

Topics in the Global Economy
NYU Course V31.0324.001
FALL 2005

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Time and location: Monday, Wednesday 11:00 AM-12:15 PM, Waverly 369

Office hours: Monday, 2-3 PM, Tuesday 3-4 PM, or by appointment

Description: This course will explore a number topics in international economics. Specific topics are: (1) Economic Growth and Global Income Disparity, (2) Issues in Globalization, (3) International Financial Crises, (4) U.S. Trade Policy, and (5) Immigration. A major component of the course is the use of international economic data to answer relevant questions.

Prerequisites: Students are assumed to have a strong background in basic and intermediate economics. The course will involve a significant amount of data analysis using spreadsheets or other data management software.

Course Requirements: An in class midterm exam is scheduled for Wednesday, November 2. Students have a choice between taking a final exam at the regularly scheduled time and writing a research paper, which will be due at the last class. The research paper can be on a topic of your choosing as long as it pertains broadly to issues in the global economy. It should involve the original analysis of data to answer a question of interest. There will also be several take-home assignments. In some cases you are encouraged to work on these assignments in teams. You are expected to attend class regularly and to participate in class discussion. The various components of the course will contribute to the final grade as follows:

Component	Contribution
Assignments and Class Discussion	30%
Midterm Exam	25%
Final Exam or Paper	45%

Students are expected to keep current with developments in the global economy by reading daily a newspaper of the quality of the *New York Times*, *Wall Street Journal*, or *Financial Times*. Current issues in the global economy will be a regular topic of class discussion.

Classroom Etiquette: It is important that you avoid distracting me or your fellow students in class. You should not talk with other students without being recognized. You are expected to arrive on time and to remain until the end of lecture. If for some reason you need to leave early let me know in advance. If you must leave early or arrive late do so as unobtrusively as possible.

Calendar: Important events in the course are scheduled as follows:

Event	Date
One page paper proposal due, identifying data*	October 5
Midterm Exam I (in class)	November 2
Paper Outline with Preliminary Results Due*	November 23
Final Paper due*	December 15
Final Exam**	As determined by NYU schedule

*for students writing papers.

**for students not writing papers.

Readings: Three books are on order at the NYU Book Store:

1. Blustein, Paul (2005), *And the Money Kept Rolling In (and Out)* (New York: PublicAffairs). An account of the economic crisis in Argentina by a leading economic reporter at the *Washington Post*.
2. Diamond, Jared (1999), *Guns, Germs, and Steel* (New York: Norton) A very influential and controversial book by a physiologist which explores the origins and diffusion of agricultural technology and language around the globe. Available in paperback.

Assignments are also made from:

1. Roubini, Nouriel and David Backus (1998) *MBA Lectures in Macroeconomics* Available at

<http://pages.stern.nyu.edu/~nroubini/LNOTES.HTM>

2. Harrison, Ann (2006) *Globalization and Poverty* Forthcoming, NBER. Available at:

<http://www.nber.org/books/glob-pov/>

Other readings are available on line at Bobst or will be distributed as pdf files.

Students should also regularly check the course webpage at

<http://www.econ.nyu.edu/user/eatonj/>

where assignments, notes, and data will be posted.

Course Outline: The structure of the course will evolve in response to your interests. Updated versions of the reading list will provide a more concrete schedule and reading assignments. Students may keep up with assignments and revisions to the reading list by consulting the course webpage. A tentative schedule is as follows:

Topic 1: Economic Growth and Global Income Disparity

The first topic, which will occupy the first five weeks of the semester, is the growth of economies over time and explanations for why income disparities between countries persist. Specific questions are the role of technology in economic growth, and international aspects of innovation and technology diffusion. We will examine the effects of national technology policies, particularly toward intellectual property, on productivity.

- Week 1: The Neoclassical Growth Model
 - Roubini and Backus, Chapter 4
 - Mankiw, N. Gregory, David Romer, and David Weil (1992), “A Contribution to the Empirics of Economic Growth,” *Quarterly Journal of Economics* 107: 407-438.
- Week 2: Explaining Income Differences
 - Class notes
 - Hall, Robert E. and Charles I. Jones (1999), “Why do Some Countries Produce So Much More Output per Worker than Others?” *Quarterly Journal of Economics* 114: 83-116. (emphasis on sections I and II).
 - Cole, Harold L., Lee E. Ohanian, Alvaro Riascos, and James A. Schmitz, Jr. (2004), “Latin America in the Rearview Mirror,” *Federal Reserve Bank of Minneapolis Research Department, Staff Report 351*. Available at:

<http://www.minneapolisfed.org>

- Week 3 and 4: Technological Innovation and Diffusion.

- Diamond, Part II
- Sachs, Jeffrey (2001) “Tropical Underdevelopment.” *NBER Working Paper No. 8119*. Available at
<http://papers.nber.org/papers/W8119>

- Class notes

- Week 5: Technology Policy

- Krugman, P.R. (1979), “A Model of Innovation, Technology Transfer, and the World Distribution of Income,” *Journal of Political Economy*, 87: 253-266.
- Eaton, Jonathan, Eva Gutierrez, and Samuel Kortum (1998), “European Technology Policy,” *Economic Policy* 27: 405-438.

Topic II: Issues in Globalization

In the next three weeks we will consider various issues that have been raised in discussions of globalization: environmental concerns, poverty, the role of corporations.

- Week 6: The Environmental “Laffer Curve” and Pollution Havens for Multinationals.

- Grossman, Gene M. and Alan B. Krueger (1995), “Economic Growth and the Environment,” *Quarterly Journal of Economics* 110: 353-377.
- Smarzynska, Beata K. and Shang-Jin Wei (2001), “Pollution Havens and Foreign Direct Investment: Dirty Secret or Popular Myth?” *Berkeley Electronics Journals in Economic Analysis and Policy* 3 Available at

<http://www.bepress.com/bejeap/contributions/vol3/iss2/art8/>.

- Week 7: Poverty and Child Labor

- Edwards, Eric and Nina Pavcnik (2004), “International Trade and Child Labor: Cross-Country Evidence” NBER Working Paper 10317
- Harrison, Ann (2006), *Globalization and Poverty*.

- Week 8: Corporations

- Deardorff, Alan V. (2004), “Who Makes the Rules of Globalization.”

<http://www.fordschool.umich.edu/rsie/workingpapers/Papers501-525/r512.pdf>

Topic III: Financial Crises and the Global Economy

The World experiences periodic financial crises. Their causes and cures remain subject to debate. The International Monetary Fund (IMF) is a central player in trying to contain and to cure them. We examine the basic mechanics of such crises and recent experiences. A focus is on the recent economic crisis in Argentina.

- Week 9: Macroeconomic Indicators

- Roubini and Backus, Chapters 1-3, 5-7

- Weeks 10 and 11: Argentina

- Blustein.

Topic IV: U.S. Trade Policy and the Global Economy

What is the role of international trade in the U.S. economy? Why does the U.S. government intervene so actively in international trade? What U.S. and international laws govern international trade? What is the role of the World Trade Organization?

- Week 12: The U.S. economy and the World: arguments for and against intervention
 - Readings to be assigned.
- Week 13: U.S. Trade law, The WTO, and the World Trading System
 - Irwin, Chapters 4, 5, and 6.

Topic V: Migration

We review evidence on why and from where people migrate.

- Week 14: Migration
 - Hatton, Timothy and Jeffrey Williamson (2002), “What Fundamentals Drive World Migration?”

<http://www.nber.org/papers/W9159>