

Economics 556 / International Studies 556: Cooperation and Conflict in the Global Economy

05 credit hours

Undergraduate: course listing

Grade: Letter Grade

Summer Quarter 2007

Prereq: Econ 200 and 201.

Course Abstract: The economic, social, and political bases for and responses to increasing global economic integration.

Lectures: twice a week, each 108 minutes long

Time and Place: M W 0130-0318 AP 0387

Instructor: Matt Holian

Office: Arps 307 (mailbox just outside 410 Arps Hall)

Office Hours: Tuesday and Thursday, 10:00a.m.- 12:00 p.m. and by appointment

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Course Description: This class is designed to help students understand the globalization process. We will look at globalization through the lenses of international economics, the theory of the firm, and political economy. Two primary texts are supplemented with additional readings. The main book is *Global Competitive Strategy* (required) by Daniel Spulber, and the secondary text is *International Economics: Theory and Policy*, by Paul Krugman and Maurice Obstfeld (strongly recommended). Students are encouraged to at least buy one good undergraduate level international economics book. Usually editions other than the current can be found used on <http://amazon.com> for between \$10 and \$15, making the total course reading material about \$75. We will view how firms react to increasing globalization and how

globalization affects society as a whole, focusing on such topics as labor relations, environmental concerns and property rights (e.g. patent, intellectual). We will also seek to understand the institutions that govern globalization (WTO, UN, EU, NAFTA, etc.) and why debates on globalization are so divisive in modern life.

Required Text:

Global Competitive Strategy, (GCS)
Daniel Suplber, Cambridge University Press

Recommended Text:

International Economics: Theory and Policy, (IETP)
Paul Krugman and Maurice Obstfeld, Addison Wesley

Grading: One midterm and one non-comprehensive final make up 50% of your grade. (The midterm and final are each worth 25% of the total grade. Questions will come from things discussed in class and from the required readings. Please note that the instructor reserves the right to add more required readings to the syllabus as the quarter progresses.) Another 40% comes from a research project. Students will do two research projects in this course, but only the second project will explicitly be graded. The second project, the "Star Analysis", will consist of two parts: a presentation to the class (worth 10% of the total grade) given during the ninth and tenth week, and the final paper (worth 30% of the total grade) submitted on the last day of class. The remaining 10% comes from class participation and professionalism. Students are expected to attend every class, participate actively in the discussion and make a good faith effort into all class requirements; failure to do so can result in substantial reduction of participation points. For example, failure to do the first research project (Globalization and Governance Project) will result in reduction of participation points. In addition, failure to do this project will most likely will cause one to be less prepared for the second reserach project.

Research Projects:

Research Project I (Globalization and Governance Project):

A. Governance Information.

1. Go to Freedom House's country ratings at

<http://freedomhouse.org/uploads/fiw/FIWAAllscores.xls>

and find two countries that went from being categorized as "Partly Free" in 1995 to being categorized as "Free" in 2005. Use these two countries for everything that follows

2. Go to Transparency International's Corruption Perception Index at

http://www.transparency.org/policy_research/surveys_indices/global/cpi

and find each country's ranking for 1995 (or earliest survey in which it is included) and 2005.

3. Organize the information from steps 1 and 2 into a meaningful table and/or chart

This is the first part you should turn in.

B. Economic Information.

1. Go to Penn World Tables 6.1 at

http://pwt.econ.upenn.edu/php_site/pwt62/pwt62_form.php

For each country find the OPENNESS IN CONSTANT PRICES for all years from 1980 to 2004. Also find the REAL GDP PER CAPITA for the same years. (Note: select "HTML" under "Output Format"). Use Microfost Excel to create a LINE GRAPH of each of these time series, including a trend line, in separate charts.

This is the second part you should turn in.

2. Go to the the UNCTAD FDI data base website at:

<http://www.unctad.org/Templates/Page.asp?intItemID=3198&lang=1>

Select the factsheet for your two countries. Record the 1990-2000 average FDI Inflow (the first listing) and also the 2005 entry (not as a percentage of gross fixed capital formation.)

For each country use Microsoft Excel to create a LINE GRAPH of the numbers in separate charts.

This is the third part you should turn it.

C. Analysis

Use the information gathered in A and B to answer the following questions:

1.) Did the countries become more or less globalized as measured through trade openness? As measured through FDI?

2.) *Have you found any evidence of a link between the degree of freedom and the extent of corruption?*

3.) *Have you found any evidence of a link between globalization and good governance, as measured by the openness and corruption indices? Have you found evidence of a particular causal connection (e.g. increased openness causes an increase in freedom)?*

4.) *Have you found any evidence of a relationship between GDP per capita and governance: between GDP per capita and openness (both trade and FDI); between GDP-per capita and both openness and governance?*

Answer as many of these questions as you can, and turn them in along with the first three parts mentioned above.

Research Project II. ("Star Analysis" or Policy Paper)

Students have their choice of the following two projects: 1.) Pick a Columbus company that currently exports or has the potential to export. Pretend you are a consultant to this company. Do a "Star Analysis" and write up a research report not to exceed 10 pages. Students will also make a short presentation in the ninth and tenth weeks of class. The written report should include as many economic principles as possible as well as contain the elements of a "Star Analysis", spelled out in Chapter 2 of GCS. Make sure you indicate which economic principles you are using. Grading will be based on consistency with "Star analysis" guidelines, use of data and other sources, and number and relevance of economic principles discussed. 2.) Write a policy paper on an issue relevant to the topic of this class. Students must discuss idea with instructor and get acceptance.

Student Presentations: The presentation should aim to quickly and effectively communicate the most important content of your written report.

Exam Policy: There are no make-up exams. If a student misses the midterm for an excuse acceptable to the instructor, for example, serious illness, then the score of the final will be used in the missed exam score's place, so if the final is missed, the midterm score will be used. Only documented illness requiring a visit to a hospital or doctor's office or documented death in the immediate family are acceptable excuses. Others will receive a grade of zero for the missed exam.

Grades: You can view **grades** on the Carmen web site (www.carmen.osu.edu).

Important: I will communicate with the class and individual class members frequently by e-mail. and will use only students' official OSU e-mail address. If a student has e-mail forwarded to another account it may not get through because of anti-spam screening. The instructor will not be responsible for students not getting communications in any other way except in class or through their OSU e-mail account.

	meeting A	meeting B
week one	6/18	6/20
week two	6/25	6/27
week three	7/2 (project work day)	Independence Day
week four	7/9	7/11
week five	7/16	7/18
week six	7/23 (project 1 due)	7/25
week seven	7/30	8/1
week eight	8/6	8/8
week nine	8/13	8/15
week ten	8/20	8/22 (final and project 2 due)
final	Wed Aug 22 3:30-5:18	

Course Outline

readings from Spulber's *Global Competitive Strategy* are denoted (*GCS*);
readings from Krubman and Obstfeld's *International Economics: Theory and Practice*
are denoted (*IETP*)

1 Week One A (6/18): Introduction to Course; Globalization in Historical Perspective; International Institutions

Required Reading

"Introduction: the global challenge" (*GCS*)

Krugman, Paul. "What Do Undergrads Need to Know About Trade?" *American Economic Review* Vol. 83, No. 2, 1993

Recommended Reading:

"The Making of Market Conventions" Chapter 1, *The World That Trade Created*,
by Kenneth Pomerzna and Steven Topik, M.E. Sharpe

Chapters 2 and 3, *International Political Economy*, David Ballam and Michael
Veseth, Prentice Hall

2 Week One B (6/20): Comparative versus Competitive Advantage

Required Reading

"Chapter 1: The global mosaic" *GCS*

Recommended Reading:

"Chapter 3: Labor Productivity and Comparative Advantage: The Ricardian Model" (IETP)

or any principles of economics textbook

3 Week Two A (6/25): Transportation and Time Costs

Required Reading:

"Chapter 8: The Instruments of Trade Policy" (IETP)

4 Week Two B (6/27): Balance of Payments, Tariffs and Export Subsidies

Required Readings:

"Chapter 8: The Instruments of Trade Policy" (IETP)

"Chapter 18: International Finance and the Foreign Exchange Market," Gwartney, Stroup, Sobel and McPherson, *Economics: Private and Public Choice*, 11th edition

5 Week Three A: Research Project I Work Day (Computer Lab)

Class meets in Arps room 318

6 Week Three B: Independence Day (No Class)

Recommended Readings:

The Wealth of Nations (1776)

URL: <http://www.econlib.org/LIBRARY/Smith/smWN.html>

The Declaration of Independence (1776)

URL: <http://www.ushistory.org/declaration/document/index.htm>

7 Week Four A: (7/2) Review; Balance of Payments, Tariffs and Export Subsidies (continued)

Required Readings:

"Chapter 8: The Instruments of Trade Policy" (IETP)

"Chapter 18: International Finance and the Foreign Exchange Market," Gwartney, Stroup, Sobel and McPherson, *Economics: Private and Public Choice*, 11th edition

8 Week Four B: Political Economy

Required Readings:

"Chapter 9: The Political Economy of Trade Policy" (IETP)

9 Week Five A: Review

10 Week Five B: Midterm I

11 Week Six A:

**Transaction Costs and the Theory of the Firm;
Vertical and Horizontal Integration; FDI**

Required Readings:

"Chapter 1: The global mosaic" (*GCS*)

"Chapter 2. Global strategic analysis" (*GCS*)

"Chapter 3. Global competitive advantage" (*GCS*)

Recommended Readings:

"The Nature of the Firm" *Economica*, Ronald Coase, 1937

"The Problem of Social Cost" *Journal of Law and Economics* Ronald Coase, 1960

"Introduction" *The Corporation*, Dennis Mueller

12 Week Six B: Theory of the Firm (continued)

Required Readings:

"Chapter 10: Danone: organizing for global competition" (*GCS*)

Recommended Readings:

"Chapter 2: The Nature of Profits" Dennis Mueller, *The Corporation*

"Vertical Integration, Appropriable Rents, and the Competitive Contracting Process"
Journal of Law and Economics Benjamin Klein, Robert Crawford and Armen
Alchian, 1978

13 Week Seven A: Increasing Returns, Differences in Endowments and Gains from Trade

Recommended Readings:

"Chapter 6: Economies of Scale, Imperfect Competition, and International Trade"
(*IETP*)

"Chapter 4: Resources, Comparative Advantage, and Income Distribution" (*IETP*)

14 Week Seven B: Outsourcing: Transaction Costs Revisited

Required Readings:

"Chapter 5: Choosing the best mix of transactions and investment" (GCS)

Recommended Readings:

"Offshoring: The Next Industrial Revolution?" Alan Blinder, *Foreign Affairs*, Vol. 85, Issue 2, 2006

"Outsourcing of Ambulances in U.S. Cities" Matt Holian *mimeo* Ohio State

15 Week Eight A: Multinational Firm Structure

Required Readings:

"Chapter 6: The global business organization" (GCS)

Recommended Readings:

Chapter x *Markets and Hierarchies*, Oliver Williamson, 1975

16 Week Eight B: tba

Required Readings:

"Chapter 10: Danone: organizing for global competition" (GCS)

"Conclusion" (GCS)

17 Week Nine A: Student Presentations

18 Week Nine B: Student Presentations

19 Week Ten A: Student Presentations ; Review

20 Week Ten B: Final

Any student who needs an accommodation based on the impact of a disability should contact the instructor as soon as possible to discuss ways to meet his or her special needs. Such students should also contact the OSU Office for Disabilities Services (292-3307).

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Policy on Academic Misconduct:

Academic Misconduct is defined by the University as, "any activity that tends to compromise the academic integrity of the institution, or subvert the educational process" (Rule 3335-31-02) I will not take these types of actions lightly.