiz” to test the extent to which you have done the readings.

Grading:

Course grades will be determined as follows:

Homework	15%
Pop-up Quizzes	10%
Midterm	30%
Final (cumulative)	45%

Any written assignments are due in class *before the lecture starts* on the day specified and announced well in advance. Late problem sets will not be accepted. Exams are mandatory. The final exam is cumulative. In marginal cases, class attendance and participation will be taken into account.

In-class quizzes can be either announced or pop-up. Announced quizzes will cover material specified in class well in advance. Pop-up quizzes will cover basic questions about the required reading for that day, or about in-class discussions.

Important dates:

Exams:

*Midterm: **Monday, February 9, 2015** (during class time)*

*Final Exam: **2:45pm – 4:45pm Monday, March 16, 2015***

Assignments due dates (subject to change):

Homework #1: January 21, 2015

Homework #2: February 4, 2015

Homework #3: March 4, 2015

Make-up Exams:

Exams can only be made up in emergency circumstances. If you know in advance that you must miss an exam, you must let me know *before* the exam is administered and if the excuse is valid we will work something out.

Re-grade Policy:

I do not accept re-grades for the homework assignments. Exam re-grade requests are subject to the following rules:

1. Requests must be submitted within one week of handing the exams back.
2. Requests must be in written form, explaining clearly why you think you deserve more points.
3. Re-grade requests imply re-evaluating your entire exam, not just the question you have highlighted. Since errors in grading go both ways, *this means that your grade can go up and it can go down.*

Requirements for 510 Students:

Students taking the course for graduate level credit will be required to write an applied paper (8 pages double-spaced) on a topic related to the course material. Please schedule to see me no later than the end of the third week to agree on a paper topic. Further along the quarter, students are encouraged to discuss with me their progress on the project. This paper will comprise 20% of your grade, with the other components accounting for the following percentages: homework 10%, quiz 5%, midterm 25%, and final 40%. The paper is due on the last day of class (*March 11, 2015*).

Academic Dishonesty Policy:

Academic dishonesty (from plagiarizing work to cheating on exams) will not be tolerated. Please acquaint yourself with the Student Conduct Code, which is published online at www.uoregon.edu/~stl/programs/student_judi_affairs/academicdishonesty.htm. If I have reason to believe that a student is violating the Student Conduct Code, I will involve the Student Judicial Affairs Office.

Students with Disabilities:

If you have a documented disability and anticipate needing accommodations in this course, please make arrangements with me during the first week of the term. Please request that the counselor for students with disabilities (164 Oregon Hall) send me a letter verifying your disability.

Outline of the Course (subject to change):

- Week 1:** Course Introduction. What is Globalization?
Waves of Globalization: What's new today?
- Week 2:** Trade and Globalization: Comparative advantage and Gains from Specialization
Benefits of Trade Liberalization
Costs of Trade Protection
Discussion: Free Trade Debate
- Week 3:** New Forms of Trade: Fragmentation of Production
- Week 4:** Outsourcing and Job Stability
Communication Revolution and Service Offshoring
- Week 5:** Globalization and Movements in Factors of Production
Foreign Direct Investments and the Multinational Enterprises
- Week 6:** Globalization and the Environment
Race to the Bottom in Environmental Regulation
- Midterm Exam**
- Week 7:** Environmental Kuznets Curves
Globalization and Climate Change
- Week 8:** Globalization and Economic Growth
Discussion: Does Foreign Aid promote Growth?
- Week 9:** Income Inequality and Poverty Reduction
- Week 10:** International Capital Flows. Financial Crises
Global Governance:
International Monetary Fund (IMF) and the World Trade Organization (WTO)

FINAL EXAM: 2:45pm – 4:45pm Monday, March 16, 2015

Detailed Outline of the Course
(subject to change)

WEEK 1

Jan 5: Course Introduction. What is Globalization?

PPT Slides.

Jan 7: Waves of Globalization. What's new today?

Readings:

Bordo, Michael, Barry Eichengreen, Douglas Irwin, 1999. "Is Globalization Today Really Different from Globalization a Hundred Years Ago?", *Brookings Trade Forum*. Required pages: 1-19, 40-50.

WEEK 2:

**Jan 12: Trade and Globalization: Why countries trade?
Comparative Advantage and Gains from Specialization**

(*)Golub, Stephen, 1998. "Does Trade with Low Wage Countries Hurt American Workers?", *Business Review*, pp. 3-15.

**Jan 14: Gains from Trade and the Cost of Protection
Discussion: Free Trade Debate**

Reading:

(*)Cavanagh, J., Anderson, S., Serra, J., and Espinosa, J. E., 2002. "Debate: Happily Ever NAFTA?", *Foreign Policy*, pp. 58-65.

WEEK 3:

Jan 19: Martin Luther King holiday

Jan 21: New Forms of Trade: Fragmentation of Production

Reading:

(*)Baldwin, Richard, 2012. "Global Supply Chains: Why They Emerged, Why They Matter, and Where They are Going", mimeo. Read: Section 2.

WEEK 4:

Jan 26: Discussion: Outsourcing and Job Stability

Reading:

(*)Hummels, D., R. Jorgensen, J. Munch, C. Xiang, 2013. "The Wage Effects of Offshoring: Evidence from Danish Matched Worker-Firm Data", Purdue University, mimeo.

Jan 28: Communication Revolution and Service Offshoring

Reading:

(*)Pollack, A., 2003. "Who's Reading Your X-Ray?", *New York Times*, Nov. 16 issue.

(*)Blinder, A. S., 2007. "Free Trade's Great, but Offshoring Rattles Me", *The Washington Post*, 6.

Ghemawat, Patrick, 2001. "Distance Still Matters", *Harvard Business Review*, September Issue.

WEEK 5:

**Feb 2: Globalization and Movements in Factors of Production
Foreign Direct Investments and the Multinational Enterprises**

PPT Slides.

Feb 4: The Benefits of Foreign Firms for Local Markets: Spillovers

Reading:

(*)Aitken, B. and A. Harrison, 1999. "Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela", *American Economic Review* 89(3), pp. 605-618.

WEEK 6:

Feb 9: Midterm Exam

**Feb 11: Globalization and the Environment
Race to the Bottom in Environmental Regulation**

Reading:

(*)Ederington, J., A. Levinson and J. Minier. "Footloose and Pollution-Free", *Review of Economics and Statistics* 2005 87(1), pp. 92-99.

WEEK 7:

Feb 16: Kuznets Curves

PPT Slides.

Feb 18: Globalization and Climate Change. Food Miles

Reading:

(*)Cristea, A., D. Hummels, L. Puzello, M. Avetisyan, 2013. "Trade and the Greenhouse Gas Emissions from International Freight Transport", *Journal of Environmental Economics and Management* 65, pp. 153-173.

WEEK 8:

Feb 23: Globalization and Economic Growth

PPT Slides

Feb 25: Discussion: Does Foreign Aid Promote Growth?

Reading:

(*)Burnside, C. and D. Dollar, 2000. "Aid, Policies and Growth", *American Economic Review* 90(4), pp. 847-868.

WEEK 9:

March 2: Income Inequality and Poverty Reduction

Reading:

Dollar, David, 1998. "Globalization, Poverty and Inequality since 1980". *World Bank Research Observer* 20(2), pp. 145-175.

March 4: Discussion: Has globalization increased income inequality?

Reading:

(*)Dreher, A. and N. Gaston, 2008. "Has Globalization Increased Income Inequality?". *Review of International Economics* 16(3), pp. 516-536.

WEEK 10:

March 9: International Capital Flows and Financial Crises

Reading:

Stiglitz, Joseph, 2000. "Capital Market Liberalization, Economic Growth and Instability", *World Development* 28(6), pp. 1075-1086.

**March 11: Global Governance:
International Monetary Fund (IMF) and the World Trade Organization (WTO)**

Reading:

(*)Barro, R. and J.-W. Lee, 2005. "IMF programs: Who is Chosen and What are the Effects?". *Journal of Monetary Economics* 52, pp. 1245-1269.