

The Growth and Development of Nations in the Global Economy

M-Th 9:30am-12:20pm, 28 May to 20 June 2019

The last 200 years has shown the greatest advance in the conditions of the world's population ever achieved in such a brief span of time.

– Easterlin: “The worldwide standard of living since 1800” *J. Econ. Perspectives* (2000).

Since 1820 the world has seen [unprecedented gains on many indicators of human wellbeing](#). However, these gains have been quite unequally distributed across countries and through time. Poverty remains widespread, and income inequality within countries has been rising. As the world's economies become ever more interconnected, controversy over the role of trade and global markets in economic growth and poverty alleviation has perhaps never been greater.

Understanding these controversies requires delving into key questions about the markets, institutions, and policies that shape the growth and development of nations in the global economy. That is what we address in this course. After a brief survey of broad patterns of growth and living standards, we first explore the basic economics of international trade. The doctrine of comparative advantage suggests that trade between poor and rich countries can be mutually beneficial. We explore the logic of comparative advantage and some critiques on how it shapes growth and development. We also consider how barriers to trade such as tariffs may alter the size and the distribution of gains from trade.

The second part of the course examines the forces and institutions that shape the endowments of people, skill, capital and technology that basic trade theory takes as given. Drawing on economic growth theory, this part of the course explores the “drivers” of growth and the reasons why growth experiences vary across nations and over time.

In the third part of the course, we construct unified accounts of growth and development in a global trading system. We delve deeply into how endowments, technology, inequality, and institutions interact to shape growth and development outcomes. We characterize 21st century patterns of trade and global market interactions including global supply chains, South-South trade, outsourcing and foreign investment and revisit trade, growth and development controversies taking these into account. If time permits, we will look at the current US economy through the same lenses.

This course builds from basic economic theory as taught introductory courses and simple, spreadsheet-based analysis of data to better understand the factors that shape the wealth and well-being of nations and people in the world around us. It is also designed to enhance these basic skills. Problem sets will address this by using real-world data to examine substantive issues from the syllabus. By completing this course you will gain an understanding of basic models of international trade and economic growth, simple statistics, a working knowledge of available data on the global economy, and the ability to analyze such data using spreadsheet software packages.

Prerequisite

The prerequisite for the course is an introductory college-level economics course such as AAE215, Econ 101 or Econ 111.

Required texts

Required texts **will be notified** and will also be available on library reserve. Additional required readings will be made available electronically on the course web site.

Course page on Canvas

Lecture notes, problem sets, data sets, answer sheets and other material for the course will be posted on the course Canvas page.

Office hours and contact information

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Course requirements

Reaction papers (short essays) and problem sets will comprise a significant part of your grade. You are welcome to consult with classmates and to work together on spreadsheet and data analysis. However, **the written work you hand in must be yours alone**. Credit will not be given for problem sets that are multiple printings of the same answers.

The workload is **subject to revision** but will be similar to this:

- 4 Problem Sets (equally weighted—combined worth 40% of total grade)
- 3 Reaction Papers (15% of total grade)
- 2 Exams (equally weighted—combined worth 40% of total grade)
- Participation in class and section (5% of total grade)

Problem sets and reaction papers will NOT be accepted after the due date.

The grading scheme is: A: 92-100%, AB: 86<92, B: 80<86, BC: 74<80, C: 68<74, D: 62<68, F: <62.

Learning outcomes

This course uses economic theory and evidence to better understand the factors that shape the wealth and well-being of nations and people in the world around us. It is also designed to enhance basic economics training and impart basic statistical literacy. By completing this course you will gain an understanding of basic models of international trade and economic growth, simple statistics, a working knowledge of available data on the global economy, and the ability to analyze relevant contemporary issues both qualitatively, and quantitatively using real data and spreadsheet software tools.

Please prepare for class

There is a fair bit of “technical” material in the class. This includes economic models, data, and some statistical analysis. The syllabus provides you with readings and other resources that will help you get acquainted with this material. *I expect you to read these ahead of class*. Lectures will be structured around that expectation. That will free up more time for us to explore the nuances of the material that we cover, and to discuss its implications.

Pro-forma statements

Course credit information

This class meets for two 75-minute class periods plus one 50-minute discussion section each week over the fall semester and carries the expectation that students will work on course learning activities (reading, writing, problem sets, studying, etc.) for about 3 hours out of classroom for every class period. The syllabus includes more information about meeting times and expectations for student work.

Instructional Mode

Classroom-based instruction (lectures, in-class discussion) and discussion sections

Rules, rights & responsibilities

See the Guide's [Rules, Rights and Responsibilities](#)

Academic integrity

By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison's community of scholars in which everyone's academic work and behavior are held to the highest academic integrity standards. Academic misconduct compromises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Office of Student Conduct & Community Standards for additional review. For more information, refer to studentconduct.wiscweb.wisc.edu/academic-integrity/.

Ian's plain English version: We all make mistakes but plagiarism—the deliberate appropriation of another's work without due citation and acknowledgment—is never a mistake. It also makes you seem really dumb. First, because when you copy the work of others you deprive yourself of a learning opportunity. Second, because plagiarism is an act of laziness, so it is almost always super-easy to detect. Of course, with more time and effort you could conceal it better, but in that case why not spend the time doing original work instead?

Accommodations for students with disabilities

McBurney Disability Resource Center syllabus statement: "The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA." <http://mcburney.wisc.edu/facstaff/other/faculty/syllabus.php>

Diversity & inclusion

Institutional statement on diversity: "Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals.

The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background – people who as students, faculty, and staff serve Wisconsin and the world." <https://diversity.wisc.edu/>

Syllabus and class schedule (Subject to revision)
(NB: one “class” is about 75 minutes; there will be 2/day)

May 28-29

- I. INTRODUCTION: The long view and the big issues (1 class)
WEIL, Chapter 1, HELPMAN, Chapter 1
WILLIAMSON, Chapter 1

- II. ANALYTICAL BUILDING BLOCKS (3 classes)
 - A. *Some basic analytical tools*
WEIL, Ch.2, pp. 30-37

 - B. *Comparative advantage and gains from trade*
HELPMAN, Chapter 2, pp. 12-32.
Plus: any graphical exposition of gains from specialization and trade (ex: <http://www.economicdiscussion.net/trade/gains-from-trade-static-and-dynamic-gains/10711>)

 - C. *North-South trade*
HELPMAN, Chapter 2, pp. 28-45.

Due 6/1 (online submission)

REACTION PAPER 1
PROBLEM SET 1

May 30-June 6

- III. CONTROVERSIES OVER TRADE (3 classes)
 - A. *Should countries pursue comparative advantage? Tariffs and development*
WILLIAMSON, Chapter 13
Feenstra and Taylor, *International Economics*, pp. 241-263.

 - B. *Trade, inequality and development*
HELPMAN, Chapter 3; WEIL, Chapter 11, pp. 329-333.

 - C. *The natural resource curse*
WILLIAMSON, Chapter 4; WEIL, Chapter 15.3.
(deeper read: Sachs and Warner 2001 in Readings file)

 - D. *Taking stock: trade, growth and development*
Reading TBA

- IV. GROWTH (7 classes)
 - A. *Economic growth concepts, measures and models*

WEIL: Chapter 2, Chapter 7

B. *Solow growth model and convergence (2 classes)*

WEIL: Chapter 3.

C. *Technology, human capital, poverty traps (3 classes)*

WEIL: Chapter 6, 7.3.

D. *Growth in the open economy*

WEIL: Chapter 11.

Due 6/8 (online submission)

REACTION PAPER 2

PROBLEM SET 2

June 10-13

EXAM 1, IN-CLASS (1 class)

V. TRADE, GROWTH AND DEVELOPMENT IN THE 21ST CENTURY (9 classes)

A. *Export oriented industrialization and “Miracle” growth*

Reading TBA

B. *Trade liberalization and productivity growth: modern models*

HELPMAN: Chapter 5

C. *Offshoring, outsourcing and FDI*

HELPMAN: Chapter 6

D. *Trade, growth and inequality in emerging economies*

WEIL: Chapter 13, pp.370-392

WILLIAMSON: Chapter 9 (historical background)

E. *Trade and inequality in mature economies*

Reading TBA

Due 6/15 (online submission)

REACTION PAPER 3

PROBLEM SET 3

June 17-20

VI. TRADE INSTITUTIONS AND POLICIES (6 classes)

This part of the course will involve substantial in-class discussion and presentation

A. *Trade agreements and institutions*

B. *Environmental agreements, trade and growth*

C. *Policy choices for emerging economies and mature economies*

REVIEW AND EXAM 2, IN CLASS (2 classes)