

University of Wisconsin, Madison

## IS 373 / AAE 373: GLOBALIZATION, DEVELOPMENT AND POVERTY

Spring Semester, 2017

Thomas F. Rutherford

Lectures

MWF 9:55AM - 10:45AM, Nutritional Science 290

Office Hours

Tuesday (2:30-4 pm, Taylor Hall 330, 608-890-4576)

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### **Overview**

What are the links between globalization, economic development, and poverty in low-income economies? How do these links operate, and how are they mediated or altered by global and national policies and institutions? We focus on 4 economic mechanisms of globalization: (i) trade, (ii) foreign direct investment, (iii) migration, and (iv) foreign aid. Our empirical emphasis is the past three decades. For historical and conceptual reasons, we begin with a 1 week unit that provides a quick overview of the history of economic thought on globalization/development. Then, we set to work on the main objective of the course which is to explore how the economics of globalization work and how they shape growth, development, and poverty outcomes. Most of the first few weeks are spent introducing concepts and developing some basic models of trade and capital flows to help explain the heterogeneous effects of global economic interactions on developing economies. Most of the course centers on examining real-world evidence and historical processes of the effects of globalization on developing countries. In several sections of the course, we will summarize what we have learned with group presentations.

### **Learning Objectives**

This is a three credit course appropriate for undergraduate students interested in learning about economic development, international institutions, the global trading system, and the factors which influence poverty in developing countries. The course provides an economic perspective on current political issues: multinational corporations, immigration policy, alternative perspectives on the appropriate role of bilateral and multilateral aid.

From a skills perspective, the course incorporates skills related to both numeracy and literacy. We will learn about how to locate and interpret economic datasets, trade theoretic frameworks for interpreting data, and an introduction to the rhetoric of economic policy analysis.

## Assignments and Assessment

- About 6 homework assignments (15% total)
- 2 papers (10% + 15% = 25% total)
- 1 Group Presentation (15%)
- Mid-term exam, held in class on March 6 (15%)
- Class Participation (5%)
- Final exam (25%)

One of the written assignments will be coupled with the group presentation. While you will be required to work together to prepare the presentation, the written assignment will be done individually. Bottom line is that this written assignment can reflect the group's shared effort, but it needs to be in your own words and emphasize the thematic material you explored for the presentation. This written assignment is due within a week of your group presentation.

Group presentations will last about 20-25 minutes, and will be followed by a class discussion of 10-15 minutes. A handout on the group presentations and written assignments develops this exercise in more detail.

## Texts and Teaching Resources

Class notes, assignments, readings, and other resources will be posted to the class site on Learn@UW. A few readings will have direct web links from the syllabus. My goal is to place the PDF lecture notes on line by the evening before lecture to encourage participation by providing a clear summary of what material the class session will cover. Access to the site requires registration for the class and a valid UW NetID. You will also need to know how to access electronic journals online through MadCat.

- Rodrik, D. 2011, *The Globalization Paradox: Democracy and the Future of the World Economy*. Oxford University Press. (Required)
- Easterly, W., *The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor*, Basic Books (selections)
- Goldin, I., and K. Reinert, 2006. *Globalization for Development: Trade, Finance, Aid, Migration, and Policy*. Palgrave MacMillan for the World Bank (selections)
- Rodrik, D. 2011, *Economics Rules: The Rights and Wrongs of the Dismal Science*. Norton. (selections)
- McCloskey, D., 2000. *Economical Writing*, Waveland Press, Inc. (required)
- Stiglitz, J., 2006. *Making Globalization Work*. Norton (selections)
- Background material on economics and Excel will include materials from [www.saylor.org/books](http://www.saylor.org/books).
- Other readings and excerpts supplied electronically on the course web page or accessible on the internet.

# Tentative Class Outline

## I Introduction

1. Globalization, Development and Poverty
2. Globalization trends
3. Globalization, Poverty and the Millennium and Sustainable Development Goals
  - UN MDG/SDG web pages
  - Howard Friedman's assessment
  - William Easterly on poverty and the MDG
  - Using Microsoft Excel to understand data.
4. Institutions, Trade and Globalization
  - Chapters 1, 2 in Rodrik
  - Chapters 1, 2 in Goldin and Reinert
5. Economic Growth
  - New Palgrave Dictionary of Economics*, ed. Durlauf and Blume, 2008. Entries on "Economic growth" (by Howitt and Weil) and "Growth and international trade" (by J. Rauch).
  - Elhanan Helpman, 2004. *The Mystery of Economic Growth*, Ch. 1 Background and Ch. 5 (Interdependence).
  - Collier, Paul, 2007. *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*
6. The Case for Smart Globalization
  - Chapters 3 and 4 in Rodrik
  - Williamson on the Washington consensus
7. Evidence on impact of trade openness on growth and poverty
  - Dollar, Kleineberg and Kraay (2013)
  - Dollar and Kraay (2001)
  - Winters (2002)
8. The role of the World Bank

## II Microeconomic foundations of trade

1. Partial equilibrium analysis
  - Introduction to economic analysis – supply and demand, quantification, analyzing government interventions in a partial equilibrium framework
2. Applied partial equilibrium analysis: cotton markets and poverty in Africa
  - "Organization and Performance of Cotton Sectors in Africa", The World Bank
  - "US and EU Cotton Production and Export Policies and their Impact on West and Central Africa", Ethical Globalization Initiative
3. Endowments, prices and poverty
  - Introduction to economic analysis: applied consumer theory

Winters (2002)

4. Applied partial equilibrium analysis: global markets for sugar and poverty in South America

Introduction to economic analysis: trade, producer theory, general equilibrium

5. Microeconomics and trade: comparative advantage, gains from trade.

The Ricardian theory of comparative advantage, the pure exchange model

6. Applied general equilibrium models of trade

### III Applications and Extensions

1. Labor-intensive exports (empirical)

Chapters 7, 8 in Rodrik

Martin et al on “Vietnam: Deepening Reforms for Export Growth”,

Rodrik, D. “What’s so special about China’s exports”

2. Dutch disease: theory and issues

Van der Ploeg, “Natural Resources: Curse or Blessing?”

Chile/Copper, Korinek, “Resource Trade in Chile...”

Nigeria/Oil, Sala-Martin, “Addressing the Natural Resource Curse”

3. Export booms and the “resource curse”

Coxhead, “A New Resource Curse”,

Williams, “Cattle Boom”, Chapters 4-6

4. Coffee Markets

Barham et al. 2011

Barham and Weber, 2012

5. International factor flows and payments.

Rodrik, Ch. 5,6

6. International capital flows: history, composition, and destination

Goldin and Reinert, Ch 4

French-Davis, “Capital Account Regulations in Chile & Colombia”

7. Foreign Direct Investment (FDI) and development

Hanson, “Should Countries Promote FDI?”

8. Labor and Migration: Growth in the global labor force & migration

Goldin and Reinert, Ch 6.

9. Migrants, remittances and development: case studies

Clark et al., 2004

Hertel and Zhai 2004

10. Aid and Development Assistance

Goldin and Reinert, Ch. 5

Stiglitz, Ch. 9

“Aid and Dutch Disease in Low Income Countries,” Nkusu

11. Perspectives on globalization and Wrap-up

Rodrik, Ch 10-12