
**Department of Agricultural and Applied Economics
University of Wisconsin-Madison**

**AAE/International Studies 374
Spring 2022**

**Professor: Jeremy Foltz
TA: Itzel de Haro Lopez**

The Growth and Development of Nations in the Global Economy

Tuesday and Thursday 11- 12:15 pm, 184 Russell Labs

* All lectures will be recorded and made available on Canvas.
CANVAS link <https://canvas.wisc.edu/courses/277577>

Course Description

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, with a focus on growth and globalization. It is also designed to impart basic economic and statistical literacy. Problem sets will be used to develop these skills by using real data to examine substantive issues from the lectures and readings. 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 economic tools.

Office hours and contact information

Jeremy Foltz
Wednesday 9:00-11:00 am
Online or in person, 421 Taylor Hall
jdfoltz@wisc.edu

Itzel de Haro Lopez
Tuesday 1pm – 3pm
Online or in person, 221 Taylor Hall
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Learning outcomes

1. Evaluate the importance of economic growth and globalization in the process of economic development of nations.
2. Understand how economic theory and data can help identify and measure factors contributing to economic growth and the effects of globalization
3. Assess the historical and recent evolution of economic growth and globalization over time and across countries
4. Understand the role of policy and its effects on economic growth, globalization, and on the process of economic development
5. Learn basic economic and statistical literacy for evaluating economic growth and globalization
6. Explain the social, economic, and/or environmental dimensions of the sustainability challenges of economic growth and globalization.
7. Describe the social, economic, and environmental dimensions of economic growth and globalization and identify potential tradeoffs and interrelationships among these dimensions at a level appropriate to the course.

Prerequisite

The prerequisite for the course is an introductory college-level economics course. Students without the prerequisite should seek permission to enroll from the professor before enrolling in the course.

Overview

Despite the many achievements of globalization, poverty and income inequality remain prevalent. 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 market forces, 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. Taking technology and nations' endowments of productive resources as given, the doctrine of comparative advantage suggests that trade between poor and rich countries can be mutually beneficial, raising aggregate income in both. 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 economic growth and the reasons why growth experiences vary across nations and over time.

In the third part of the course, we bring the trade and growth stories together. 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, 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.

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Required texts

The following required books are recommended, but not required (all readings will be made available online, along with lecture slides/notes and lecture videos):

Economic Growth, David **Weil**, Addison Wesley (2013). Any edition is OK.

Understanding Global Trade, Elhanan **Helpman**, Harvard University Press (2011).

Trade and Poverty: When the Third World Fell Behind, Jeffrey G. **Williamson**, MIT Press (2011).

The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics, William Easterly, MIT Press (2002). Readings from this book are noted as **EASTERLY** on the syllabus below.

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.

Course requirements and grading

You are encouraged to discuss problem sets with each other and to work together. However, **the written/typed work you submit must be yours alone.**

The grade for this course will be based on the following:

- 6 Problem Sets (equally weighted. Together, these will be worth **48%** of total grade). The dates/timeline for the problem sets are provided on Canvas in the document called “Timeline”.
- 2 Exams (equally weighted will be worth **52%** of total grade). The exams will be in-person written exams (Yay bluebooks!).
- Participation & attendance in class and TA sections is expected, but because of the pandemic we will not be grading this or taking attendance. All lectures can be followed online.

Late problem sets will be deducted points automatically by Canvas.

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

Lectures and Materials

Lecture slides and videos of the lecture will be posted after the class period. 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 encourage you to have read these ahead of class sessions, this will allow more time for discussion.*

Instructional Mode

Classes will be in person with recorded lectures available on Canvas. Students will be allowed to attend virtually through Canvas/Zoom. Students can bring laptops to class.

Assignment and Exam Schedule

| <i>Assignment</i> | <i>Date Available</i> | <i>Date Due</i> |
|---|-----------------------|-----------------|
| Reaction Paper 1: Do we need Free Trade? | Jan 27 | Feb 3 |
| Problem Set 1: Comparative advantage and trade | Jan 27 | Feb 10 |
| Reaction Paper 2: Contemporary trade issues | Feb 10 | Feb 17 |
| Problem Set 2: Economic Growth: Unconditional Convergence | Feb 17 | Mar 1 |
| Problem Set 3: Economic Growth: Conditional Convergence | Mar 1 | Mar 10 |
| EXAM 1 (in class) | March 24 | |
| Reaction Paper 3: Inequality and growth | April 19 | April 26 |
| EXAM 2, 2:45pm – 4:45pm Room TBA | May 10 | |

Discussion Sections

A1 DIS 301 : 2124 Chamberlin, 08:50 AM - 09:40 AM, F
A1 DIS 302 : 2124 Chamberlin, 09:55 AM - 10:45 AM, F
A1 DIS 303 : 2124 Chamberlin, 11:00 AM - 11:50 AM, F
A1 DIS 304 : 115 Ingraham, 01:20 PM - 02:10 PM, F

Schedule

I. INTRODUCTION TO THE GROWTH AND WEALTH OF NATIONS IN THE GLOBAL ECONOMY (*Jan 25, 27*)

- Lecture 1: Introduction to growth and globalization
Lecture 2: Basic building blocks for course
Section: Basic building blocks review, and techniques for problem sets

Readings

HEPLMAN Chapter 1.

WILLIAMSON, Chapter 1.

Supplemental

“The Worldwide Standard of Living since 1800,” Richard A. Easterlin, *Journal of Economic Perspectives*, 14, 1 (2000): 7-26.

II. TRADE UNDER COMPARATIVE ADVANTAGE

A. Comparative Advantage & North-South trade(*Feb 1, 3*)

- Lecture 3: Basic trade models
Lecture 4: North-South Trade
Section: Problem Set 1

Readings

HEPLMAN, Chapter 2, pp. 11-13, 28 - 45

WILLIAMSON, Chapter 3

Supplemental

New York Federal Reserve. “Foreign Trade and Exchange” p. 1-12.

Appleyard et al. “The Classical World of David Ricardo and Comparative Advantage,” pgs 27-38
& “Neoclassical Trade Theory,” pgs 85-99.

REACTION PAPER 1 DUE February 3 (In Canvas): “Do we need Free Trade?”.

B. North-South Trade and Comparative Advantage Based on Factor Endowments (*Feb 8*) *Critiques of Free Trade 1, (Feb 10)*

- Lecture 5: Who benefits from N-S trade
Lecture 6: Critiques of Free Trade

Readings

HEPLMAN, Chapter 2, pp. 28-45.

PROBLEM SET 1 DUE FEBRUARY 10: “Comparative Advantage and Trade”

III. COMPARATIVE ADVANTAGE: CRITIQUES

A. Trade Inequality and Development (*Feb 15*)

HEPLMAN, Chapter 3.

Appleyard, D., A. Field, and S. Cobb, “International Economics”, 5th Ed., pp. 413-418.

The Economist, “It’s all natural”, Special Report: Latin America (2010).

B. The Natural Resource Curse (*Feb 17*)

WILLIAMSON, Chapter 4 (skim Chapter 5 as supplement).

Halvor Mehlum et al., “Cursed by Resources or Institutions?” *The World Economy*, 116 (2006): 1117-1131.

Supplemental reading

Weil, Chapter 15.3.

Cerrutti and Mansilla, “Bolivia: The Hydrocarbons Boom and the Risk of Dutch Disease”, IMF Working Paper, WP/08/154 (2008).

REACTION PAPER 2 DUE FEBRUARY 17: “Contemporary trade issues”

IV. OBJECT GAPS: GROWTH THROUGH FACTOR ACCUMULATION

A. *Harrod-Domar and Pure Physical Capital (Feb 22)*

WEIL: Chapters 2.

EASTERLY: Chapter 2.

B. *Physical Capital: Solow Growth Model and Convergence (Feb 24, March 1)*

WEIL: Chapter 3.

EASTERLY: Chapter 3.

PROBLEM SET 2 DUE March 1: “Economic Growth—Unconditional Convergence”.

C. *Human Capital (Health and Education) (March 3, 8)*

WEIL: Chapter 6, 7.3.

EASTERLY: Chapter 4.

Nelson, Richard R “What enables rapid economic progress: What are the needed institutions?” *Research Policy*, 37 (2008): 1-11.

V. EXCHANGE GAPS: TRADE AND GROWTH

A. *Growth in the open economy (March 10, 22)*

Helpman, Elhanan. *The Mystery of Economic Growth*. Chapter 5, pp. 55- 85.

PROBLEM SET 3 DUE MARCH 10 “Economic Growth—Conditional Convergence”.

****EXAM 1: March 24, IN-CLASS****

No discussion sections on March 26

VI. IDEA GAPS: INCREASING RETURNS AND ECONOMIC GROWTH

A. *Exogenous Technology and Technology Transfer (March 29, 31)*

WEIL: Chapter 7.1 and 7.4, Chapter 8, Chapter 9.1, Chapter 15.1.

Diamond, Jared M. "Spacious Skies and Tilted Axes" (pgs 176-191) in: *Guns, Germs, and Steel: The Fates of Human Societies* (WW Norton & Company, 1997).

B. *Increasing Returns to Scale and “Endogenous Growth” (April 5)*

WEIL: Chapter 9.3.

EASTERLY: Chapter 8 and Chapter 9.

Wright, Gavin “The Origins of American Industrial Success, 1879-1940”, *American Economic Review*, September 1990: 651-668.

C. *‘External’ Scale Economies, Endogenous Growth and the Dynamics of Comparative Advantage (April 7, 12)*

HELPMAN Chapter 4.

Krugman and Obstfeld, *International Economics*, pages 136-151.

Larry Westphal, “Industrial Policy in an Export-Propelled Economy: Lessons from South Korea’s Experience,” *Journal of Economic Perspectives* 4, 3 (1990): 41-59.

D. *Country cases studies on trade and growth: (April 14, 19)*

1. *India: Trade, industrialization, and human capital*
2. *Mexico: Trade, industrialization and gender*

Readings: TBD

Supplement:

Page, John M. "The East Asian miracle: An introduction." *World Development* 22.4 (1994): 615-625.

VII. MONETARY GAPS: INEQUALITY AND GROWTH

A. Measures and Sources of Inequality (April 21)

WEIL: Chapter 13.1-2.

Supplement

The Economist, “Inequality in China: To each, not according to his needs” (Dec 15th, 2012)

The Economist, “The rich and the rest”, Special Report on The World Economy (Oct 13th, 2012)

Knight, John. “Inequality in China: An Overview” *The World Bank Research Observer*, 29 (2014):1-19

Technical note: <http://siteresources.worldbank.org/PGLP/Resources/PMch6.pdf>
(on various measurements of inequality)

REACTION PAPER 3 DUE April 26: Trade, Globalization, and Inequality

B. Inequality’s effects on Growth (April 26)

WEIL: Chapter 13.3.

EASTERLY: Chapter 13.

WILLIAMSON: Chapter 9.

VIII. COVID THE GLOBAL ECONOMY AND GROWTH (April 28)

Readings: TBD

IX. CLIMATE CHANGE AND GLOBAL GROWTH AND TRADE (May 3)

Readings: TBD

X. CONCLUSION: Policy choices for economies on trade and growth (*May 5*)

WILLIAMSON: Chapter 14.

Williamson and O'Rourke "Globalization and History" Chapter 14.

****EXAM 2, MAY 10, 2:45pm – 4:45pm Location TBA****

Other Information and Logistics

Course credit information

This is a 3-credit course. One credit is the learning that takes place in at least 45 hours of learning activities, which include time in lectures or class meetings, in person or online, labs, exams, presentations, tutorials, reading, writing, studying, preparation for any of these activities, and any other learning activities. This option may be useful for nontraditional formats, “flipped” courses, lab courses, seminars, courses with substantial meeting time and little out- of-class work, or any time this is a better fit for learning activities than the Carnegie definition.

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/.

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/facstaffother/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/>

Face Covering Guidelines (for in-person instruction)

While on campus all employees and students are required to [correctly wear](#) appropriate and properly fitting [face coverings](#) while present in any campus building (or outdoors when physical distancing is not possible) unless working alone in a laboratory or office space. (See *Face Coverings During In-person Instruction Statement* in the Syllabus Template.)

Quarantine and Isolation (for remote and in-person Instruction)

Every effort should be made to accommodate the academic progress of students who may become ill or be asked to isolate or quarantine. It is essential for students to have the confidence that their progress and grade will not be put at risk by staying out of class because they are experiencing possible-COVID19 related symptoms or are required to quarantine. It is encouraged that instructors plan for this event with highly flexible course plans that utilize content delivery via Canvas and reserve in-person activities for participation and discussion.

If a student becomes ill and needs to suspend or reduce their class participation, then the student should consider dropping the course or the instructor may need to engage the student whether the conditions of an incomplete grade are likely. While flexibility is greatly encouraged, this does not imply that work towards achievement of course learning goals and engagement in activities is optional. (See: *Isolation or Quarantine due to COVID-19* in the Syllabus Template, as well as these [additional guidelines and resources](#) for supporting students’ academic progress should the need to isolate or quarantine.