

## **GLOBAL 234: GLOBALIZATION AND MARKETS SPRING 2011**

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**Purposes:** Material objectives motivate globalization, and economic theories have fueled it. This course therefore looks at globalization through an economic lens. While globalization has promoted material improvements for many, it also creates or exacerbates problems that economic policy tools (e.g. regulations, taxes, subsidies, trade rules, property rights) might be usefully introduced, adjusted, expanded or reduced to fix. Some of these recalibrations of policy may require large institutional changes, ceding policy-making power to supra-national agencies. This course asks what microeconomics has to teach us about what policies and institutional developments might be appropriate for ameliorating specific problems that arise with globalization.

We will first give theoretical meaning to the notion of an economic “problem”. Here we will define problems of two types: market failures (economic inefficiency); and certain increases in economic disparities (inequality). Thus, the bulk of the course is dedicated to understanding what economic efficiency is; the circumstances under which economists believe efficiency to be desirable; the conditions necessary for markets to eliminate inefficiencies; what policies and institutional adjustments might be helpful in reducing inefficiencies when markets fail; and the relationship between market-driven efficiency improvements and inequality. In its analytical content, the course resembles a standard course in introductory microeconomics. Its relevance to Global Studies will derive from its emphasis on making normative assumptions explicit, and from the objects of study used to exemplify the application of economic principles.

**Approach:** This course will provide an accelerated canonical treatment of the fundamentals of microeconomics and welfare economics. 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 and survey 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.

**Organization of course material:** The global issues studied in this course are 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:** The G&IS 234 Reader is required reading and is available from the Alternative Copy Shop. I will also assign additional readings during the semester, most often recent newspaper articles, which I will place on Gauchospace. In case you would like to purchase an introductory economics textbook as a reference, “Economics: Principles and Policy” by William Baumol and Alan Blinder is an excellent choice, and is affordable used.

**Requirements/Grading:** Mid-term take-home exam (20%), take-home final exam (15%), homework (56%), effort/course participation (9%).

- You will solve 7 weekly homework assignments, each worth 8% of your score. Homework is due at the beginning of class on Tuesday. You get two automatic extensions of up to one week each. Otherwise, the homework is late and will not be graded. Please take your homework assignments seriously and endeavor to obtain perfect scores on each.
- You are strongly encouraged to work out and write up the solutions to homework assignments in groups of up to three students. However, you will be expected to work out and write up solutions to the midterm and final exam independently. Please make sure that your answers/positions are clearly explained using analytical tools covered in the course.
- The exams will involve simple applications 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. Email your final to me by noon on Friday, 3 June.

Session	Topic	Reading	Homework
<b>Part 1: Introduction</b>			
Tu.29 Mar.	-Why Study Economics? - Micro vs. Macro - Course overview - Incentives	- 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)	
Th.31 Mar.	Some basic principles - Positive/Normative - Homo Economicus - Efficiency/ Equity - Opportunity cost	- Krugman “In praise of cheap labor” - <i>The Economist</i> “The problem with made in China”.	
Tu. 5 Apr.	Voluntary exchange Growth & Development	-Course notes on voluntary exchange. -T&S, Chapter 2, pp.15-32 -Pritchett & Summers, 1996, “Wealthier is Healthier.” -Video: Hans Rosling	HW#1 due (ideally)

<b>Part 2: Markets and Competition</b>			
Th. 7 Apr.	Efficiency, Marginal Costs & Benefits; Producer & Consumer Surpluses; Supply & Demand	K&W, Chapter 3	
Tu. 12 Apr.	S&D, Markets & Equity, Intervention in the market	-Sen, 1981, <i>Poverty and Famines</i> , Ch7. -K&W, Chapter 4	HW#2: due: Supply & Demand, Producer & Consumer
Th. 14 Apr.	Harmful interventions Properties of Demand Curves	- “Availability of Kerosene to rural households: a case study from India” - Rice subsidies in the Philippines (TBD)	
Tu. 19 Apr.	Cost Structure	- Samuelsohn & Nordhaus. <i>Economics</i> . 2005. pp. 124-141.	HW#3 due: Interventions in markets.
Th. 21 Apr.	Perfect Competition - With Initial application to coffee markets	K&W, Ch. 9	
Tu. 26 Apr.	Profit Maximization Monopoly, Natural Monopoly	K&W, Ch. 14 - Samuelsohn & Nordhaus. <i>Economics</i> . 2005. pp.192-197. -Video: Copyright Criminals (Hulu)	HW#4 due: Perfect Competition
Th. 28 Apr.	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. 3 May	Re-cap: markets & efficiency. Application to international coffee markets	- <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?
<b>Part 3: Market Failure</b>			
Th. 5 May	- Information Problems, with application to healthcare, aid, microcredit and the financial crisis.	- <i>The Undercover Economist</i> . 2006. Tim Harford. Chapter 5. - <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>Economic Development</i> . Todaro & Smith. 2006. pp 241-247.	
Tu. 10 May	Externality	- K&W, Chapter 19 (20 pages) - “Emission Impossible?” (FT editorial by Tim Harford).	Midterm Due.
Th. 12 May	- Externality - Commons goods - Public Goods	-Climate change readings: TBD. - <i>Globalization &amp; its Discontents</i> . 2003. Joseph Stiglitz. pp 133-165.	

<b>Part 4: Miscellaneous</b>			
Tu. 17 May	Basic Trade Theory	- K&W, Chapter 17 (25 pages). - Washington Post “The New Economics of Hunger”	HW6: Environmental Economics
Th. 19 May	Basic Trade Theory (contd.)		
Tu. 24 May	Discussion day – the food price crisis	-- Timmer, 2010, “Reflections on Food Crises Past” - Rashid et al. 2007, “Grain marketing parastatals in Asia: results from six case studies”. - “Soaring global food prices keep consumers – and rulers – guessing” Sen, 1981, <i>Poverty and Famines</i> , Chapter 7	HW#7: Trade
Th.26 May	Labor Markets	- 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 20<sup>th</sup> Century</i> . 1974 Harry Braverman. Chapter 3. -“Trade liberalization and employment in India” not yet available.	
Tu. 31 May	Discussion day		
Th.2 June.	Discussion day		