

University of Colorado
Economics in Action: Topics in Globalization (Economics 4999-001)
Fall 2006

Instructor: Professor Wolfgang Keller

Time & place : MWF 1:00 – 1:50 pm in EKLC M203
Office : Economics 222
Office hours : Wed 3:00 – 4:30 pm
Email : Wolfgang.Keller@colorado.edu
Course web page: <http://spot.colorado.edu/~kellerw/courses/4999f06/>

Class Content and Goal:

This class discusses major topics in the area of globalization, where the latter is defined as a major increase in economic integration in the world economy. The goal for this class is that you develop the ability to judge arguments in this debate based upon their economic merits.

To achieve this goal, the course consists of lectures, two presentations by each student leading to a paper, as well as classroom discussion.

There is no required text for this course. There are a number of relevant books:

- *Why Globalization Works*, by Martin Wolf, Yale University Press, 2004.
- *Globalization and its Discontents*, by Joseph Stiglitz, Norton, 2002.
- *In Defense of Globalization*, by Jagdish Bhagwati, Oxford University Press, 2004.
- *Has Globalization Gone Too Far?*, by Dani Rodrik, Institute for International Economics, 1997.

Each book provides good introductory reading on individual topics in the area of globalization, and would be a good purchase for this class.

Course Structure:

This may be changed as appropriate during the term

Aug 28 to Oct 11:	Background lectures introducing analytical tools for studying globalization
Oct 13 to Oct 25:	Student Presentation 1 (fifteen minutes, including questions & classroom discussion)
Oct 27 to Nov 8:	Background lectures, continued
Nov 10 to Dec 15:	Student Presentation 2, based on the student's paper (twenty-five minutes, including questions & classroom discussion)
Dec 8 :	Paper due date
Dec 18 :	Final exam, 10:30 am (comprehensive)

Grading:

Presentation 1, Presentation 2 each 33%	66%
Final Exam	34% (required to pass the class)
Class attendance	≥ 75% required to pass the class

All presentations must be made using a laptop and Powerpoint etc, or using transparencies and an overhead projector. I will provide my laptop if you request that, and send the presentation file at least 24 hours before your presentation. I will randomly allocate students to specific time slots for Presentations 1 and 2. You can **only** do your Presentations in that specific time slot. Your paper should not have more than 15 pages, including

references and supporting material (references, tables, figures, etc). It will be placed on the course web page on December 8.

The final exam covers (1) lecture material as well as (2) the student papers and class discussions of the presentations. The lectures are mostly given at the level of the textbook by Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, 6th edition, 2003, Addison & Wesley (or 7th edition, 2006). Even though my lectures are self-contained, if you have not taken a course in International Trade, I recommend that you buy this book as background reading. In the lectures, I will emphasize analytical models of trade and foreign direct investment (FDI), as well as empirical evidence.

How to do well in this class:

- 1) You **actively participate** in class discussion, as well as the discussion of the presentations.
- 2) Your research topic is in the **area of the economics of globalization**; see the topics below and the four books on globalization above.
- 3) Your presentations and paper have a **specific research question** that is being addressed. Simply writing a narrative of a particular country's stance towards trade over a particular time horizon, for example, does not do that.
- 4) You cite trustworthy, **quality references** on factual issues.
- 5) You use **analytical tools** (models, equations, graphs) together with **data** that you have collected to make your points.

Some examples of good presentation and paper topics:

- 1) The main causes and effects of child labor practices in [country]
- 2) What drives the rise of India's high-technology sector?
- 3) The effects of Mexico's exports on low-skilled US workers during [time period]
- 4) Causes behind the shift in US outward FDI from [country x or sector y] to [country w or sector z]
- 5) A comparison of the attitudes towards globalization in [country] during the Interwar period and the 1990s
- 6) The effects of the Free Trade Area of the Americas on skilled and unskilled workers in [American country]

Good starting points for your research are the four books mentioned above (including the references given therein). You should also consult the analyses of the major international economic agencies: *The World Bank*, *The International Monetary Fund*, *The World Trade Organization*, the *United Nations Conference on Trade and Development*, and the *OECD*. These organizations are also good sources for economic data. There are also important regional international agencies, such as the *Inter-American Development Bank*, and the *European Union* with their statistical agency, *Eurostat*. More detailed country-specific information is often provided by the national statistical agencies of the respective countries. For example, the US *Bureau of Economic Analysis* (a division of the US Commerce Department) hosts the statistics for US Foreign Direct Investment. A number of Non-Governmental Organizations (NGOs) also produce valuable reports on various aspects of globalization, for example *Oxfam*. Also helpful may be the reports by consulting firms, such as the *Economist Intelligence Unit* of *The Economist* magazine. All of these organizations have easy-to-find web sites where you can start your search (such as, <http://www.imf.org> for *The International Monetary Fund*). Moreover, CU's library subscribes to many important online data bases; you should consult with the reference staff at Norlin Libraries for details about this.

Topics Outline

1. Globalization: The concept, its history, and responses

K. O'Rourke, "The European Grain Invasion, 1870-1913", *Journal of Economic History*, Dec 1997, 775-801; available at www.jstor.org

D. Rodrik, "Symposium on Globalization in Perspective: An Introduction", *Journal of Economic Perspectives*, Fall 1998: 3-8; available at www.jstor.org

J. Williamson, "Globalization, Labor Markets and Policy Backlash in the Past", *Journal of Economic Perspectives*, Fall 1998: 51-72; available at www.jstor.org

R. Feenstra, "Integration of Trade and Disintegration of Production in the Global Economy", *Journal of Economic Perspectives*, Fall 1998: 31-50; available at www.jstor.org

Krugman & Obstfeld, 6th edition, Chapter 3.

2. Trade and the incomes of unskilled workers

Krugman & Obstfeld, chapter 4.

Wood, Adrian, "How Trade Hurt Unskilled Workers", *Journal of Economic Perspectives*, Summer 1995, pp.57-80; available at www.jstor.org

Freeman, Richard, "Are your wages set in Beijing?", *Journal of Economic Perspectives*, Summer 1995, pp.15-32; available at www.jstor.org

Rodrik, Dani, Has Globalization Gone Too Far?, chapter 2.

Eli Berman, John Bound, and Stephen Machin, "[Implications of Skill-Biased Technological Change: International Evidence.](#)" *Quarterly Journal of Economics* 113(4), November, 1998; available at www.jstor.org

Eli Berman, John Bound, and Zvi Griliches, "Changes in the Demand for Skilled Labor within U.S. Manufacturing Industries: Evidence from the Annual Survey of Manufactures," *Quarterly Journal of Economics*, May 1994; available at www.jstor.org

3. Foreign Direct Investment:

Krugman & Obstfeld, chapter 7

Markusen, James, "The Boundaries of Multinational Enterprises and the Theory of International Trade", *Journal of Economic Perspectives*, Spring 1995, pp.169-189; available at www.jstor.org

Brainard, S. Lael, "[An Empirical Assessment of the Factor Proportions Explanation of Multi-National Sales](#)", NBER Working Paper No. 4583, December 1993; available at www.nber.org

Hanson, Gordon, Ray Mataloni, and Matt Slaughter, "Expansion Strategies of US Multinational Firms", NBER Working Paper No. 8433, August 2001; available at www.nber.org

4. Effects of FDI in host countries

Feenstra, Robert C. and Gordon H. Hanson, 1996, "Foreign Investment, Outsourcing and Relative Wages," in R.C. Feenstra, G.M. Grossman and D.A. Irwin, eds., *The Political Economy of Trade Policy: Papers in Honor of Jagdish Bhagwati*, MIT Press, 89-127; also NBER Working Paper No. 5121; available at www.nber.org

Keller, Wolfgang, and Stephen Yeaple, "Multinational Firms, International Trade, and Productivity Growth: Firm-Level Evidence from the US", May 2006 available At <http://spot.colorado.edu/~kellerw/Research.htm>

5. Agricultural subsidies and protectionism: political economy

Krugman & Obstfeld, Chapters 8, 9

Oxfam, "Stop the Dumping!", Policy Briefing Paper,

http://www.oxfam.org.uk/what_we_do/issues/trade/bp31_dumping.htm

Panagariya, Arvind, "Agricultural Subsidies and the Least Developed Countries: Six Fallacies", 2005; available at <http://www.columbia.edu/~ap2231/>

6. Outsourcing & Offshoring: Effects on the Home Country

Feenstra, Robert C. and Gordon H. Hanson, 1999, "The Impact of Outsourcing and High-Technology Capital on Wages: Estimates for the U.S., 1979-1990," *Quarterly Journal of Economics*, August 1999, 114(3), 907-940.

Mary Amiti & Shang-Jin Wei, 2006. "[Service Offshoring and Productivity: Evidence from the United States](#)," [NBER Working Papers](#) 11926; available at www.nber.org

Kletzer, Lori, and J. Bradford Jensen, "Tradable Services: Understanding the Scope and Impact of Services Offshoring", in *Brookings Trade Forum 2005*, available at <http://econ.ucsc.edu/~lkletzer/>

7. Child Labor And Other Standards

Rodrik, Dani, Has Globalization Gone Too Far?, Chapter 3.

Edmonds, Eric, and Nina Pavcnik, "[International Trade and Child Labor: Cross-Country Evidence](#)", *Journal of International Economics*, January 2006, 115-140.

Students with Special Needs: If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services (DS) in a timely manner so that your needs may be addressed. DS determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322 and www.colorado.edu/disabilityservices

Sexual Harassment Policy: The University of Colorado at Boulder policy on Discrimination and Harassment (<http://www.colorado.edu/policies/discrimination.html> , the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships) applies to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based on race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at (303) 492-2127 or the Office of Judicial Affairs at (303) 492-5550. Information about the OSH and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at: <http://www.colorado.edu/odh>

Religious Observances: Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, please let me know in a timely manner if one of the exam dates falls on a religious holiday you intend to observe and I will arrange for you to take a make-up. See policy details at http://www.colorado.edu/policies/fac_relig.html

Classroom Behavior: Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which students express opinions. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences in race,

culture, religion, politics, sexual orientation, gender variance, and nationalities. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code

Academic Integrity: All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu ; 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>