

University of Wisconsin Madison

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

Fall Semester, 2021

August 26, 2021

Thomas F. Rutherford

Lectures

MWF 8:50AM - 9:40AM, Ingraham 22

Office Hours

Wednesdays (3:00 pm - 4:00 pm in Taylor Hall 323)

Thursdays (9:00 am to 10:00 am on [Zoom](#))

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 four 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.

Specific learning outcomes for this class are as follows:

- i. Develop an informed perspective on economic drivers of globalization over the past 40 years and the links between globalization, economic development and poverty in low-income countries.
- ii. Gain familiarity with ongoing debates concerning economic policy in developing countries and the role of international institutions in influencing those decisions.
- iii. Learn multiple sources of information regarding economic circumstances of poverty-vulnerable countries.
- iv. Learn how to use Excel and other computational tools to analyze and interpret large, multi-dimensional datasets.
- v. Demonstrate competence in writing about economic issues through reflections on topic reading assignments and in academic style in two longer writing assignments.

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

The class primarily meets face-to-face on MWF. Lectures will be streamed and recorded. Some Friday sessions devoted to computing methods, discussions with development practitioners and recitations may be held on Zoom. There will be no class on Friday, October 22.

## **Assignments and Assessment**

- Four short writing assignments related to readings (15% total) due on the Thursdays before recitations: September 17, October 8, October 29 and November 12. *Attendance at these sessions is requested.*
- Two papers (10% + 20% = 30% total) The first (8 pages) is due on Friday, October 22, and the second (10 pages) is due on Wednesday, December 15.
- A group presentation (5%) Each group will speak for 50 minutes, and we will run in parallel sessions on December 3, 6, 8, 10 and 13. *Attendance at one of sessions is requested.*
- Two mid-term exams (20%), held in class on Wednesday, October 20 and Wednesday, November 24.
- 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 Friday, 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 historical analysis of globalization by Marc Levinson and ideas developed by Rodrik, Collier, and Stiglitz, this paper will develop a “pro-markets” 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. The 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. A handout describing expectations for group presentations and written assignments will be circulated which provide more details.

The final day of class on Wednesday, December 15 will be a final exam review.

## Exam Proctoring

In the event that a midterm and/or the final exam need be 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](#). 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 Levinson, Collier, Stilitz 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.

There are three books which we will read more or less in their entirety:

- Levinson, Marc 2020, *Outside the Box: How Globalization Changed from Moving Stuff to Spreading Ideas*, Princeton University Press, – Kindle \$10, Hardcover \$21.
- Rodrik, D. 2011, *The Globalization Paradox: Democracy and the Future of the World Economy*, Oxford University Press – Kindle \$10, Hardcover \$12
- McCloskey, D., 2000. *Economical Writing*, Waveland Press – Kindle \$9, Used paperback \$7

Selected chapters from several other books will be covered in lectures. These books include:

- Paul Collier, 2018, *The Future of Capitalism: Facing the New Anxieties*, Harper Collins – Kindle \$16, Hardcover \$20
- Hernando De Soto 2000, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, Basic Books – Kindle \$13, Paperback \$15
- Ian Goldin and Kenneth Reinert, 2007. *Globalization for Development: Trade, Finance, Aid, Migration, and Policy*. Palgrave MacMillan for the World Bank – free download.
- 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 – Kindle \$10, Hardcover \$11

Additional readings and excerpts will be provided on the course web page or will be accessible on the internet.

## Tentative Class Outline

### I Introduction

1. Globalization, Development and Poverty
2. Historical Perspective on Globalization (Levinson)

3. Globalization, Poverty and the Millenium and Sustainable Development Goals
4. Institutions, Trade and Globalization (Rodrik)
5. The Mystery of Economic Growth (De Soto)
6. The Case for Smart Globalization (Rodrik, Stiglitz)
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 polices 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)
2. Dutch disease: theory and issues (Goldin and Reinert)
3. Coffee markets
4. International factor flows, labor migration and remittances. (Rodrik)
5. International capital flows: history, composition, and destination (Goldin and Reinert)
6. Labor and migration: growth in the global labor force & migration, remittances and development. (Goldin and Reinert)
7. Aid and Development Assistance (Goldin and Reinert)
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 and Levinson)

## **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.