

EC 482/582: Economics of Globalization

**Tuesdays and Thursdays
12:00 – 1:20pm, McKenzie Hall 229**

Contact Information:

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

Office Hours: Tue 1:30 – 2:30 pm
Wed 3:30 – 4:30 pm
Course website: Canvas

GTF: Saurabh Gupta

E-mail: saurabhg [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 in order to examine the many facets of a globalized world.

The course starts with an overview of the various waves of globalization throughout modern history, highlighting the similarities and differences between the current wave of globalization and the past. The course then launches into a sequence of topics that analyze the economic benefits and costs of globally integrating the markets for goods, services, and factors of production (e.g., labor and capital). Students will examine first-order economic implications of globalization such as the effects on employment, on poverty and income inequality, on environmental quality and on the stability of financial markets. The course content relies heavily on facts and empirical evidence from the current academic literature.

The aim of the course is to give students the foundation and tools to identify the forces at play in a globalized world, and to critically assess the economic implications of current international policies.

Expected Learning Outcomes:

After completing this course, students should attain:

- The ability to identify the economic aspects of globalization manifested in the real world, which operate both at micro level (affecting our everyday life), and at macro level (affecting country level outcomes)
- The ability to apply microeconomic and macroeconomic concepts to evaluate the costs and benefits of global market integration
- The ability to analyze economic data and use statistical methods to test hypotheses and uncover relationships between globalization and economic outcomes of interest

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 (see the detailed outline of the course). The readings will be posted on Canvas and announced in class in advance. You are required to read the assigned papers before the class meetings. We will discuss the content of the required readings 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 (x3)	15%
Pop-up Quizzes	10%
Midterm Exam	30%
Final Exam (cumulative)	45%

There will be three problem sets to be completed during the course period. All 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. *All three assignments must be completed*, but only two of your best scores will count towards your final grade.

In-class quizzes are unannounced (pop-up) and will cover basic questions about the required reading for that day.

Exams are mandatory. The final exam is cumulative. In marginal cases, class attendance and participation will be taken into account in deciding the final grade.

For more details on the grading policy please see the Economics department guidelines available at <http://economics.uoregon.edu/undergraduate-studies/departement-grading-standards/>

Important dates:

Exams:

Midterm: Tuesday, February 11, 2020 (during class time)

Final Exam: 8:00am – 10:00am Wednesday, March 18, 2020

Assignment due dates (subject to change):

Homework #1: January 23, 2020

Homework #2: February 6, 2020

Homework #3: February 27, 2020

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 582 Students:

Students taking the course for graduate level credit will be required to write a term paper (15 pages double-spaced) on a topic related to the course material, in addition to the other course assignments. The paper will have to include a data analysis part. Please schedule to see me no later than the end of the third week to discuss and agree on a paper topic and identify data sources. Further along the quarter, students are encouraged to discuss with me their progress on the project. The term paper will comprise 30% of your grade, with the other components accounting for the following

percentages: homework 10%, quiz 5%, midterm 20%, and final 35%. The paper is due on the last day of class (*Thursday, March 12, 2020*).

Accessibility and Disability Accommodation:

The University of Oregon is working to create inclusive learning environments. If there are aspects of the instruction or design of this course that result in barriers to your participation, please notify me as soon as possible. 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.

Academic Integrity Policy:

All students are expected to complete assignments in a manner consistent with academic integrity. Students must produce their own work and properly acknowledge and document all sources. Academic dishonesty (from plagiarizing work to cheating on exams) will not be tolerated. Please acquaint yourself with the Student Conduct Code, published online at <https://uodos.uoregon.edu/StudentConductandCommunityStandards/StudentConductCode>. If I have reasons to believe that a student is violating the Student Conduct Code, I will involve the Office of the Dean of Students.

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:** **Midterm Exam**
Globalization and the Environment
Race to the Bottom in Environmental Regulation
- 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: the International Monetary Fund, the World Trade Organization

FINAL EXAM: 8:00am – 10:00am Wednesday, March 18, 2020

Detailed Outline of the Course
(subject to change)

WEEK 1

January 7: Course Introduction. What is Globalization?

Powerpoint (PPT) Slides.

January 9: Waves of Globalization. What's new today?

Readings:

(*)Bernanke, Ben, 2006. "Global Economic Integration: What's New and What's Not?", Speech, Board of Governors of the Federal Reserve System.

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.

WEEK 2:

**January 14: Trade and Globalization: Why countries trade?
Comparative Advantage and Gains from Specialization**

Reading:

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

**January 16: 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:

January 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.

January 23: Discussion: Outsourcing and Job Stability

Reading:

(*)Hummels, D., R. Jorgensen, J. Munch, C. Xiang, 2014. "The Wage Effects of Offshoring: Evidence from Danish Matched Worker-Firm Data", *American Economic Review* 104, 1597-1629.

WEEK 4:

January 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.

**January 30: Globalization and Movements in Factors of Production
Foreign Direct Investments and the Multinational Enterprises**

Reading:

(*)“Laptops from Lapland,” *The Economist*, September 6, 1997.

“Worldbeater Inc.,” *The Economist*, November 22, 1997, pp 92-93.

WEEK 5:

February 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.

**February 6: Globalization and the Environment
Race to the Bottom in Environmental Regulation**

PPT Slides.

WEEK 6:

February 11: Midterm Exam

February 13: Pollution Heaven Hypothesis + Kuznets Curves

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:

February 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.

February 20: Income Inequality and Poverty Reduction

Reading:

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

WEEK 8:

February 25: 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.

February 27: Globalization and Economic Growth

PPT Slides

WEEK 9:

March 3: 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.

March 5: International Capital Flows

Reading:

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

WEEK 10:

**March 10: 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.

March 12: Final exam review