

Harvard University
Fall Semester 2015
Economics 1400 / BGP 625
The Future of Globalization: Issues, Actors, and Decisions
Tuesday/Thursday 10:00-11:30am, Menschel Hall in the Harvard Art Museum

Professors Robert Lawrence and Lawrence Summers

Our lives today are deeply intertwined with global economic and political forces. We cannot fully understand any of the economic policy issues facing the United States – jobs, economic inequality, the financial crisis, US government debt and deficits – without understanding America’s engagement in the global system. The same is true for citizens of every country. Europe is living through the consequences of commitments to a common currency, international trade has helped China transition from famines to feast in one generation, and the world as a whole is struggling with global challenges regarding climate change, food security, and migration. Everyone is embedded, for good or ill, in a global economic and political system, one that is changing before our eyes.

This course examines the economic, political, and social issues raised by deepening integration – its impact on living standards, jobs, inequality, poverty, and the environment – for citizens, societies, and nations. The course focuses on the economic interests and political power of the actors that constitute the international system including – sovereign national governments, international organizations, multinational corporations, financial institutions, non-governmental organizations, and social networks – and the institutions within which those actors operate.

The course provides the necessary conceptual and empirical foundations to understand today’s global challenges, focusing heavily on analyzing current debates. Lectures are supplemented by simulation exercises, in which students are asked to play the role of governments, stakeholders, or institutions and come to a decision on a key issue of the day. We will also have prominent experts and practitioners visit the class to discuss some of the most hotly debated decisions of the past decade.

This course is based on the premise that reasoning through solid analytics and rigorous empirical evidence will lead to better choices about the institutions of globalization and better outcomes for human global well-being. We hope that you will leave the course with both the knowledge and the tools to discuss, debate, and confront the opportunities—and challenges— that globalization will create over your lifetime.

Lectures. The lectures will be held on Tuesdays and Thursdays, 10:00-11:30am, with both professors regularly attending.

Sections. Students will also be divided into sections of approximately 18 students each, with different sections for those enrolled in Ec 1400 (undergraduates) and BGP 625 (HKS students and all other cross-registered graduate students). Sections are not merely reviews of lecture and are an integral part of the course. Therefore, section participation is mandatory.

Around half of sections will be devoted to conducting or preparing for simulation exercises. This year's simulations will focus on negotiations dealing with the Trans-Pacific Partnership and a Brexit simulation to help understand the difficulties of negotiating the British exit from the European Union. We will hold one evening session over the course of the semester to replace two weeks of sections. The evening session will be held by Professor Summers and Professor Lawrence and focused around the 2016 presidential election. Attendance will be mandatory.

Course requirements. Over the course of the semester, students will be responsible for *two* group presentations and *two* authored 4-5 page (double spaced) briefs for the simulation exercises. In addition, there will be a midterm and a final examination covering all of the course material – lectures, readings, and section exercises.

All written material will be turned in through the course website and will be due on the first day of a given simulation, so due dates will vary according to section day. The midterm exam will be held in class on October 25th. The final will be held in December during exam period. All simulations will be held in section and are mandatory.

Readings. Readings will come from two places:

- 1) Hyperlinks on the Syllabus
- 2) Non-web accessible readings will be in a source book.
 - a. NOTE: Not available as of 9/1/2016. You will receive a Canvas notification when the source book is ready for purchase within the next two weeks.

While some readings will be discussed in lecture and section, it is up to you to keep up with readings as they will be an important part of both the midterm and the final exam.

Grading. The final examination will count for 35 percent of the grade, and the midterm examination will count for 15 percent of the grade. Each of the two briefs for the simulations will count for 20 percent of your grade, with the remaining 10 percent of your grade devoted to participation in simulations and section.

Prerequisites. We will assume a working understanding of basic economics. Thus, Ec10 (or the equivalent); AP Economics; or permission of instructor required.

Economics Concentration Writing Requirement. **NOTE** that this course **FULFILLS** the Economics concentration writing requirement.

Teaching team office hours and contact information:

Professor Lawrence's office hours are 1:30 pm– 3:30 pm on Wednesdays. A sign-up sheet is posted on his door. Professor Lawrence's email address is Robert_Lawrence@harvard.edu.

Professor Summers' office hours are after class on Tuesdays from 11:30pm-1pm. Please contact Julie Shample at Julie_Shample@harvard.edu or Sarah Mapes at Sarah_Mapes@hks.harvard.edu to schedule an appointment. Professor Summers' email address is Lawrence_Summers@harvard.edu.

Once the semester begins, TF office hours will be posted on the course website. The TFs can be contacted via email as follows:

Natasha Sarin, the head TF, can be reached at natasha.sarin@gmail.com

Soeren Henn can be reached at henn@g.harvard.edu

Omar Barbiero can be reached at omar.barbiero@gmail.com

Holly Dykstra can be reached at dykstra@g.harvard.edu

Edoardo Acabbi can be reached at edoardo.acabbi@gmail.com

Tzachi Raz can be reached at tzachiraz@gmail.com

Peter Dyrud can be reached at peter.dyrud@gmail.com

Alonso de Gortari can be reached at Alonso.degortari@gmail.com

ACADEMIC INTEGRITY: Although the simulations require writing of a non-academic kind, such as the kind of policy memos used in government, students are nonetheless expected to observe Harvard University rules regarding the citation of sources. Please remember that any ideas in your writing that have been published elsewhere must be clearly identified. Indeed, whenever you are drawing an important argument or insight from someone else, even if you reword it into your own words, a reference to the source is required. Additionally, any materials that you reference that you have yourself produced in other courses or for any other purposes must also be cited.

Including material from others in the assignments without appropriate quotation marks and citations is regarded, as a matter of School and University policy, as a serious violation of academic and professional standards and can lead to a failing grade in the course, failure to graduate, and even expulsion from the University.¹

¹ Language adapted from Prof. David Keith.

<i>Date</i>	<i>Tentative Topics for Each Class</i>
8/30/16	Shopping (Kennedy School)
9/1/16	Course Overview
9/6/16	History: Adam through WWI
9/8/16	History: The Interwar Period
9/13/16	The Pax Americana Globalization
9/15/16	Gains from Trade
9/20/16	The Case for Protectionism
9/22/16	The Politics of Free Trade
9/27/16	A Rule Based System for International Trade
9/29/16	Can the WTO Adapt?
10/4/16	Tuna-Dolphin Debates
10/6/16	SPEAKER: TBA (Trade and Employment)
10/11/16	International Capital Flows
10/13/16	International Monetary Economics and Exchange Rates
10/18/16	Sovereign Debt and Adjustment
10/20/16	International Financial Crises
10/25/16	MIDTERM
10/27/16	SPEAKER: TBA (Brexit)
11/1/16	Introduction to Global Challenges
11/3/16	SPEAKER: TBA (Public-Private Partnerships)
11/8/16	America in the Global Economy
11/10/16	China and India in the Global Economy
11/15/16	The European Integration Project and the Global Economy
11/17/16	Global Challenges (Climate)
11/22/16	SPEAKER: TBA (Immigration)
11/29/16	Africa, Latin America, and the Challenges of Global Development
12/1/16	Solyndra Case

Globalization Class and Reading List Fall 2016

I. Introduction

a. 9/1 Class 1: Course Overview

Readings:

- i. "[Reflections on Managing Global Integration.](#)" Lawrence H. Summers. *Journal of Economic Perspectives*. Spring 1999.
- ii. "[The Fusion of Civilizations: The Case for Global Optimism.](#)" Kishore Mahbubani and Lawrence H. Summers. *Foreign Affairs*. May/June 2016.

Note:

A valuable resource for this course is the Council of Foreign Relations compiled research on "[Global Future Trends](#)." You may find it helpful to consult the articles contained here throughout the course.

A resource for background lectures in economics can be found here – <http://www.core-econ.org>.

II. History

a. 9/6 Class 2: History: Adam through WWI

Globalization is as old as the human race. Through the discovery of trade routes, the rise and fall of empires, mercantilism, industrialization, colonialism and wars, globalization has constantly evolved. This class studies the history of globalization, the globalization "trilemma" and the evolution of global governance.

Consider: What have been the driving forces behind globalization? How have these been reflected in the outcomes? How does globalization today differ and resemble globalization in the past?

Readings:

- i. O'Rourke, Kevin H. and Jeffrey G. Williamson. 2002. "[When did globalization begin?](#)" *European Review of Economic History*.
- ii. Jeffrey Frieden. 2012. "[The modern capitalist world economy: A historical overview.](#)" *Oxford Handbook of Capitalism*. Ed. Dennis Mueller. New York: Oxford University Press.

b. 9/8 Class 3: The Interwar Period

The period between WWI and WWII, referred to as the "Interwar Period" was marked by turmoil as global superpowers in Europe struggled to adapt to a changed world and to recover from the devastation of the First World War.

Looking back to this moment in our history provides valuable lessons for the future of global development,.

Consider: What were the failures of the Treaty of Versailles? Did they precipitate WWII? How do the causes and consequences of the Great Depression resemble or differ from those the Great Recession? How well have we learnt the lessons of the past?

Readings:

- i. Albert Fishlow. "[Lessons from the Past: Capital Markets During the 19th Century and the Interwar Period.](#)" International Organization, 1985.
- ii. Ferguson, Niall. "The balance of payments question: Versailles and after" in Manfred F. Boemeke, Gerald D. Feldman and Elisabeth Glaser (eds.), *The Treaty of Versailles: A Reassessment after 75 Years* (Cambridge University Press, 1998), pp. 401–440
- iii. John Maynard Keynes. *The Economic Consequences of the Peace*. [Chapter 1: Introduction and Chapter 6: Europe After the Treaty.](#)
- iv. Frieden, Jeffrey. "[Sectoral Conflict and Foreign Economic Policy, 1914-1940.](#)" International Organization. 1988.

c. 9/13 Class 4: The Pax Americana Globalization

From the aftermath of World War II to the present, this class explores the distinguishing features of the international political and economic order. In particular, we will examine the events leading to the creation and demise of the Bretton Woods System and the implications of the Cold War.

Consider: To what extent has Pax Americana come to an end? What might replace global American dominance?

Readings:

- i. "[America in the World Economy: From the American Century to Globalization.](#)" *The Short American Century*. Ed. Andrew Bacevich. (Cambridge, MA: Harvard University Press, 2012).
- ii. Ferguson, Niall. "[The Next War of the World.](#)" *Foreign Affairs*, 2006.
- iii. Frieden, Jeffrey. "[Will Global Capitalism Fall Again?](#)"
- iv. Rachman, Gideon. "Prologue: Davos 2009." From *Zero-Sum Future: American Power in an Age of Anxiety.*"

III. International Trade and Commerce

a. 9/15 Class 5 Class 1: Gains from Trade

This class examines the theory of gains from trade and the principle of comparative advantage. We discuss the basis of comparative advantage, and then turn to other sources of gains from trade, such as economies of scale and intra-industry trade. We then turn to trade in services, and how the global value chain has affected trade in products. The class ends by looking at non-

economic benefits of trade, and potential reasons for why free trade is not more popular given its potential gains.

Consider: If the gains from trade are so clear-cut, why aren't all nations in the world fully open to free trade?

Readings:

- i. Wolf, Martin. (2005). "Why Globalization Works." Yale University Press. Chapter 6.
- ii. "[Globalization That Works for People](#)" Treasury Secretary Lawrence H. Summers. Remarks to the Democratic Leadership Annual Conference, Washington, D.C. October 14, 1999
- iii. Irwin, Douglas A. (2009). "Free Trade Under Fire." Princeton University Press. Chapter 2: "The Case for Free Trade: Old Theories, New Evidence."

b. 9/20 Class 6: The Case for Protectionism

Having understood the gains for trade, we now look at the arguments made by opponents of free trade. Specifically, we consider protectionism and why some countries (and some groups of citizens) believe they can benefit from protection. Why is there resistance to TPP?

Consider: Has the case for protectionism been made stronger or been weakened in the recent epoch?

Readings:

- i. Derek Thompson. "[The Case for Smart Protectionism](#)." The Atlantic. July 2016.
- ii. Kee, Hiau Looi, Cristina Neagu, and Alessandro Nicita. "[Is protectionism on the rise? Assessing national trade policies during the crisis of 2008](#)." *Review of Economics and Statistics* 95.1 (2013): 342-346.
- iii. "[Both Parties Used to Back Free Trade: Now They Bash It](#)." New York Times. July 2016.
- iv. "[Does the 2016 Race Provide a Mandate Against TPP?](#)" Washington Post. July 2016.
- v. "[The Rise of American Protectionism](#)." Richard Epstein. Hoover Institution. March 2016.

c. 9/22 Class 7: Winners and Losers: The Politics of Free Trade

This class examines the politics of free trade. It starts by considering the impact on the incomes of factors of production, and the role of the mobility of factors in determining the degree to which they win or lose. We consider mobility in goods versus mobility in factors of production, some caveats to the simple case for free trade, and finally examine the relationship between trade and income inequality.

Consider: What are some ways to compensate the losers from trade liberalization, and what are some of the potential obstacles to such compensation? Why have manufacturing jobs been declining in the US?

Readings:

- i. Helpman, E. (2011). "Understanding Global Trade". Harvard University Press. 2011. Chapter 3 "Gainers and Losers"
- ii. Rodrik, D. 2011. Chapter 3. "The Globalization Paradox: Democracy and the Future of the World Economy." Cambridge University Press.
- iii. Lawrence, Robert. 2007. "[The globalization paradox: More Trade Less Inequality](#)" Vox EU.
- iv. Lawrence Robert Z and Lawrence Edwards 2013 "[US Employment Deindustrialization 'Insights from History and the International Experience'](#)" Peterson Institute for International Economics, Policy Brief 13-27 October.
- v. "[An Inconvenient Iota of Truth: Stopher-Samuelson Theorem.](#)" The Economist. August 2016.
- vi. Autor, David. "[The Polarization of Job Opportunities in the US Labor Market: Implications for Employment and Earnings.](#)" Center for American Progress and Hamilton Project. 2010.

d. 9/27 Class 8: A Rules Based System for International Trade

Since the emergence of the GATT after World War II, the global trade regime has been remarkably successful on many fronts – reducing tariffs multilaterally in key areas like manufacturing and helping to prevent trade wars. U.S. trade politics has also become more pro-liberalization as policymaking authority has shifted from Congress toward the Executive. But the consensus backing this old multilateralism is being tested in the U.S. and around the world, and much work remains to extend past successes to negotiations around sensitive industries and to nontariff barriers, and to cope with the waning influence of the U.S., Europe, and Japan.

Consider: What roles do the GATT and the WTO play in expanding global trade? How do they complement each other?

Readings:

- i. Irwin, Douglas A. (2009) "Free trade under fire" (pp 219-244)

e. 9/29 Class 9: The Future of the Trading System: Can the WTO Adapt?

How will our 20th-century global trading regime adapt to a 21st-century world? The WTO is struggling to accommodate the rising economic clout of Asia and Latin America. The stalling of the Doha Round threatens over

a decade of tabled trade concessions and raises questions about multilateralism as the desired approach to trade liberalization. Faced with this inaction, countries are relying even more on bilateral and regional agreements, most notably mega-regional agreements like TTIP and TPP.

Consider: Why has regionalism taken the lead from multilateralism in global trade liberalization? What advantages and disadvantages does regionalism hold over multilateralism as an approach for expanding global trade?

Readings:

- i. Lawrence, Robert (2012). "[Competing with Regionalism by Revitalizing the WTO.](#)" Excerpt from *The Future and the WTO: Confronting the Challenges*. (pp 38-41)
- ii. Baghwati, J. and Sutherland, P. "[The Doha Round: Setting a Deadline, Defining a Final Deal](#)", Interim Report from a High Level Trade Experts Group. 2011. (Executive Summary only, pp 1-9)
- iii. Ricardo Melendez-Ortiz, [Mega-Regionals: What is going on? In Mega-Regional Trade Agreements: Game-Changers or Costly Distractions for the World Trading System](#). World Economic Forum. 2014. (pp 13-14)
- iv. Schwab, Susan. 2011. "[Acknowledge Doha's demise and Move on to Save the WTO.](#)" Vox EU.
- v. Immelt, Jeffrey. "[GE's Immelt Signals an End to Seven Decades of Globalization.](#)" May 2016.

f. 10/4 Class 10: WTO Dispute Settlement: Tuna-Dolphin and Shrimp-Turtle Case

Since 1995, dispute settlement under the WTO has provided countries an outside forum for adjudication to apply agreed-upon rules and oversee counter-measures. As a result, enforcement of trade obligations is considerably more effective than in the past when unilateral sanctions led to counterproductive escalation. Nonetheless, various critics today argue that the WTO's member-directed model is too intrusive, too political, and too legalistic.

Consider: How does the WTO dispute settlement process work? Considering the WTO's mission to open global trade, does this process strike the right balance among national sovereignty, diplomacy, and rule of law?

Readings:

- i. Robert Z Lawrence (2007) "[The United States and the WTO Dispute Settlement System](#)" CSR no 25, March 2007 New York: Council on Foreign Relations.
- ii. Wallach, Lori (2004). "Whose Trade Organization?" (pp 19-37).

g. 10/6 Class 11: Trade and Employment – GUEST SPEAKER (TBA)

While free trade agreements should provide a net benefit to society, the social consequences can be concerning. Workers displaced by foreign competition can be left without re-employment prospects. Without strong protection of labor and environmental standards, free trade can lead to a race to the bottom in both developing and developed countries. Some believe corporate interests have been given excessive power, others that these agreement are necessary to fully benefit from globalization. The process of negotiating multilateral trade agreements, however, often requires compromise between many different parties and interests.

Consider: What labor standards should a developed country require - and when do they help or harm developing country workers? Should countries help workers displaced by trade, and if so, how? What power should Congress have to dispute or require individual provisions in trade agreements?

Readings:

- ii. Thea Lee, "[Beyond Free Trade.](#)" (6 min video)
- iii. Richard Trumka. "[Will the TPP Really Protect Workers?](#)" *Washington Post*. May 2015.
- iv. Roger C. Altman and Richard N. Haas. "[Why the Trans-Pacific Partnership Matters.](#)" *New York Times*. April 2015.
- v. Lawrence Summers. "[Rescuing Free Trade Deals.](#)" *Washington Post*. June 2015.
- vi. Jason Furman. "[Trade, Innovation, and Economic Growth.](#)" Speech at The Brookings Institution. April 2015.
- vii. Robert Lawrence. "[A Numbers Argument for Renewing Trade Adjustment Assistance.](#)" *Wall Street Journal*. June 2015.

IV. International Capital Flows and Finance

a. 10/11 Class 12: Introduction to Finance and International Capital Flows

Why do financial systems exist? How do they work? And why are they so vulnerable? This class will cover the theory behind the function of financial markets, the existence of money, and the causes of financial

crises and policy prescriptions to help address them. We will also discuss the political changes over the last half century that have contributed to development and changes in international capital flows.

Consider: What have been the political (and economic) consequences of the surge in capital flows in the recent epoch? What are the consequences of greater integration for global stability?

Readings:

- i. Lawrence Summers. "[Reforming and Renewing the Financial System](#)."
- ii. Feldstein, Martin. "[International Capital Flows: An Introduction](#)."

b. 10/13 Class 13: International Monetary Economics and Exchange Rates

This class gives an introduction to the economic theory around exchange rates and the current account, including analyses of policies countries can undertake to affect their exchange rate and their trade balance.

Consider: What are the economic rationales for and against a fixed exchange rate? What types of exchange rate policies do the world's major economies have? What effects do they have on their own domestic economies and on other economies?

Readings:

- i. N. Gregory Mankiw. *Macroeconomics*. Chapter 6: "The Open Economy." Macmillan. 2015.
- ii. Jeffrey Frieden. "[Globalization and Exchange Rate Policy](#)." *The Future of Globalization*. Ed. Ernesto Zedillo.
- iii. WTO, "The Relationship between Exchange Rates and International Trade: A Review of Economic Literature"
- iv. Lamy, Pascal (2012) "[We need an international monetary system which facilitates international trade](#)"
- v. Waibel, "[Retaliating Against Exchange-Rate Manipulation under WTO Rules](#)" "
- vi. "[Two Out of Three Ain't Bad: The Mundell-Fleming Trilemma](#)." *The Economist*. August 2016.

c. 10/18 Class 14: Sovereign Debt and Adjustment

This class focus on government debt, and particularly on "sovereign risk" - the risk that a government would default on its debt to foreign investors. We will review some stylized facts regarding sovereign debt and defaults, and

consider the effect of existing debt on economic growth and the role of expectations in a debt crisis.

Consider: What is the economic rationale for government indebtedness? How does sovereign debt differ from private debt? What is the role of policy makers in a debt crisis? Is there a need for an international regulation of sovereign debt?

Readings:

- i. N. Gregory Mankiw. *Macroeconomics*. Chapter 15: "Government Debt."
- ii. Aguiar, Mark, and Manuel Amador. "[Chapter 11 – Sovereign Debt](#)," Sections 1-2, pp. 647-651. In *Handbook of International Economics*, Volume 4. Edited by Gita Gopinath, Elhanan Helpman, Kenneth Rogoff: Elsevier, 2015
- iii. Aguiar, Mark and Manuel Amador. 2011. "The Political Economy of Sovereign Debt Overhang." *International Growth Centre*. [Project summary](#) and [Policy brief](#).
- iv. Stiglitz, Joseph. October 2014. "[The World Needs a Sovereign Debt Restructuring Mechanism](#)." *GlobalCapital*.

a. 10/20 Class 15: International Financial Crises

As financial globalization increases, so too does the vulnerability of individual countries to crises originating elsewhere. This class examines how international financial flows can trigger national and global crises, reviews the mechanisms the world has developed to mitigate these problems, and evaluates policy options for the future.

Consider: Why is a globally integrated financial system desirable? What are the risks? What steps should governments take to maximize these benefits and minimize these risks – in their own countries and in the world?

Readings:

- v. Summers, Lawrence H. 2000. "[International Financial Crises: Causes, Prevention, and Cures](#)." *American Economic Review*, 90(2): 1-16.
- vi. Kohn, Donald, 2009, "[International Perspective on the Crisis and Responsibility](#)." Speech
- vii. Rodrik, Dani, December 2012, "[Global Capital Rules](#)."
- viii. McKinsey Global Institute, March 2013, "[Financial Globalization: Retreat or Reset](#)", Executive Summary.

b. 10/25 Class 16: MIDTERM EXAMINATION

c. 10/27: Class 17 The Euro and Currency Unions

This class gives an introduction to the Euro Crisis, and analyzes the factors that led to the relatively weak European response to the recent financial crisis. We will first seek to understand the rationale that led to the European currency union, and then focus on its recent difficulties. In particular, we will consider the Greek Crisis, and we will also explore the future of the European project.

Consider: What factors contributed to the Euro Crisis? How does the Euro Crisis differ from previous crises? What should Europe do next?

Readings:

- ix. Krugman, Paul. 2011. "[Can Europe Be Saved?](#)" New York Times.
- x. Shambaugh, Jay - [The Euro's Three Crises](#). Brookings Papers on Economic Activity. Washington, DC: The Brookings Institution, Spring 2012. (pgs. 7-45, 72-76)
- xi. [Rebooting the Eurozone: Step 1 – agreeing a crisis narrative](#). CEPR Policy Insight
- xii. Zingales et al. (2014) - [Monnet's Error?](#) Brookings. (Intro only)
- xiii. Barry Eichengreen and Charles Wyplosz - [Minimal conditions for the survival of the euro](#). March 2016. Vox EU.

V. Perspectives on Future Policy Challenges

a. 11/1 Class 18: Introduction to Global Challenges

The final section of our course will be focused on the diverse challenges facing our world today. We first seek to understand the challenges in the provision of global public goods – like improving public health and addressing climate change. In the absence of a global governing body with the ability to regulate and tax, addressing public goods problems that are global in nature (e.g. nuclear proliferation, climate change, and poverty) often requires a multi-faceted approach relying not only on national governments, but on inter-governmental organizations, multinational corporations, and non-governmental organizations.

Consider: Who should supply global public goods, and at what jurisdictional level? What are the tradeoffs associated with addressing issues of global public goods through actions at the level of the nation-state versus through international cooperation?

Readings:

- i. Lawrence, Robert, Albert Bressand, and Takatoshi Ito (1996). “When is International Cooperation Desirable?” Chapter 3 of *A Vision for The World Economy: Openness, Diversity, and Cohesion*. (pgs. 44-58)
- ii. Wolf, Martin (2012). “[The World’s Hunger for Public Goods.](#)” *Financial Times*.
- iii. Summers, Lawrence (2016). “[Voters Deserve Responsible Nationalism, not Reflex Globalism.](#)” *Financial Times*.
- iv. Piketty, Thomas (2014). “Capital in the 21st Century.” Introduction.

b. 11/3 Class 19: The Opportunities (and Challenges) of Public-Private Partnerships – GUEST SPEAKER (TBA)

Public-private partnerships, in which a government service is funded or operated by a private company, are regarded by some to be the way forward for ailing public goods and infrastructure: not only are the costs transferred away from the taxpayer, but there are the benefits of the private sector’s expertise and efficiency. However, the priorities of the private and public sectors are not always aligned, and private companies cannot be held accountable in the same way as the government.

Consider: What should be the role of public-private partnerships in the provision of public goods and services? What factors should we consider when deciding whether a public-private partnership is beneficial for a particular project?

Readings:

- i. Sabol, Patrick and Robert Puentes (2014). “[Private Capital, Public Good: Drivers of Successful Infrastructure Public-Private Partnerships.](#)” Brookings Report.
- ii. Rowey, Kent (2013). “[Public-Private Partnerships Could be a Lifelines for Cities.](#)” *New York Times*.
- iii. Cohen, Donald (2013). “[Cities Need to Weigh Costs of Private Partnerships.](#)” *New York Times*.
- iv. KS, Jomo, Anis Chowdhury, Krishnan Sharma, and Daniel Platz (2016). “[Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for purpose?](#)” UN/DESA Working Paper.

c. 11/8 Class 20: America and the Global Economy

This class focuses on the America and its distinct role in the global economy. We will consider US trade and monetary policy and its impact on international markets, with special emphasis on how issues relating to globalization have shaped today’s unique presidential contest.

Consider: What are the main challenges of global leadership? What role should the United States play? Given today's political environment, can it play this role successfully?

Readings:

- i. Ben S. Bernanke, January 2016. [“The dollar’s international role: An ‘exorbitant privilege’?”](#) Brookings
- ii. [“The sticky superpower.”](#) Special report: The world economy. The Economist. October 2015.
- iii. Bruce Drake and Carroll Doherty. May 2016. [“Key findings on how Americans view the U.S. role in the world”](#). Pew Research Center.
- iv. [“Mexico’s Carstens warns on protectionism.”](#) Financial Times. August 2016.
- v. Amanda Taub. [“The rise of American authoritarianism.”](#) VOX. March 2016.
- vi. Ian Bremmer, 2015. “Introduction.” *Superpower. Three Choices for America’s Role in the World*. Penguin, New York.

d. 11/10 Class 19: China and India in the Global Economy

Barring catastrophe, most analysts expect China and India to rival or surpass the United States in various measures of state power in the coming decades. More than one third of the world’s population lives in these two rapidly rising countries. Yet China and India seem to have more differences than similarities; each has followed its own path of reform leading to growth, holds its own unique philosophy of governance, and faces its own set of risks for the future. Few factors will have more impact on the future of the world than the course of these great powers.

Consider: What are the differences between the engines of growth for China and India? Is one more likely to fail or succeed than the other? In what ways is the growth of one likely to influence the other, and what effect may this have on the U.S.?

Readings:

- i. [“Long-term Macroeconomic Forecasts: Key Trends to 2050.”](#) *The Economist Intelligence Unit*. 2015.
- ii. Bosworth, Barry, and Susan M. Collins. [“Accounting for growth: comparing China and India.”](#) *The Journal of Economic Perspectives* 22.1 (2008): 45-66.
- iii. Park, Daniel. [“The Growth Debate – China & India.”](#) B2B International.
- iv. Yep, Ray. [“Economic Downturn and Instability in China: Time for Political Reform?”](#) The Brookings Institution. April 8, 2009.

- v. Ayres, Alyssa. "[Economic Relations with India](#)." Council on Foreign Relations. Testimony before the House Foreign Affairs Subcommittee on Asia and the Pacific. March 15, 2016.
- vi. David, H., David Dorn, and Gordon H. Hanson. "[The China syndrome: Local labor market effects of import competition in the United States](#)." *The American Economic Review* 103.6 (2013): 2121-2168. NOTE: Introduction and Conclusion only.

a. **11/15 Class 22: The European Integration Project and the Global Economy**

This class will briefly cover the history and forces that led to and shaped the European Union. In particular, emphasis will be placed on the political motivations leading to a unified Europe as opposed to this being a natural consequence of countries with similar labor and goods markets integrating into a single one. A consequence of this was a new major player in the global scene - one that could negotiate trade and other agreements as a whole. However, as the economic impacts of Greece's sovereign debt crisis and Brexit come to light it is now clear that this has had both positive and negative effects on global markets and the world economy.

Consider: A major driver of the European Union was the political ideal of a peaceful and unified Europe. In hindsight, was this a wrong motive for pursuing economic integration? With Brexit out, is this the beginning of the end of the European integration project?

Readings:

- i. Martin Feldstein (2011), "[The Failure of the Euro – The Little Currency that Couldn't](#)." Foreign Affairs, January/February Issue.
- ii. Ngaire Woods (2016), "[The European Disunion – How the Continent Lost Its Way](#)." Foreign Affairs, January/February Issue.
- ii. Wolf, Martin. "[Brexit Will Reconfigure the UK Economy](#)." June 2016.
- iii. Wolf, Martin. "[How Europe Should Respond to Brexit](#)." July 2016.
- iv. Summers, Lawrence H. "[Why Brexit is Worse for Euroooe than Britain](#)." June 2016
- v. Rachman, Gideon. "[Brexit and the Making of a Global Financial Crisis](#)." June 2016.
- vi. "[Europe After Brexit: Unleased or Undone?](#)" Centre for European Reform. April 2016.
- vii. "[Northern Ireland After Brexit](#)." The Economist. July 2016.
- viii. "[Straws in the Wind: The Economic Impact of Brexit](#)." The Economist. July 2016.
- ix. Rachman, Gideon. "[The Crises That Threaten to Unravel the EU](#)." Financial Times. September 2015.

b. 11/17 Class 23: The Challenge of Global Climate Change

Global climate change threatens to increase mortality from heat waves, floods, and droughts, decrease farming productivity, change the distribution of disease vectors, and drive mass extinctions around the globe. Despite this threat, global action has been difficult to facilitate. Permit and tax schemes are challenging to implement at the international level without a central authority. Efforts at international cooperation starting with the Kyoto Protocol have failed to rein in the biggest emitters of greenhouse gasses including the United States, China, and India.

Consider: What role have global governing bodies, notably the UN, played in addressing global climate change through summits in Kyoto, Copenhagen, and now Paris? What factors make reaching international agreement on plans to mitigate climate change so difficult?

Readings:

- i. Ackerman, Frank and Elizabeth Stanton (2008). "[The Cost of Climate Change: What We'll Pay if Global Warming Continues Unchecked.](#)" Natural Resources Defense Council. (skim)
- ii. World Bank (2010). "[Development and Climate Change.](#)" [World Development Report.](#) (Read Overview: Changing the Climate for Development)
- iii. "[Questions and Answers on the European Commission Communication: The Paris Protocol – A Blueprint for Tackling Global Climate Change Beyond 2020.](#)" European Commission Fact Sheet. 2015.

c. 11/22 Class 24: Immigration and the Refugee Crisis – GUEST SPEAKER TBA

Immigration policy has long been one of the most divisive and polarizing issues in elections and policy debates. The increased refugee influx in Europe of the last two years, potential immigration reform in the US and anti-immigrant sentiments leading up to Brexit are some examples of how the topic challenges voters and policy makers. In this session we will investigate the economic arguments for and against immigration as well as political realities that might prevent the implementation of potential solutions.

Consider: What might be the economic and political impacts of the recent refugee flow to Europe? Why does the issue of immigration remain central to many electoral platforms?

Readings:

- i. "[Ian Goldin Recommends the Five Best Books on Immigration](#)"
Five Books: Economics.
- ii. Tom Nuttall. 2016. "[Looking for Home](#)" (The Economist).
- iii. George Borjas. 2015. [Immigration and globalisation: a review essay](#) (Journal of Economic Literature)

d. **11/29 Class 25: Africa, Latin America and Global Development Challenges**

Africa and Latin America have both experienced development challenges. Yet since 2000 many African and Latin American countries have enjoyed rapid growth with a number of them joining the ranks of the world's fastest growing economies. Was their recent success a sign that its fortunes have changed and that improved governance, structural reforms and investments in health and people have paid off? or was it the temporary impact of a commodity-super cycle driven by Chinese growth that has now abated? What should their policy priorities be and what role can aid and global engagement play in improving their performance?

Readings:

- i. "[African Economic Outlook 2016](#)." Chapter 1 (pp.23-42).
ADB/OECD/UNDP. 2016.
- ii. [Regional Economic Outlook: Western Hemisphere](#). IMF 2016. Pgs. 15-47 (Managing Transitions) and 79-103 (Infrastructure).
- iii. Ernesto Zedillo in VoxEU "[Africa at a Fork in the Road](#)" -
- iv. Ngozi Okonjo-Iweala in Project Syndicate: "[Ensuring Africa's Continued Rise](#)" -
- v. Kingsley Moghalu in Project Syndicate: "[Africa's Economic Reality Check](#)"
- vi. Semplice Asongu in Project Syndicate: "[A Middle Path to Development](#)" –
- vii. Sachs, Jeffrey (2011). "[The Millennium Villages Project is Working Well](#)." *The Guardian*.
- viii. Bunting, Madeleine (2011). "[Millennium Villages Project: Does the 'Big Bang' Approach Work?](#)" *The Guardian*.
- ix. Optional: Ted talk by [Ngozi Okonjo-Iweala](#) in 2007

e. **12/1 Class 26: Case Study – Solar Trade Wars – Solyndra Case**

In the United States, Solyndra was a California-based solar panel manufacturer that received government support as part of the financial crisis stimulus package, but eventually collapsed. The solar industry in China, in contrast, thrived during this same period (before experiencing its own crisis), and Chinese solar subsidies attracted criticism from American unions for being inconsistent with WTO trade rules. The Solyndra case illustrates the

challenges posed by attempting to manage a nation state's priorities with respect to globalization, climate change, industrial policy, and free trade.

Consider: What effect do the actions of Chinese/American solar panel manufacturers have on decisions taken by their competitors in other countries? What is the role of interest groups – such as United Steelworkers – in shaping policy? What should this role be?

Readings:

- iv. Lawrence, Robert and Anjani Datla. "Shaping the Future of Solar Power: Climate Change, Industrial, Policy, and Free Trade." HKS Case. May 2013.