

# Globalization

April 4, 2017

Instructor:	Marc-Andreas Muendler	
Office:	Economics 312	
Office hours:	Thu 10:00a-11:00a	
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Class Times:	TueThu 2:00p-3:20p (no class on Thu 4/27 and Thu 5/4) Extra class times: Mon 4/24 and Mon 5/1 7:00p-8:20p	
Classroom:	Ledden Auditorium; on 4/25 and 5/2: York 2722	
Course Web Page:	<a href="http://econ.ucsd.edu/muendler/teach/17s/102">econ.ucsd.edu/muendler/teach/17s/102</a>	
Section Times:	Wed 2:00p-2:50p	Wed 3:00p-3:50p
Section Room:	Center Hall 212	Center Hall 212
Section IDs	900085	900086
Teaching Assistants:	Chen Liu	Elizabeth (Hastings) Roer
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Office:	SH 232	SH 237
Office hours:	<i>from 4/5 through 5/5</i> Wed 4:20p-5:20p Fri 4:00p-5:00p	<i>from 5/9 through 6/9</i> Wed 4:20p-5:20p Fri 4:00p-5:00p
Readers:	Tyler Louis Paul	Jianan Yang

## 1 Course Objectives

This course on the economics of globalization presents theories of global economic integration, each grounded in the principle of comparative advantage. Lectures investigate patterns of trade when trade is balanced and capital flows when trade is not balanced, with a focus on trade in goods, services and sovereign debt securities. The course aims to assess the consequences of economic globalization and evaluate economic policies for industry location, incomes, welfare and economic growth.

The course is designed as a lower-level upper-division class that presents foundations for both *International Trade* (Economics 101) and *International Monetary Relations* (Economics 103). The first half of the course shares topics with Econ 101, emphasizing the essentials of comparative advantage for specialization in economics activities and the trade in goods. The second half lays real-side foundations for Econ 103, emphasizing the idea of comparative advantage over time for lending and borrowing in international capital markets.

## 2 Prerequisites

Econ 1 and 2 or 3, or 100B.

(Students who are academically prepared to take Econ 100B, or have taken Econ 100B, are also academically prepared to take 102.)

### 3 Readings and Podcasts

Electronic lecture notes are available online at [econ.ucsd.edu/muendler/teach/17s/102](http://econ.ucsd.edu/muendler/teach/17s/102). Key graphs are left empty for you to complete. On May 2, complete lecture notes (with overlay graphs) will become available for lectures 1 through 10. On June 8, the remaining complete lecture notes (with overlay graphs) will become available for lectures 11 through 19.

**Forthcoming textbook:** Muendler (2014)/ch. 1-4, 6 and 14

Chapters of the textbook draft Muendler (2014)/ch. 1-4, 6 and 14 are available for download from the class web page (see link above) prior to the respective lectures. (Further textbook draft chapters may become available over the course of the quarter.) The chapters are zipped and password protected. The password is given out on the first day in class.

The lectures will become available, as held, in the form of video podcasts with a one-week delay.

### 4 Problem Sets

There will be two problem sets, due on scheduled dates prior to the two exams. You are encouraged to work on the problems with your classmates. Your teaching assistant will hold sections over the course of the quarter (see schedule below) to help you solve the problems, and you can receive assistance during any of the scheduled office hours. The problem set questions are written in the style of review questions that span material *across* individual lectures.

Your solutions to the problem sets will be checked by question (check/half check/no check) and your performance on them will be a part of the final grade. Correct answers count five points per question, partly correct answers 2.5 points and incorrect answers zero.

Your teaching assistants Chen Liu and Elizabeth (Hastings) Roer will offer three problem set review sections per problem set to help you solve the problems. Problem sets have to be handed in *on paper* on the due date. You can drop the problem sets off in the assigned course mailbox at the economics department on both due times, 5/4 at 4:50p and 6/9 at 4:50p. You may also bring problem set 1 to the midterm exam and hand it in *prior* to the exam at 10:50a; problem set 2 must be dropped off in the course mailbox. No problem set will be accepted after the respective due time (5/4 at 5:00p and 6/9 at 5:00p after a ten-minute grace period).

### 5 Assessment

There will be one midterm exam and a final exam. The midterm exam will take 80 minutes and the final exam will take 120 minutes (no extra time). The final exam is cumulative. The midterm exam contains eight 10-minute questions, the final exam contains twelve 10-minute questions. For problem sets to be considered, they have to be handed in *before* the due date and time.

Your final raw score will be your total points from the three exams and the three problem sets:

Problem sets:	90 points (45+45 points)	5/4, 6/9
Midterm (80 minutes):	80 points	5/9
Final (120 minutes):	120 points	6/13
<i>Total:</i>	290 points	

Your final *letter grade* will be inferred from the typical grade distribution (curve) in *economics* classes at UC San Diego. You can find this grade distribution at [econ.ucsd.edu/muendler/teach/17s/102](http://econ.ucsd.edu/muendler/teach/17s/102). The difficulty or simplicity of problem sets and exams will therefore not matter, whereas your relative

performance in comparison to your classmates will determine your final letter grade. Grades of *D* or *F* will not depend on the curve but on a minimal performance standard.

There are two review sections, one prior to the midterm exam and one prior to the final exam, to help you prepare for the exams.

Participation in exams is mandatory and excused only under the conditions that also permit an incomplete grade: course work must be of non-failing quality and absence must be for a cause beyond the student's control. In particular, the incidence of other exams on the same day is no reason for an excuse from the exam. Under its current rules, Student Health Services offers access to medical excuses that document illness *only under extreme circumstances*. To be excused from the midterm because of illness, the student must inform the instructor *before* the midterm exam. To be excused from the final exam, however, the illness must be sufficiently severe so that Student Health Services or another health-care provider does document the illness.

During exams, only a pen, a pencil, a ruler and an eraser are permitted for use. No other material is allowed. Principles of academic honesty are applied strictly. The complete UC San Diego Policy on Integrity of Scholarship can be viewed at: [senate.ucsd.edu/manual/appendices/appendix2.pdf](http://senate.ucsd.edu/manual/appendices/appendix2.pdf). On each exam, you will be asked to sign a personal pledge of academic integrity.

Appeals of scores on exams must be submitted in writing, along with all prior exams and problem sets. Following the appeal, all questions on all exams will be reconsidered. An appeal may be denied if the exam was written with a pencil.

## 6 Course Schedule

### 1. Tue, April 4: Globalization and the Principle of Comparative Advantage

(Muendler 2014/ch. 1 and 2)

PROBLEM SET 1 OUT

### I. International Product Markets

**Wed, April 5, week 1 sections:** Linear Production Possibility Frontier

### 2. Thu, April 6: Comparative Advantage, Trade Flows and the Gains from Trade

(Muendler 2014/ch. 2)

### 3. Tue, April 11: Competitiveness, Comparative Advantage, and the Terms of Trade

(Muendler 2014/ch. 3, sections 3.1 and 3.2)

**Wed, April 12, week 2 sections:** Standard Production Possibility Frontier

### 4. Thu, April 13 Trade in Final Goods and the Distribution of Incomes

(Muendler 2014/ch. 4)

### 5. Tue, April 18: Offshoring and the Distribution of Incomes

(Muendler 2014/ch. 6, sections 6.1 and 6.2)

**Wed, April 19, week 3 sections:** Problem set 1, questions 1-3

### 6. Thu, April 20: Primary Products and the Distribution of Gains from Trade

(Muendler 2014/ch. 6, sections 6.1, 6.2 and 6.4)

### 7. Mon, April 24, 7:00p (York 2722): Instruments of Trade Policy

(Krugman, Obstfeld, and Melitz 2011/ch. 9)

**8. Tue, April 25:** Costs and Benefits of Trade Restrictions  
(Muendler 2014/ch. 7)

**Wed, April 26, week 4 sections:** Problem set 1, questions 4-6

**Thu, April 27:** *no class*

**9. Mon, May 1, 7:00p (York 2722):** Cases for Trade Interventions  
(Muendler 2014/ch. 7)

**10. Tue, May 2:** Comparative Advantage, Productivity Change, and Growth  
(Muendler 2014/ch. 9)  
Complete lecture notes (with overlay) available for lectures 1 through 10

**Wed, May 3, week 5 sections:** Problem set 1, questions 7-9

**Thu, May 4, 4:50p:** *no class*  
PROBLEM SET 1 DUE AT 4:50P (IN ECON 102 MAILBOX)

**Mon, May 8, time TBA:** *Midterm exam review* (room TBA)  
Graded problem set 1 back *after* review

**Tue, May 9, 2:00p - 3:20p:** MIDTERM (80 minutes)  
covering lectures 1 through 10

## II. International Capital Markets

**Wed, May 10, week 6 sections:** Expected Values and Expected Returns

**11. Thu, May 11:** Political Economy of Open-market Policies and Agreements  
(Muendler 2014/ch. 7)  
PROBLEM SET 2 OUT

**12. Tue, May 16:** International Capital Markets in Theory and Practice  
(Muendler 2014/ch. 14)

**Wed, May 17, week 7 sections:** Intertemporal Production Possibility Frontier

**13. Thu, May 18:** The Principle of Comparative Advantage in Capital Markets

**14. Tue, May 23:** International Capital Flows and Growth  
(Muendler 2014/ch. 15 if ready)

**Wed, May 14, week 8 sections:** Problem set 2, questions 1-3

**15. Thu, May 25:** International Capital Flows and Sovereign Risk  
(Muendler 2014/ch. 16 if ready)

**16. Tue, May 30:** Debt Overhang, Debt Buybacks and Debt Forgiveness  
(Muendler 2014/ch. 17 if ready)

**Wed, May 31, week 9 sections:** Problem set 2, questions 4-6

**17. Thu, June 1:** Debt Sustainability and Financial Crises

**18. Tue, June 6:** Current Policy Issues and Guest Presentation by UC San Diego alumnus Phil Gibbs

**Wed, June 7, week 10 sections:** Problem set 2, questions 7-9

**19. Thu, June 8:** Perspectives on Globalization, Poverty, Inequality and Prosperity  
Complete lecture notes (with overlay) available for lectures 11 through 19

**Fri, June 9, 4:50p:** PROBLEM SET 2 DUE AT 4:50P (IN ECON 102 MAILBOX)

**Fri, June 9, time TBA:** *Final exam review* (room TBA)

**Tue, June 13, 3:00p-5:00p:** FINAL EXAM. Room TBA (120 minutes)  
covering lectures 1 through 19

## References

KRUGMAN, P. R., M. OBSTFELD, AND M. J. MELITZ (2011): *International Economics: Theory & Policy*, Pearson Custom Business Resources. Pearson Learning Solutions, New York, special extract compiled for UC San Diego.

MUENDLER, M.-A. (2014): "The Economics of Globalization," University of California, San Diego, unpublished textbook manuscript.