

**University of Colorado Boulder**  
**Department of Economics**  
**Fall 2019**

**Economics 4929: Globalization, Growth and Inequality**

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**Hours: Mondays 3-5; Tuesdays 4-5 and by appointment**

**Course Canvas site: <https://cuboulder.instructure.com/courses/53920>**

**Introduction**

Nothing is more prominent in current economic and political debates than the relationships among economic globalization, growth, and dramatically increasing inequality, both within and across countries. These factors are deeply interrelated and often misunderstood in the popular media and political debates. Economic globalization, in its most recent and most comprehensive wave in history, has brought many countries firmly into the international economic system. It has generated great benefits, most importantly the remarkable reduction in world poverty rates. At the same time it has raised stresses on middle-income households and regions in the developed world, concentrated high-technology economic activity geographically, and pressured world environmental usage, among other elements. All of this has developed in an era of major technological change, with the effects of knowledge, information technologies, and automation playing major and complex roles.

No less important, policy globalization in the name of economic efficiency has elevated concerns about the loss of sovereignty, identity, and culture. We now seem to have entered a phase of significant backlash against these processes, or even growing preferences to reverse them sharply. How this debate plays out will be a central determinant of the future evolution of markets, competition, growth, and employment, not to mention democratic processes. These sound like issues worth studying and understanding more deeply.

**Objectives**

In this course we will read widely about the nature and sources of globalization and technological change, their contribution to growth and convergence (or divergence) across countries, and consequent increases or decreases in inequality within economies. We will consider the impacts of liberalizing trade, capital flows, markets for technology, and migration, along with opening financial markets. All of these areas are controversial in their effects and now encounter increasing resistance across countries. We will also consider inequality in broader contexts: what seems to be happening to regional disparities (e.g., rural versus urban), gender differences in employment and incomes, and exposure by income classes to environmental damages?

The course will be organized as a mixture of lecture format early in the term and seminar-style discussions and presentations as the semester progresses. As a result, students will also be asked

to write position papers, interpret some professional literature, and engage in classroom discussions and presentations. All students are expected to read the indicated materials each week ahead of the class in which they will be discussed or presented.

### **Course work**

The course work, on which assessment will be based, is as follows. on written assignments and in-class participation. While this will evolve as the course is developed at this time the work envisioned includes:

1. One midterm exam (October 18), worth 20% of the grade.
2. One final exam (Monday, December 16, 1:30-4:00 pm), worth 30%.
3. Two short papers you write giving your reactions to 2 economic publications, worth 5% each.
4. One term paper you write extensively reviewing and analyzing one substantive area of inquiry in the class, worth 20%. (Topic ideas will be discussed in class.)
5. One oral presentation (20 minutes) of a particular economics paper from the literature, worth 15%.
6. Engaging in classroom discussions throughout the semester, worth 5%.

### **Course materials**

There really is not a text that covers the subject matter in a way that will work for us. So I list below several readings, with links to where they can be found on line. I will also post PDF versions to the course Canvas site. A few readings may need to be placed on reserve in Norlin Library.

These readings feature a mix of policy statements, professional reviews of important subjects, and professional economics articles. By reading them you should gain greater understanding of how international economists approach these deep questions. They should also help organize your own thinking about complex international problems.

### **Outline and readings (dates are approximate except for midterm)**

**This outline lists materials through the midterm; a complete syllabus will be issued shortly.**

#### **Part 1. Globalization: sources, channels and effects**

*August 26-30 Introduction to globalization*

Readings:

World Bank, *Globalization, Growth and Poverty*, 2002, Overview & Chapter 1, pp 1-51.

Chandy and Gertz, *Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015* Brookings Institution, 2011.

September 4-6 Data overview: channels of globalization

*September 9 Brief history of globalization since the 19<sup>th</sup> century*

Reading:

Baldwin, *The Great Convergence: Information Technology and the New Globalization*, 2016, Chapter 2, pp 47-78.

September 11-13 NO CLASS

*September 16 The rise of economic populism*

Readings:

Rodrik, "Populism and the Economics of Globalization" *Journal of International Business Policy* 2018.

Noland, Protectionism under Trump: the China Shock, Intolerance, and the 'First White President' PIIE Working paper 2019.

SEPTEMBER 20: 2-PAGE CRITICAL REACTION PAPER ON EITHER RODRIK OR NOLAND PAPER DUE AT BEGINNING OF CLASS.

## **Part 2. Globalization and Economic Growth**

*September 18-25 Basics of economic growth and innovation in open economies*

Materials: Maskus class notes

Reading:

Acemoglu and Robinson, "The Role of Institutions in Growth and Development," CGD Working Paper, 2008.

September 27 NO CLASS

*Sept 30-Oct 4 Impacts of trade and FDI openness on economic growth:*

STUDENT PRESENTATIONS, first set

Readings to be presented:

Sept 30 Searching for causality

1. Frankel and Romer, "Does Trade Cause Growth?" *American Economic Review* 1999.
2. Dollar and Kraay, "Trade, Growth and Poverty," *Economic Journal* 2004.

Oct 2-4 Trade, FDI and productivity spillovers

1. Coe, Helpman, and Hoffmaister, "North-South R&D Spillovers," *Economic Journal* 1997.
2. Aitken and Harrison, "Do Domestic Firms Benefit from Direct Foreign Investment?" Evidence from Venezuela," *American Economic Review* 1999.

Oct 4 FDI spillovers continued plus trade and induced innovation

1. Keller and Yeaple, "Multinational Enterprises, International Trade, and Productivity Growth," *Review of Economics and Statistics* 2009.
2. Coelli, et al, "Better, Faster, Stronger: Global Innovation and Trade Liberalization," CEPR discussion paper 2016.

*Oct 7-9 The roles of immigration in economic growth*

Materials: Maskus class notes

Reading:

Nunn, O'Donnell, and Shambaugh, "A Dozen Facts about Immigration," Brookings Hamilton Project, 2018.

Further reading for those interested (not required): Blau and Mackie, editors, *The Economic and*

*Fiscal Consequences of Immigration*, National Academies Press, 2016.

*Oct 11 Skilled immigration and innovation:*

STUDENT PRESENTATIONS, second set

Readings to be presented:

1. Hunt and Loisel, "How Much Does Immigration Boost Innovation?" *AEJ: Macroeconomics* 2010.
2. Kerr and Lincoln, "The Supply Side of Innovation: H1-B Visa Reforms and US Ethnic Invention," *Journal of Labor Economics* 2010.

*Oct 14-16 Basics of technological change and trade*

Materials: Maskus, class notes

OCTOBER 18 MIDTERM EXAMINATION: COVERS MATERIALS THROUGH IMMIGRATION

*Oct 21 Outsourcing, production networks and the growth of East Asia*

Readings:

Baldwin, *The Great Convergence*, Chapter 3, pp 79-110.