

# GENED 1120

## The Political Economy of Globalization

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Professors Robert Lawrence and Lawrence Summers  
Harvard University, Fall 2023  
Class: Thursdays, 9:45-11:45am, Science Center Hall C

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This course draws on economic theory and lessons from history to illuminate the choices – and trade-offs – faced by governments, international institutions, businesses, and citizens as the global economy evolves, analyzing questions that we believe are fundamental to human progress, prosperity, and security. The nature of globalization and the structure of the global economy is facing unprecedented change. The war in Ukraine and the rise of China are reshaping economic and political relationships, putting pressure on the bipolar institutional architecture that has governed the world economy since the Second World War. In the U.S., Europe, and elsewhere, support for populist political movements calling for a fundamental change to the status quo is growing. And the entire international community is struggling with global challenges such as pandemics, climate change, migration, technological integration, and war between sovereign nation-states.

Throughout this course, students are exposed to the history, economics, and political challenges of deepening global integration – including its impact on living standards, jobs, inequality, poverty, the environment, and politics. **Our premise is that passion without careful reason is dangerous, and that reliance on rigorous analytics and empirical evidence can contribute to a better world.** The course provides the conceptual and empirical foundations necessary to understand today's global challenges. We hope you will leave the course with the knowledge and tools to discuss, debate, and confront the opportunities — and challenges — that (de)globalization will create over your lifetime.

### Course structure and materials

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Each week of the course will cover a different topic. Students are expected to review the set of asynchronous modules and required readings that prior to the live class session each week. Live sessions will include lively debates and role-playing exercises between the professors, guest speakers, and Socratic classroom discussions. **Attendance at live lectures and sections is mandatory.**

There are no required textbooks for this course. All asynchronous modules and the required reading list will be posted to Canvas prior to the live lecture and sections for each week. Required readings will be accessible to students through Harvard credentials, or made available on Canvas as necessary.

## Teaching team

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### Contact information

Instructors	Email
Professor Robert Lawrence	<a href="mailto:robert_lawrence@hks.harvard.edu">robert_lawrence@hks.harvard.edu</a>
Professor Larry Summers	<a href="mailto:lhs@lawrencesummers.com">lhs@lawrencesummers.com</a>

### Teaching Fellows

June Ma (Head TF)	<a href="mailto:junema@fas.harvard.edu">junema@fas.harvard.edu</a>
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### Office hours

All students are welcome and encouraged to sign up for office hours, where you will have the opportunity to ask in-depth questions about the class material or related issues.

	Time	Sign-up
Professor Lawrence	Wednesdays, 1:30-3:30pm, HKS Littauer 316	<a href="https://onlineofficehours.as.me/robertlawrencefall2023">https://onlineofficehours.as.me/robertlawrencefall2023</a> .
Professor Summers	By appointment	Contact Julie Shample and Max Jones at <a href="mailto:lhsoffice@lawrencesummers.com">lhsoffice@lawrencesummers.com</a>
Teaching Fellows	Details to be provided by your TF	Details to be provided by your TF  Drop in OHs will also be offered in the lead up to assessment items, with schedule to be posted on Canvas

## Course schedule

Week beginning	Topic	Section topic(s)	Assessment
September 4	Globalization: Introduction	<i>No section</i>	
<b>History</b>			
September 11	Adam to WW1, Versailles, Interwar Period	Intro	In-class quiz
September 18	Bretton Woods, Pax Americana, End of Cold War to Present	History	In-class quiz
<b>Global Microeconomics</b>			
September 25	Economics of Trade and Protectionism	Trade	In-class quiz
October 2	Movement of Goods, People and Capital <i>Memo writing tutorial</i>	Trade	In-class quiz <i>Simulation 1 released</i>
October 9	The Trading System: Rules and Prospects <i>Midterm (first half of lecture)</i>	Trade	<b>Midterm</b>
<b>Global Macroeconomics</b>			
October 16	Global Flow of Capital and Exchange Rate Regimes	<b>Simulation 1 (US China Strategy)</b>	In-class quiz Memo 1 due
October 23	Financial Institutions and the Response to Disruptions	<b>Simulation 1 (US China Strategy)</b>	In-class quiz
<b>Global Public Economics</b>			
October 30	International Development	Finance	In-class quiz <i>Simulation 2 released</i>
November 6	Climate Change	Public Economics	In-class quiz
<b>The Political Economy of Globalization and its Future</b>			
November 13	Managing a Changing World Order	<b>Simulation 2 (G20 Climate Change)</b>	In-class quiz Memo 2 due
November 20	<i>No lecture – Happy Thanksgiving!</i>	<i>No section</i>	
November 27	The Future of Globalization	<b>Simulation 2 (G20 Climate Change)</b>	In-class quiz
December 4	Review (Thursday December 7, 9:45-11:45am, Science Center Hall C)	Review	<b>Take-home final exam</b>



## Assignments and grading

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Assessment item	Due date	Weight
Participation (including policy simulation exercises)	Ongoing	10%
In-class quizzes	Weekly	5%
Midterm exam (1 hour, in class)	October 12	15%
Policy memo 1 (US China Strategy)	October 16, 3pm	20%
Policy memo 2 (G20 Climate Change)	November 13, 3pm	20%
Take-home final exam	December 9, 12 noon	30%

Your weighted-average final grade will be curved consistent with other Gen Ed courses.

### **Participation**

Students are expected to attend all live lectures and sections. Your participation grade will be based on your attendance in classes, and contribution to sections, **particularly during policy simulation exercises. Make sure you can attend all simulation dates when you choose your section.**

Recordings of live lectures will only be made available to students with an excused absence (e.g. illness, religious observation). Sections will not be recorded. Please contact June Ma ([junema@fas.harvard.edu](mailto:junema@fas.harvard.edu)) if you are unable to make a live lecture, or your TF if you are unable to make section.

### **In-class quizzes**

Each week, students are expected to complete a short quiz on Canvas during the live lecture, so please **bring a device on which you can access Canvas in class**. The quizzes are based on the topics covered in each week's asynchronous modules and required readings. Your two lowest results will be dropped from your final quiz grade. All quizzes are **closed book**.

### **Policy memos**

Students will be assigned a role in each policy simulation exercise two weeks prior to the simulation. Students are required to submit a policy memo before each simulation, written from the perspective of a policy adviser to the person whose role they are assigned. The policy memo must be **individually authored and no more than four pages (double-spaced, 1-inch margins, and 12-point font), and submitted as a Microsoft Word document (.doc or .docx)**. Submissions that exceed the page limit will be penalized 0.5 points per part page over. Further details will be provided in class, and with each simulation brief.

The first policy memo will be partially redeemable. Students may revise and resubmit their first policy memo after receiving feedback, with the final grade for the assignment being the higher of the original grade, and the average of the original and revised grade. For example, if you receive an original grade of 16/20 and a revised grade of 18/20, your final grade for the policy memo will be 17/20. However, if your revised grade is 15/20, then your original grade of 16/20 will stand.

### **Midterm exam**

The midterm exam will be held in the **first hour of class on October 12 between 9:45-10:45am**, and will assess all course material covered up to and including the previous week's live lecture October 5. The exam will be **closed book**. Please ensure you arrive early to allow yourself time to set up as students who are late will not be given extra time.

### **Final exam**

The final take-home exam will be **released on Friday, December 8 at noon, and will be due by Saturday, December 9 at noon**. The exam will be designed to take no longer than three hours, and will cover all course material. Students may consult course materials during the exam, but the use of generative AI is strictly prohibited.

## **Course policies and expectations**

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### **Prerequisites**

There are no formal prerequisites. It is recommended that you are familiar with the content from AP Economics, EC10a and EC10b, or an equivalent undergraduate-level introductory course in economics.

### **Attendance**

Attendance is required in all Gen Ed courses, which are not eligible for course-wide simultaneous enrollment waivers. Students pursuing simultaneous enrollment in a Gen Ed course and a non-Gen Ed course must attend the Gen Ed course.

### **Late submissions**

Late submissions will **not** be accepted for in-class quizzes or the final take-home exam, which must be completed and submitted during its dedicated period. Late submissions will be accepted for policy memos, but penalized 0.5 points per part day late.

### **Exam absences**

Make-up exams will not be offered for the midterm or final exam, except where a student has an excused absence (e.g. illness, religious observation). It is the responsibility of students to ensure that they meet the requirements for excused absences in the Harvard College Student Handbook.

### **Academic accommodations**

Any student requiring academic adjustments or accommodations is asked to present their letter from the Disability Access Office (DAO) to the Head TF, June Ma ([junema@fas.harvard.edu](mailto:junema@fas.harvard.edu)), by the end of the second week of the term. All discussions will remain confidential, although the DAO may be consulted to discuss appropriate implementation of accommodations.

### **Academic integrity**

#### **The Harvard College Honor Code**

*Members of the Harvard College community commit themselves to producing academic work of integrity – that is, work that adheres to the scholarly and intellectual standards of accurate attribution of sources, appropriate collection and use of data, and transparent acknowledgement of the contribution of others to their ideas, discoveries, interpretations, and conclusions. Cheating on exams or problem sets, plagiarizing or misrepresenting the ideas or language of someone else as one's own, falsifying data, or any other instance of academic dishonesty violates the standards of our community, as well as the standards of the wider world of learning and affairs.*

The exchange of ideas is central to academic study. Underpinning this exchange of ideas is academic integrity, which requires that the contributions of others – in terms of ideas, data, or insight – are properly acknowledged. Students are therefore expected to adhere to Harvard University rules regarding the citation of sources in all writing submitted for this course. Please remember that any ideas in your writing that have been published elsewhere must be clearly identified. Indeed, whenever you are drawing an important argument or insight from someone else, even if you reword it into your own

words, a reference to the source is required. In addition, any materials that you reference that you have yourself produced in other courses or for any other purposes must also be cited.

Including material in assignments without appropriate quotation marks and citations, or accessing prohibited materials during in-class quizzes or exams is regarded by School and University policy as a serious violation of academic and professional standards, and can lead to a failing grade in the course, failure to graduate, and even expulsion from the University.<sup>1</sup>

**Please note that these principles apply even though the simulations require writing of a non-academic kind – specifically, writing policy memos – which, outside of academia, may not require such rigorous citation standards.** If you have any questions about academic integrity, please discuss them with your TF.

### ***Policy on the use of generative AI***

The use of generative artificial intelligence (GAI) tools such as ChatGPT is permitted for the policy memos only. Any such use must be appropriately acknowledged and cited. It is each student's responsibility to assess the validity and applicability of any GAI output that is submitted; you bear the final responsibility. The use of GAI is strictly prohibited for in-class quizzes, the midterm exam, and the take-home final.

Violations of this policy will be considered academic misconduct. In addition, a small sample of students on a random basis will be subjected to an oral exam on their assessment submission to ensure they have adhered to this policy. Students who are not fully familiar with the content of their submission will be regarded as having engaged in academic dishonesty in violation of this policy.

We draw your attention to the fact that different classes at Harvard could implement different AI policies, and it is the student's responsibility to conform to expectations for each course.

### ***Policy on collaboration***

Students are encouraged to discuss the issues that arise in the class with their peers, including in the policy simulation (but policy memos must be individually authored). Students are **not** permitted to communicate or collaborate with one another during in-class quizzes or exams.

### ***Economics and Gen Ed requirements***

- *Economics*: This course is an approved economics elective course.
- *Economics concentration writing requirement*: This course fulfills the economics concentration writing requirement.
- *Gen Ed requirements*: This course is jointly listed to fulfill the *Ethics and Civics* and *Histories, Societies, Individuals* Gen Ed requirements. However, an individual student may only use this course to satisfy one of these requirements. Students may choose which requirement it fulfills.

### ***Auditors***

Auditors are welcome to attend the Thursday live sessions. To gain access to the course page for the most up-to-date syllabus and reading list, email June Ma ([junema@fas.harvard.edu](mailto:junema@fas.harvard.edu)). Auditors may not participate in simulations, submit assignments, or sit exams.

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<sup>1</sup> Language adapted from Prof. David Keith

### **Pass/Fail**

This course may be taken pass/fail. Students who choose to take this course pass/fail are expected to fulfill all course requirements. This includes submitting all policy memos on time, attending all lectures and sections, taking all in-class quizzes and exams, and participating in all simulation exercises.

### **Useful economic concepts for this course**

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If you have not taken an introductory course in economics before or taken an economics course recently, it might be helpful for you to review an introductory-level book such as Mankiw's *Principles of Economics*.

It will be helpful for you to be familiar with the following concepts, which will be reviewed briefly in class.

- Trade
  - The principle of comparative advantage
  - The effects of tariffs and quotas (welfare analysis)
- Money and Finance
  - Function of money (store of value, unit of account, medium of exchange)
  - Quantity theory of money
  - Real and nominal interest rates, the Fisher equation
  - National income accounting: trade balance and capital flows (X-M and S-I)
  - Determinants of exchange rates
- Public goods and externalities
  - What they are: definitions and examples
  - Solutions: government provision, Pigouvian taxes, Coase theorem
- General concepts
  - National income accounts
  - Economies of scale

A useful book to review these topics is: N. Gregory Mankiw, *Macroeconomics*. In particular, we recommend that you review the content in these chapters:

- Chapter 4: The Monetary System
- Chapter 5: Inflation
- Chapter 6: The Open Economy
- Chapter 19: Government Debt and Budget Deficits

It will also be helpful to be familiar with the content in these chapters:

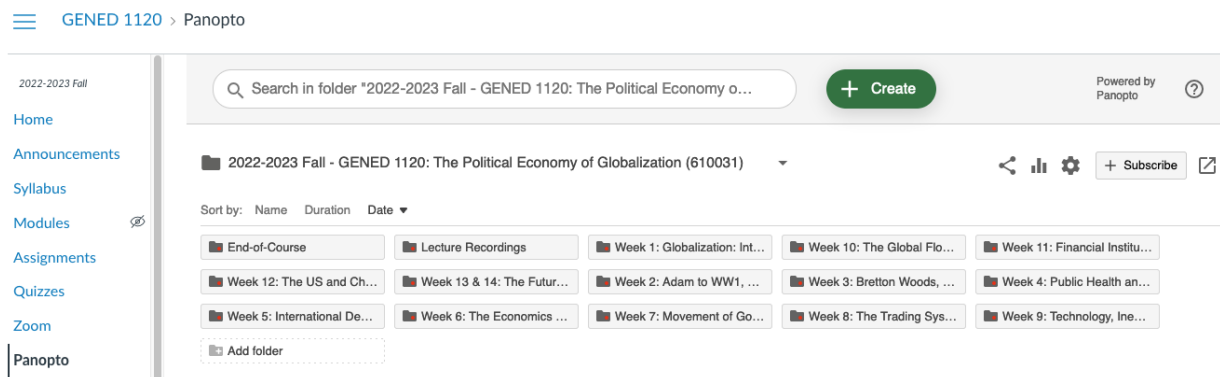
- Part IV: Business Cycle Theory (Chapters 10-14)
- Chapter 20: The Financial System



## Accessing course materials

### Asynchronous modules

Go to the **Panopto** tab on Canvas, and select the folder for the relevant week. The modules will appear below the folders.



### Readings

You should be able to access hyperlinked readings using your Harvard credentials (you will need to create an account for free with your Harvard email for NYT, WaPo, WSJ, and FT), or you may search for them directly through the Harvard Hollis+ database ([hollis.harvard.edu](https://hollis.harvard.edu)). For publication-specific details, see <https://guides.library.harvard.edu/hks/news/indpub>. Other readings will be posted as PDFs on Canvas. If you cannot access a reading, please contact the Head TF, June Ma ([junema@fas.harvard.edu](mailto:junema@fas.harvard.edu)).

## Detailed outline and core reading list

Modules and required readings are to be completed **prior to your section and the live lecture**, as you will be quizzed in lecture on the topics covered. **Please note that new readings will usually be added as guest speakers assign readings, or in response to global developments. You will receive a Canvas notification and email when changes are made.**

The core readings provide important perspectives and analytical material. The questions outlined prior to each week's reading list will help connect the themes in the readings to the content discussed in lecture. You should approach the readings critically: many of them will disagree with or contradict each other, and many of them take a different perspective from the one we will take in the class. As you read, consider what assumptions or frameworks underlie the analysis and whether you agree. Using the Canvas discussion board, students may want to submit comments or questions related to the week's readings or the previous week's session, which the professors will discuss or answer during live lectures.

## Introduction

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### **September 4-10 – Globalization: An Introduction**

This week, we will discuss current, key themes in globalization and provide an overview of the course. Think about the tradeoffs between national and global welfare. How do you think issues around globalization have changed over the last decade? How should countries manage the benefits and vulnerabilities that arise from economic interdependence and reciprocal market access? What do we mean by “globalization?” What do you want to understand about globalization by the end of this course?

#### Required readings

##### Background on Globalization

1. [Video: 4 minutes]: Hans Rosling. (2010). “[200 Countries, 200 Years, 4 Minutes](#)”, excerpt from BBC series the Joy of Stats.
2. [Video: 4 minutes]: World Trade Organization. (2011). “[Made in the World](#).” September 26, 2011.

##### Economics as a way of thinking

3. Lawrence Summers. (2003). “[Morning Prayers](#).” *Address at the Appleton Chapel, Memorial Church*, published September 15, 2003.

##### The Integration Trilemma

4. [“The Integration Trilemma,” pages 9-12 in]: Lawrence Summers. (1999). “[Reflections on Managing Global Integration](#).” *Journal of Economic Perspectives* 13 (2): 3-18.

##### The New Globalization Debate

5. [Video: 11:45-20:30 only] Jake Sullivan. (2023). “[Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution](#).” April 27, 2023.
6. The Economist. (2023). “[The destructive new logic that threatens globalisation](#).” *The Economist*. January 12, 2023.
7. Dani Rodrik. (2022). “[A Better Globalization Might Rise from Hyper-Globalization's Ashes](#).” *Project Syndicate*. May 9, 2022.
8. David J. Lynch. (2023). “[Biden's course for U.S. on trade breaks with Clinton and Obama](#).” *Washington Post*. August 27, 2023.

## History of Globalization

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### **September 11-17 – Adam to WW1, Versailles, and the Interwar Period**

Globalization is as old as the human race. Through the discovery of trade routes, the rise and fall of empires, mercantilism, industrialization, colonialism and wars, globalization has constantly evolved. What were the key driving forces promoting and inhibiting globalization in the past? Who won and who lost? What were the flaws and virtues of globalization in the 19th century? What were the failures of

the Treaty of Versailles and how did they precipitate the economic turmoil of the 1920s/30s – and World War II? How could policy have responded differently? How did (de)globalization in the past resemble (de)globalization today?

#### Required readings

1. [Pages 107-108, 115-120, 124-127, 129-135, 143-156] Jeffrey Sachs. (2019). "[The Ages of Globalization: Geography, Technology, and Institutions](#)." New York: Columbia University Press.
2. John Maynard Keynes. (1919). [Chapter 1](#) in "The Economic Consequences of the Peace." New York: Harcourt, Brace, and Howe, Inc.
3. The Economist. (2019). "[What if the Allies had been more generous in 1919?](#)". June 6, 2019.
4. [On Canvas] Graham Allison. (2015). "[The Thucydides Trap: Are the US and China Headed for War?](#)". *The Atlantic*. September 24, 2015
5. Joseph Nye. (2017). "[The Kindleberger Trap](#)." *Project Syndicate*, January 9, 2017.

### **September 18-24 – Bretton Woods, Pax Americana, End of Cold War to Present**

Toward the end of World War II, policymakers from the Allied countries came together in Bretton Woods to design new organizing principles for the international economic system. The system they designed aimed at simultaneously allowing for increased international integration of trade and finance but also provided room for national policy differences. What were the goals of the architects of the Bretton Woods system, and did they achieve them? Why did Bretton Woods break down? What have been the key features, costs, and benefits of the post-Bretton Woods international economic system of the last 40 years (and how do these differ by country)? Has globalization gone too far, or not far enough?

#### Required readings

1. Martin Wolf. (2019). "[Martin Wolf on Bretton Woods at 75: Global Cooperation Under Threat](#)." *Financial Times*, July 10, 2019.
2. Martin Wolf. (2022). "[Globalisation is not dying, it's changing](#)." *Financial Times*, September 13, 2022.
3. Martin Wolf. (2022). "[Geopolitics is the biggest threat to globalisation](#)." *Financial Times*, November 1, 2022.
4. Martin Wolf. (2023). "[America is feeling buyer's remorse at the world it built](#)." *Financial Times*, June 27, 2023.
5. Daron Acemoglu (2023), "[The End of Democratic Capitalism?](#)", *Foreign Affairs*, July/August 2023
6. Brad DeLong. (2022). "[The Long 20th Century Comes to a Shuddering End](#)" *Foreign Policy*. October 2, 2022.
7. Robert Kuttner (2022), "[After Hyper-Globalization](#)", *The American Prospect*, May 2022.
8. The Economist (2023), "[Globalisation, already slowing, is suffering a new assault](#)", January 2023.

## **Global microeconomics: Managing commerce & international trade**

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### **September 25 - October 1 – The Economics of Trade and Protectionism**

This week addresses the core economic theory concerning the benefits of free trade, including comparative advantage and economies of scale. It also considers common justifications for protectionism, including preserving jobs and wages, exerting the ability of large countries to use their

market power, and aiding poor countries as they develop infant industries. Are the benefits and costs from trade different from the benefits of new technologies? Are the benefits that arise because countries have different laws and rules similar to the benefits when they have different technologies or tastes? What are the distributional impacts of trade protection? Can the infant industry argument justify protection?

#### Required readings

1. [Pages 49–70] Alan O. Sykes. (1998). "[Comparative Advantage and the Normative Economics of International Trade Policy](#)." *Journal of International Economic Law*. 1(1): 49-82.
2. The Economist. (2016). "[An Inconvenient Lota of Truth: the Stolper-Samuelson Theorem](#)." Pages 8-9 in Economics Brief: Six Big Ideas
3. Dani Rodrik. (2017). "[It's Time To Think For Yourself on Free Trade](#)." *Foreign Policy*, January 27, 2017.
4. [Abstract only; skim if interested] Edward D. Mansfield and Diana C. Mutz. (2009). "[Support for Free Trade: Self-Interest, Sociotropic Politics, and Out-Group Anxiety](#)." *International Organization*. 63(3): 425-457.
5. The Economist. (2023). "[What America's protectionist turn means for the world](#)." January 9, 2023.
6. Ha-Joon Chang. (2007). "[Protectionism. the truth is on a \\$10 bill](#)." *The Independent*, July 23, 2007.
7. Arvind Panagariya. (2006). "[Free Trade Skeptics: Wrong Again](#)." *Economic Times*, January 25, 2006.

#### **October 2-8 – The Movement of Goods, Capital and People.**

This week will focus on global value chains. Think of the main criticisms of international trade in the U.S. political debate today. Much of our shared prosperity is due to our integration into the global trading system. However, shocks to supply chains such as pandemics and (trade) wars have exposed the system's vulnerability. What are the benefits and risks of interdependence represented by global value chains? Has our highly integrated system of global trade disproportionately harmed U.S. workers and undermined U.S. national security? If so, how should policy respond to these concerns? How should global corporations be taxed and regulated? Should immigration be encouraged?

#### Required readings

1. Robert Lighthizer. (2020). "[How to Make Trade Work for Workers](#)." *Foreign Affairs*, July-August 2020.
2. Adam Posen. (2023). "[America's Zero-Sum Economics Doesn't Add Up](#)." *Foreign Policy*, March 24, 2023.
3. Lawrence H. Summers (2023). "[What should the 2023 Washington Consensus be?](#)" *PIIE Richard Cooper Lecture*. Draft transcript on Canvas not to be circulated beyond the course.
4. Gordon Hanson (2021). "[The China Shock's Lessons for the Green Economy](#)". *Foreign Affairs*. November 2021.
  - a. Please also go through Prof. Hanson's [data visualization tool](#) on the China trade shock.
5. Greg Rosalsky. (2021). "[How American leaders failed to help workers survive the China Shock](#)." *NPR*. November 2, 2021.
6. [Pages 1-5; skim rest] Scott Lincicome. (2020). "[Testing the 'China Shock': Was Normalizing Trade with China a Mistake?](#)" *Cato Institute Policy Analysis* 895.

7. Jeffrey Frankel. (2022). [“Does International Trade Weaken or Strengthen Countries’ Resilience?”](#) Project Syndicate, June 20, 2022.
8. Arvind Subramanian (2022). [“The Case for Structural Financial Deglobalization”](#) Project Syndicate, October 28, 2022.

### **October 9-15 – The Trading System: Rules and Prospects**

Note: The **midterm** will take place during the first half of lecture this week.

Until recently, the WTO was one of the few multilateral international organizations that seemed to work. After successfully negotiating agreements to liberalize trade, effectively enforcing compliance with its rules, and attracting 164 members, it is now in trouble. The Doha Round negotiations lasted for almost two decades without resolution, the Appellate Body of its Dispute Settlement System cannot confirm new judges, and many of its members have bypassed it by negotiated regional agreements. What do you think the world trading system should look like in the future? How should the U.S. approach Asian economies? Should countries that are poor but very large like China and India be given special treatment, and required to meet less stringent rules than developed countries? Can economic systems as different as the US and China operate with similar rules for subsidies and state ownership? How far should the rules go in constraining domestic policies? Will regional agreements replace the WTO as the core of the trading system?

#### Required readings

1. James McBride, Andrew Chatzky, and Anshu Siripurapu. (2022). [“What’s Next for the WTO?”](#) Council on Foreign Relations. June 10, 2022.
2. Ngozi Okonjo-Iweala. (2023). [“Why The World Still Needs Trade.”](#) ([alternative link](#)) Foreign Affairs. June 8, 2023.
3. Guy Chazan, Sam Fleming, and Kana Inagaki. (2023). [“A global subsidy war? Keeping up with the Americans.”](#) Financial Times. July 13, 2023.
4. [Video] Gary Clyde Hufbauer. (2018). [“Investor-State Dispute Settlement: Unfair to Whom?”](#) Peterson Institute for International Economics. January 16, 2018
5. Robert Z. Lawrence (2022). [“How to Save the WTO with More Flexible Trading Rules.”](#) Peterson Institute for International Economics: Policy Brief 22-15.

## **Global macroeconomics**

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### **October 16-22 – Global Flow of Capital and Exchange Rate Regimes**

This week, we cover key theoretical concepts in international monetary economics, focusing on savings, investment, the current account and global capital flows – and how these correspond to trade deficits. We discuss why capital flows between countries, and when and how these flows are beneficial. What determines the size of a current account deficit or surplus? Should the U.S. care about its current account deficit (and the Chinese and German surpluses)? If so, what should be done about it - if anything? Why might a country choose different exchange rate regimes? What were the benefits and costs of the gold standard system, the Bretton Woods system, and today’s system of floating exchange rates? Why might countries choose to join or not join a currency union?

#### Required readings

1. Robert Z. Lawrence. (2018). [“Five Reasons Why the Focus on Trade Deficits is Misleading.”](#) Peterson Institute for International Economics Policy Brief 18-6, March 2018.

2. Robert Z. Lawrence. (2022). "[Looking at all the wrong places to reduce the US trade deficit.](#)" *Peterson Institute for International Economics*, April 12, 2022.
3. The Economist. (2016). "[Two Out of Three Ain't Bad: The Mundell-Flemming Trilemma.](#)" Pages 14-15 in *Economics Brief: Six Big Ideas*.
4. [Parts 28.1, 28.3, and 28.4 in]: Jeffrey Frankel. (2012) "[Choosing an Exchange Rate Regime.](#)" Chapter 28 in the *Handbook of Exchange Rates*. John Wiley and Sons, Inc
5. Barry Eichengreen. (2016). "[Rethinking Capital Controls.](#)" *Milken Review*, Summer 2016.
6. The Economist. (2022). "[Arab central banks are tagging along with America's rate rises.](#)" *The Economist*. August 27, 2022.
7. Adam Tooze. (2022). "[The World Is Seeing How the Dollar Really Works.](#)" *Foreign Policy*. August 22, 2022.

### **October 23-29 – Financial Institutions and the Response to Disruptions**

This week, we discuss the institutions of the international monetary and financial system and examine the theory of financial crises and the role of international capital mobility and economic integration in the transmission of crises. What does the ideal international monetary system look like? What could it look like, and what trade-offs does each type of system involve? Will the dollar remain the global reserve currency? Why might financial crises occur? How can they be prevented, and how can governments respond to the recessions that might result? How does globalization of financial markets affect the likelihood of and nature of financial crises? What is the role of a lender of last resort, and how do national governments and the IMF play that role?

#### Required readings

1. [Sections I and VI of]: Daniel W. Drezner. (2014). "[The System Worked: Global Economic Governance During the Great Recession.](#)" *World Politics* 66(1): 123-164.
2. Barry Eichengreen. (2023). "[A Bank Murder Mystery.](#)" *Project Syndicate*. April 13, 2023.
3. Harold James. (2023). "[Crises of Uncertainty.](#)" *Project Syndicate*. March 30, 2023.
4. Nouriel Roubini. (2022). "[The Unavoidable Crash.](#)" *Project Syndicate*. December 2, 2022.
5. Niall Ferguson, "[History of Banking Crises Holds a Warning for Jay Powell](#)", *Bloomberg*, March 2023

## **Global public economics: Cooperation to meet global challenges**

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### **October 30 - November 5 – International Development**

This week, we consider the goals and methods of international development policy and foreign aid, the major challenges in achieving those goals, and the strongest arguments in favor of and against different types of foreign aid policies. Comparing the views of Jefferey Sachs and William Easterly, is aid the right approach for achieving economic development? Would development policy yield better results if it was based on Randomized Controlled Trials (RCTs)? What are the "right" policies for economic growth?

#### Required readings

1. George Borjas. (2017). "[The Immigration Debate We Need.](#)" *The New York Times*, February 27, 2017.
2. Lant Pritchett. (2023). "[People Over Robots.](#)" ([alternative link](#)) *Foreign Affairs*, February 28, 2023.
3. Jeffrey Sachs. (2014). "[The Case for Aid.](#)" *Foreign Policy*. January 21, 2014.

4. Joshua Kurlantzick. (2006). "[Review: The White Man's Burden by William Easterly.](#)" *Commentary*.
5. [Video: 17 minutes:] Esther Duflo. (2010). "[Social experiments to fight poverty](#)". *TED Talk*. March 2010.
6. Ricardo Hausmann. (2016). "[The Problem With Evidence-Based Policies](#)." *Project Syndicate*. February 25, 2016.
7. [On Canvas: Pages 1 to 3 in] Lant Pritchett. (2019). "Randomizing Development: Method or Madness?" June 30, 2019.
8. Lant Pritchett and Addison Lewis. (2022). "[Economic growth is enough and only economic growth is enough.](#)"
9. Rohini Pande and Nils Enevoldsen. (2021). "[Not by growth alone: The salience of redistribution in poverty eradication](#)." IGC. October 18, 2021.

### **November 6-12 - Climate Change**

This week, we discuss the problem of global public goods and externalities, focusing on climate change. How well is the global system working to address global commons problems, and how could international cooperation be improved? What are the major barriers to global cooperation and governance of public goods? Do different countries (i.e., rich countries) have varied responsibilities when it comes to investing in solutions to global challenges? Should poor countries be required to take measures to reduce their CO<sub>2</sub> emissions that impair their growth and development? In the absence of a formal global governance mechanism, what actions should individual countries take?

#### Required readings

1. [Skim]: Intergovernmental Panel on Climate Change. (2023). "[Summary for Policymakers, Climate Change 2023 Synthesis Report](#)." See also: [Headline Statements](#) from the Summary.
2. William Nordhaus (2020). "[The Climate Club: How to Fix a Failing Global Effort](#)." *Foreign Affairs*. May 2020.
3. Rahul Tongia (2022). "[It is unfair to push poor countries to reach zero carbon emissions too early](#)." *Brookings Institution*. October 26, 2022.
4. Pinelopi Koujianou Goldberg. (2023). "[The Climate Elephants in the Room](#)." *Project Syndicate*. May 19, 2023.
5. Raghuram Rajan. (2022). "[Deglobalization Is a Climate Threat](#)." *Project Syndicate*. November 18, 2022.

## **The Political Economy of Globalization and Its Future**

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### **November 13-19 - Managing a Changing World Order**

The world order has evolved rapidly in the past several decades, and even more so in the past several years. This week, we will discuss this evolution from the perspective of different regional interests and global powers. How can national and international interests be reconciled? Who should set the rules of the game, and how can they be enforced? How will the tensions between China and the United States affect globalization? Are two global superpowers inherently incompatible? How will the growth of India affect the global economy and global governance? When thinking about this changing world order, what is at stake for developing countries?

#### Required readings



1. Brendan Rittenhouse Green and Caitlin Talmadge. (2022). "[Consequences of Conquest: Why Indo-Pacific Power Hinges on Taiwan.](#)" ([alternative link](#)) *Foreign Affairs*. June 16, 2022.
2. Gideon Rachman. (2020). "[A New Cold War: Trump, Xi, and the escalating US-China confrontation](#)". *Financial Times*, October 4 2020.
3. Eddy Bekkers and Carlos Góes. (2022). "[The impact of geopolitical conflicts on trade, growth, and innovation: An illustrative simulation study.](#)" VoxEU, March 29, 2022.
4. Nirupama Rao. (2023). "[The Upside of Rivalry.](#)" ([alternative link](#)) *Foreign Affairs*. April 18, 2023.
5. Kishore Mahbubani. (2021). "[Can America Lose to China?](#)" *National Interest*. July 1, 2021.
6. Kishore Mahbubani (2023). "[Asia's Third Way](#)". *Foreign Affairs*. February 28, 2023.
7. Tony Chan, Ben Harburg, and Kishore Mahbubani. (2023). "[America Can't Stop China's Rise.](#)" *Foreign Policy*, September 19, 2023.

You are also encouraged to read the following book: Kishore Mahbubani. (2022). "[The Asian 21<sup>st</sup> Century.](#)" Springer.

**November 20-26 – No lecture or section – Happy Thanksgiving!**

### **November 27 - December 3 – The Future of Globalization**

The final week focuses on the future, with an emphasis on how technological advancements and automation will affect the future of globalization. How should policy respond to technological developments in advanced and emerging economies? Given evidence on premature deindustrialization, what impact is this likely to have on the path to development for developing countries today? How have contemporary developments in trade and technology fundamentally altered or upended the global order, and how can the global system be managed to adjust to these developments? What will the global system look like – or, what *should* it look like – in 2050?

#### Required readings

1. Winnie Byanyima. (2018). "[Globalization 4.0 Can Be a Brilliant Future – If We Break from the Injustice of the Past.](#)" *World Economic Forum*. December 21, 2018.
2. Daron Acemoglu. (2022). "[Understanding the New Nationalism.](#)" *Project Syndicate*. June 8, 2022.
3. Rahm Emmanuel. (2022). "[The U.S. is ready for the next era of globalization.](#)" *Nikkei Asia*. August 30, 2022.
4. Robert Muggah and Ilona Szabó. (2023). "[Artificial Intelligence Will Entrench Global Inequality.](#)" *Foreign Policy*. May 29, 2023.