

University of Wisconsin Madison

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

Fall Semester, 2020

Thomas F. Rutherford

Lectures

MW 8:50AM - 9:40AM, Mosse Humanities Building (room 3650)

Friday classes will be virtual on WebEx.

*Recitations* on Fridays, September 18, October 2 and 23 and November 13 will be held in three group meetings. Group 1 meets at 8:50 am using the Friday class link, Group 2 meets 8:50 am with this link, and Group 3 meets at 8:00 am with this link.

Office Hours

Fridays (11:00 am - 12:15 pm on Thomas Rutherford's personal room on WebEx)

and by appointment – [rutherford@aae.wisc.edu](mailto:rutherford@aae.wisc.edu)

### 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. In addition, we will have a look at the ongoing debate about policy to address the COVID-19 epidemic in developing countries.

Our empirical emphasis in this course is the past five decades. We begin with an introduction to contemporary perspectives on globalization in the age of political resentment and pandemic. Subsequently we will continue with an 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, learning tools for working with data and developing 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. The course will conclude (after Thanksgiving) with students providing summaries of 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, the implications of poverty for policies dealing with the ongoing global pandemic.

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. We learn the language, graphical representation and Excel skills for describing trade theoretic models and interpreting data. We

develop an appreciation for the role of models and evidence in the rhetoric of economic policy.

## **Instructional Mode: Face-to-face and Virtual**

The class meets face-to-face on MW and virtually on Friday through Thanksgiving. Friday sessions during this period are devoted to computing methods, discussions with development practitioners and recitations. There will be no class on Friday, October 9, Friday, October 30, and Wednesday, November 25.

## **Assignments and Assessment**

- Four short writing assignments related to readings (15% total) due on the Thursdays before recitations: September 18 (Stiglitz and Collier), October 2 (Rodrik), October 23 (migration) and November 13 (COVID-19). *Attendance at these WebEx meetings is mandatory.*
- 2 papers (10% + 20% = 30% total) The first (8 pages) is due on Friday, October 9, and the second (10-12 pages) is due on Wednesday, November 25.
- 1 Group Presentation (5%) Each group will speak for 50 minutes, and we will run two sessions in parallel on November 30, December 2, 4, 7. *Attendance at one of the WebEx sessions is mandatory.*
- Mid-term exam (20%), held in class on Wednesday, October 28.
- Class Participation (10%). Attendance and participation in face-to-face lectures is encouraged. Attendance will be taken at recitations and group presentations.
- Final exam (20%), 2:45-4:45 pm on Thursday, December 17 at a location to be announced.

The first paper will investigate the role that markets play in delivering opportunities for improving the wellbeing of the poor. Building on the general concepts developed in Rodrik's book and assigned readings from Collier, and/or Stiglitz, this paper will develop a "pro-markets" view or "con markets" view of the relationship between markets and the wellbeing of the poor.

The second longer paper will be coupled with your 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 should be between 10 and 12 pages double spaced. It is due on Wednesday, November 25.

Group presentations will last a class period including 5 to 10 minutes for discussion. Handout describing expectations for group presentations and written assignments will be circulated which provide more details.

The final day of class on Wednesday, December 9 will be a review session conducted remotely.

## **Exam Proctoring**

If the midterm and/or final exams are administered remotely, the course instructor has the authority to decide whether to use a proctoring service. In the event that a proctoring service is employed, failure to use the service assigned will result in a zero on the exam.

## **Texts and Teaching Resources**

Class notes, assignments, readings, and other resources will be posted to the class site on the Canvas page on Learn@UW. I will try to upload lecture notes a day before the 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.

We will begin the course with some reading and writing. The readings will begin with selected chapters from a few recently published books dealing with globalization in an era of nationalist and populist resurgence. We will read chapters from Collier, Stiltz and Rodrik as an introduction to the vocabulary and concepts of the course.

There will be two short writing assignments and one paper based on the introductory readings. McCloskey will provide guidance for writing papers in economics. After completing our big picture overview of issues, we will look at data, and this will begin with chapters from the Roslings' book.

Books you could share with someone in the class include:

- Paul Collier 2018, *The Future of Capitalism: Facing the New Anxieties*, Harper Collins – Kindle \$16, Hardcover \$20
- Goldin, I., and K. Reinert, 2006. *Globalization for Development: Trade, Finance, Aid, Migration, and Policy*. Palgrave MacMillan for the World Bank (selections)
- McCloskey, D., 2000. *Economical Writing*, Waveland Press, Inc. – Kindle \$9, Used paperback \$7
- Rodrik, D. 2011, *The Globalization Paradox: Democracy and the Future of the World Economy*, Oxford University Press. – Kindle \$10, Hardcover \$12
- Hans Rosling and Anna Rosling Rönnlund *Factfulness: Ten Reasons We're Wrong About the World—and Why Things Are Better Than You Think*, Flatiron Books – Kindle \$15, Hardcover \$15
- Joseph Stiglitz 2018, *Globalization and Its Discontents Revisited: Anti-Globalization in the Era of Trump*, Norton, (Required) – Kindle \$10, Hardcover \$11

Additional readings and excerpts will be provided on the course web page or will be accessible on the internet. Material on doing economics with Excel will include materials from [www.saylor.org/books](http://www.saylor.org/books) including:

- i. *Introduction to Economic Analysis*
- ii. *International Trade: Theory and Policy*,
- iii. *How to Use Microsoft Excel*

## Tentative Class Outline

### I Introduction

1. Globalization, Development and Poverty
2. Globalization Trends
3. Globalization, Poverty and the Millenium and Sustainable Development Goals
4. Institutions, Trade and Globalization (Chapters 1, 2 in Rodrik)
5. The Mystery of Economic Growth
6. The Case for Smart Globalization (Rodrik, Chapters 3 and 4)
7. The evolving role of the World Bank and the IMF in reducing poverty in developing countries.

### 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

Applied partial equilibrium analysis: cotton, coffee and grain markets and the implication for poverty in Africa and South America

2. Endowments, prices and poverty: theory of the consumer and its application to the analysis of economic policies in developing countries.
3. Producer, consumers and general equilibrium
4. Microeconomics and trade: comparative advantage, gains from trade. The Ricardian theory of comparative advantage, the pure exchange model
5. Applied general equilibrium models of trade

### III Applications and Extensions

1. Labor-intensive exports (Rodrik Chapters 7 and 8)
2. Dutch disease: theory and issues
3. Coffee markets
4. International factor flows, labor migration and remittances. (Rodrik, Chapters 5 and 8)
5. International capital flows: history, composition, and destination (Goldin and Reinert, Ch 4)
6. Labor and migration: growth in the global labor force & migration, remittances and development. (Goldin and Reinert, Ch 6.)
7. Aid and Development Assistance (Goldin and Reinert, Ch. 5)
8. Implications of COVID-19 policy for impoverished people in developing countries: lockdowns, informal labor markets and hunger
9. Perspectives on globalization and wrap-up (Rodrik, Ch 10-12)

## Writing Assignment for the September 18 Recitation

- i. Read Chapter 1 of *The Future of Capitalism* by Paul Collier, (*The New Anxieties*) and the introductory chapter of *Globalization and Its Discontents Revisited* by Joseph Stiglitz.
- ii. The discussion section on Friday, September 18 will focus on the issues raised by these two authors. On what issues do the authors agree and how do they disagree? How do you feel that you fit into these narratives? If you have traveled in developing countries, how well do the authors arguments coincide with your perceptions. Do you agree with either or both authors?
- iii. Write around 200 words (less than one page) in which you are welcome to incorporate additional sources, and submit your reflection to the drop box on the course web page.
- iv. Class meeting on WebEx on Friday. See your email for your Group assignment. (N.B. Groups 1 and 2 meeting during the class time from 8:50 am to 9:40 am. Group 3 meets from 8:00 am to 8:50 am.)

## Privacy of Student Records and the Usage of Audio Recorded Lectures

Lecture materials and recordings for AAE 373 are protected intellectual property at UW-Madison. Students in this course may use the materials and recordings for their personal use related to participation in this class. Students may also take notes solely for their personal use. If a lecture is not already recorded, you are not authorized to record my lectures without my permission unless

you are considered by the university to be a qualified student with a disability requiring accommodation. [Regent Policy Document 4-1] Students may not copy or have lecture materials and recordings outside of class, including posting on internet sites or selling to commercial entities. Students are also prohibited from providing or selling their personal notes to anyone else or being paid for taking notes by any person or commercial firm without the instructor's express written permission. Unauthorized use of these copyrighted lecture materials and recordings constitutes copyright infringement and may be addressed under the university's policies, UWS Chapters 14 and 17, governing student academic and non-academic misconduct.

## **UW-Madison Face Covering Guidelines**

While on campus all employees and students are required to wear appropriate and properly fitting face coverings while present in any campus building unless working alone in a laboratory or office space.

Individuals are expected to wear a face covering while inside any university building. Face coverings must be worn correctly (i.e., covering both your mouth and nose) in the building if you are attending class in person. If any student is unable to wear a face-covering, an accommodation may be provided due to disability, medical condition, or other legitimate reason.

Students with disabilities or medical conditions who are unable to wear a face covering should contact the McBurney Disability Resource Center or their Access Consultant if they are already affiliated. Students requesting an accommodation unrelated to disability or medical condition, should contact the Dean of Students Office.

Students who choose not to wear a face covering may not attend in-person classes, unless they are approved for an accommodation or exemption. All other students not wearing a face covering will be asked to put one on or leave the classroom. Students who refuse to wear face coverings appropriately or adhere to other stated requirements will be reported to the Office of Student Conduct and Community Standards and will not be allowed to return to the classroom until they agree to comply with the face covering policy. An instructor may cancel or suspend a course in-person meeting if a person is in the classroom without an approved face covering in position over their nose and mouth and refuses to immediately comply.

## **Quarantine or Isolation due to COVID-19**

Student should continually monitor themselves for COVID-19 symptoms and get tested for the virus if they have symptoms or have been in close contact with someone with COVID-19. Student should reach out to instructors as soon as possible if they become ill or need to isolate or quarantine, in order to make alternate plans for how to proceed with the course. Students are strongly encouraged to communicate with their instructor concerning their illness and the anticipated extent of their absence from the course (either in-person or remote). The instructor will work with the student to provide alternative ways to complete the course work.

## **Academic Integrity Statement**

By virtue of enrollment, each student agrees to uphold the high academic standards of the University of Wisconsin-Madison; academic misconduct is behavior that negatively impacts the integrity of the institution. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these previously listed acts are examples of misconduct which may result in disciplinary action. Examples of disciplinary action include, but is not limited to, failure on the assignment/course, written reprimand, disciplinary probation, suspension, or expulsion.