

**GLOBAL 234: MICROECONOMICS FOR GLOBAL STUDIES
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Aashish Mehta
Office: Girvetz 2309
Office Hours: TBA
Phone: 893-4827
Email: mehta@global.ucsb.edu

Purposes: This course is designed to complement *Global 236: Macroeconomics, Trade and Global Development*. Together the courses will survey the economic motivations for the thickening of international markets and the economic impact of this process on people in different parts of the world. Globalization also offers political opportunities (through improved communications and new international institutions) to resolve some pressing market failures; while at the same time global economic integration itself corrects some market/institutional failures and exacerbates others. For this reason, G&IS 234 will focus on developing a solid understanding of how markets work, what they are (and are not) expected to achieve, and what economics suggests that governments/civil society might do when markets fail or achieve undesirable results. Finally, G&IS 234 will provide a microeconomic toolkit which will facilitate consideration of broader and more macro issues in G&IS 236.

Approach: This course will provide an accelerated canonical treatment of the fundamentals of microeconomics. It will do so through the use of graphs, logic and many examples of how to apply these principles to policy issues of interest to Global Studies majors. This is a tools course, and due to the volume of material to be delivered, there will be more lecture and discussions will be more directed than is traditional in G&IS courses.

Pedagogical approach: The global issues studied in this course, are, of course, best approached holistically. However, while global issues are the reason for the course, the course will be organized around the economic concepts and tools necessary to analyze a wider range of issues than we will have time to touch on. In order to deliver a proper understanding of economic logic, it is necessary to introduce arguments piece by piece. We will therefore begin with overly simplistic analyses of global issues, but return to them repeatedly, each time adding more arguments to the mix.

Use of Mathematics: The use of math will be limited to the extent possible, as we wish to focus on social science concepts, not algebra. However, economic arguments are well presented and validated using simple math, and you will need some basic numerical skills to be competent in your careers, so we will not shy away from the use of high-school math. In addition to performing basic arithmetic, working with fractions/decimals/percentages and (occasionally) high-school level algebra, you will be required to interpret graphs, understand the equation for a straight line, understand quadratic equations, the equation $y = A/x$, and calculate the areas of rectangles and triangles. Expect lots of graphs. A review of the above mathematical skills will be conducted during office hours for students requiring a refresher.

Reading: (1) You will be required to read The Financial Times for the duration of Global 236, and may choose to obtain your subscription now. Discounted student subscriptions (either on-line or 6 days-a-week in hard-copy) are available through me. Those of you uninterested in the business section (this course will have little to say about stocks, companies, running a for-profit business etc.) may find the on-line edition coupled with the FT.com website (access to which is free with your subscription) better targeted to their needs. While some of you will already have newspaper subscriptions, the FT is useful because it would be common to all students, provides a non-US-centric editorial position, and provides excellent economic analysis and global coverage. As with any newspaper, it has an editorial stance. (2) The G&IS 234 Reader is required reading and is available from the Alternative Copy Shop. A copy of the reader is on reserve at Davidson. I will occasionally assign additional readings during the semester, most often recent newspaper articles, which I will place on Moodle. (3) In case you would like to purchase an introductory economics textbook as a reference, “Economics” by William Baumol and Alan Blinder is an excellent choice.

Requirements/Grading: Mid-term take-home exam (20%), take-home final exam (15%), homework (35%), policy brief (20%) and course participation (10%).

- You will solve 8 weekly homework assignments, of which you get to drop your lowest score. Each remaining assignment will be worth 5% of your score (35% total). Homework is due at the beginning of class on Tuesday. I reserve the right to dock late homework 10% per day. Please take your homework assignments seriously and endeavor to obtain perfect scores on each.
- Course participation grades, will be based on punctuality, preparedness, and the connections between your contributions in class/office hours and the readings.
- You are strongly encouraged to work out the solutions to homework assignments and the midterm exam in groups. However, you will be expected to write up those solutions independently. Please make sure that your answers/positions are clearly explained using analytical tools covered in the course.
- The exams will involve application of concepts/tools covered in class and in required readings to analyze real world problems. I may provide some readings so you have a common factual basis for solving them, or you may need to do some basic factual research. The final should be emailed to me by noon on Tuesday, 17 March.
- For your policy brief, shortlist 2-3 current policy issues that provide scope for the application of economic policy instruments (i.e. taxes, quotas, subsidies, prohibitions, permits, changes in marketing/trade/patent rules, labor regulations, price regulations, market structure, information sharing, competition policy etc.). Read a bit about them. Then discuss your topics individually with me by 21 January, and we shall pick one. Email me one short paragraph confirming and outlining the policy question you will be tackling by 28 January. Your brief will be no more than 4 pages of 11-point double spaced text, plus references. In your brief, you will be required to fairly and coherently present all sides of the debate before taking a position. Be sure to present your positivist assumptions (with evidence) and arguments clearly and ensure that the values that lead you from these positivist statements to your normative conclusions are clearly identified.

Refer to no less than ten sources, each of which must be cited at least once in your text/footnotes.

Session	Topic	Reading	Homework
Part 1: Introduction			
Tu. 6 Jan.	-Why Study Economics? - Micro vs. Macro - Course overview - Incentives - An overview of the current economic crisis.	- Adam Smith, 1776. <i>An Enquiry into the Nature and Causes of the Wealth of Nations</i> . pp 1-11. -“A Flourishing Slum” (The Economist, 19 December 2007) - Something by Wolf (after)	
Th. 8 Jan.	Some basic principles - Necessary/Sufficient - Positive/Normative - Homo Economicus - Efficiency/ Equity/ Voluntary exchange - Opportunity cost	- Krugman “In praise of cheap labor” - <i>The Economist</i> “The problem with made in China”.	
Tu. 13 Jan.	Growth & Development	-T&S, Chapter 2, pp.15-32 -Easterly, Chapter 1 -Pritchett & Summers, 1996, “Wealthier is Healthier.”	HW#1 due: Math Review
Part 2: Markets and Competition			
Th. 15 Jan.	Efficiency, Marginal Costs & Benefits; Producer & Consumer Surpluses; Supply & Demand	K&W, Chapter 3 (27 pages)	
Tu. 20 Jan.	S&D, Markets & Equity, Intervention in the market	-Sen, 1981, <i>Poverty and Famines</i> , Ch7. -K&W, Chapter 4 (25 pages)	HW#2: due: Supply & Demand, Producer & Consumer
Th. 22 Jan.	Harmful interventions Properties of Demand Curves	- “Biofuels – a tale of special interests and subsidies”. Martin Wolf. - “Availability of Kerosene to rural households: a case study from India”	
Tu. 27 Jan.	Cost Structure	- Samuelsohn & Nordhaus. <i>Economics</i> . 2005. pp. 124-141.	HW#3 due: Interventions in markets.
Th. 29 Jan.	Perfect Competition - With Initial application to coffee markets	K&W, Ch. 9 (24 pages)	
Tu. 3 Feb.	Profit Maximization Monopoly, Natural Monopoly, Price Regulation	K&W, Ch. 14 (30 pages) - “The State of the Nation’s Health: Of Patent Maladies and Public Remedies”. 2006. Alecks B. Pabico. Philippines Center for Investigative Journalism.	HW#4 due: Perfect Competition
Th. 5 Feb.	How should Non-profits price their services?	- “Beyond Cost Recovery: Setting User Charges for Financial, Economic and Social Goals”. 2004. David Dole & Ian Bartlett.	

Tu. 10 Feb.	Re-cap: markets & efficiency. Application to international coffee markets	<ul style="list-style-type: none"> - <i>Open Economy Politics: The Political Economy of the World Coffee Trade</i>. 1997. Robert H. Bates. Chapter 5. - <i>Uncommon Grounds: The history of coffee and how it transformed our world</i>. 1996. Mark Pendergrast. Chapters 5 & 10. - <i>The Coffee Paradox: Global Markets, Commodity Trade and the Elusive Promise of Development</i>. 2005. Benoit Daviron and Stefano Ponte. Chapter 2. 	HW#5 due: How much should non-profits charge?
Part 3: Market Failure			
Th. 12 Feb.	- Information Problems.	<ul style="list-style-type: none"> - Something on the microeconomic roots of the financial crisis. - <i>The White Man's Burden: Why the West's efforts to aid the rest have done so much ill and so little good</i>. 2006. William Easterly. Pages 3-11, Chapter 5. - <i>The Undercover Economist</i>. 2006. Tim Harford. Chapter 5. - <i>Economic Development</i>. Todaro & Smith. 2006. pp 241-247. 	
Tu. 17 Feb.	Externality	<ul style="list-style-type: none"> - K&W, Chapter 19 (20 pages) - "Emission Impossible?" (FT editorial by Tim Harford). - Speech by Al Gore: Partnership for a New Generation of Vehicles. 	Midterm Due.
Th. 19 Feb.	<ul style="list-style-type: none"> - Externality - Commons goods - Public Goods - Property Rights 	<ul style="list-style-type: none"> - "EU fish quota deal hammered out". 21 December 2006. BBC. - "A fishy tale", 15 December 2007. The Economist. - <i>Globalization & its Discontents</i>. 2003. Joseph Stiglitz. pp 133-165. 	
Tu. 24 Feb.	Basic Trade Theory	<ul style="list-style-type: none"> - K&W, Chapter 17 (25 pages). - Washington Post "The New Economics of Hunger" 	HW6: Environmental Economics
Th. 26 Feb.	Basic Trade Theory		
Tu. 3 Mar.	Discussion day		HW#7: Trade
Part 4: Theories of Value			
Th. 5 Mar.	Present value calculations for finance and economics	TBD	
Tu. 10 Mar.	Difficulties with economic theories of value	<ul style="list-style-type: none"> - The Pritchett/Summers memo, from whirledbank.org - "Sidebar to a worldly professor: Toxic Memo". 2001. From Harvard Magazine. (Optional) - "Global Sludge Ends in Tragedy for Ivory Coast". 2 October 2006. New York Times. 	HW#8: Present values, basic financial literacy
Th. 12 Mar.	Labor Markets	<ul style="list-style-type: none"> - Samuelsohn & Nordhaus "Economics". 2005. pp.243-263. - Re-read: Adam Smith, 1776. <i>An Enquiry into the Nature and Causes of the Wealth of Nations</i>. pp 1-11. - <i>Labor and Monopoly Capital: The Degradation of Work in the 20th Century</i>. 1974 Harry Braverman. Chapter 3. 	