IR 213: The Global Economy
Spring 2017
Lectures: T&Th 12:30-1:50, WPH B27
Professor: Benjamin Graham Office: VKC 357B
Office Hours: 3-4PM Friday, drop-in
2-3PM Thursdays, by appointment only. Book here.
E-mail: benjamin.a.graham@usc.edu
Web Site: http://dornsife.usc.edu/graham

TAs:
Victoria Chonn-Ching
Victoria’s Office: VKC B42H
Victoria’s Office Hours: Wednesday, 1-2 (walk-in); 2-3 (by appointment)
Victoria’s E-mail: chonnchi@usc.edu

Dat Nguyen
Dat’s Office: TBD
Dat’s Office Hours: TBD
Dat’s E-mail: TBD

Syllabus: Version March 28, 2017

****
This syllabus will be updated throughout the semester. New versions of the syllabus will always be announced in lecture, and students are responsible for ensuring they have the latest version. The most up to date version will always be on my website.
****

Course Description
This course provides an introduction to international economics for students of international relations. We address the core puzzle of why poor countries are poor and rich countries are rich, with a focus on international (as opposed to domestic) factors. We cover the economic fundamentals governing the international movement of goods, money, and people, but we also cover the political implications of those flows. We pay attention to the winners and losers created by these flows, and to the policies and institutions that regulate them.

The economic nuts and bolts introduced in this course: comparative advantage, terms of trade, balance of payments, exchange rates, and so forth, are challenging, and the course is demanding. But if you want to save the world, or if you want to get rich, this is the right course to be in.

Readings and Quizzes
The textbook for this course is International Economics by Robert Carbaugh (14th Edition). We will also read several articles during the term, all of which will be provided on the course website. (Note: Other editions of this book will suffice substantively, but page numbers in the syllabus are given for 14th edition.)
The required readings are short – usually 10-20 pages per class or 20 minutes of video or audio – but all students are expected to complete the readings before the class for which they are assigned. There will be a short reading quiz at the beginning of every class for which readings are assigned. The quizzes are short and fairly easy – the intention is simply to enforce the assigned reading.

All students have the opportunity to submit notes on the reading to the TA based on the readings for a given class. If you submit notes of reasonable quality on the readings for advance of class, you will automatically receive full credit for the quiz. Notes must be received by your TA before class begins.

**Papers**
The course requires two very short papers, each limited to 750 words (about 3 double-spaced pages). The papers will cover core political issues in the course: the first is on trade, the second on foreign investment or migration. Despite their short length, my quality expectations for these papers are very high, and we will have a paper-writing workshop before the first paper is due.

**Homework**
There will be 2-3 homework assignments, which cover the core economic concepts in the course. To learn them, you must work through them. These homework assignments will be partially completed in section.

**Exams**
For both the midterm and the final, I will distribute a detailed study guide. All questions on the exam will come word-for-word off the study guide. If you know the answers to everything on the study guide, you will ace the exam. No tricks, no surprises. I encourage students to form study groups and collaborate to develop good answers for each question on the study guide.

**Grading**
Grades for this course will be based on 1). Lecture & section participation (10%), 2). Reading quizzes (10%), 3). Midterm exam (15%), 4). Two Papers (17.5% each), 5). Homework assignments (10%), and 6). Final Exam (20%).

**Clickers:**
All students in this course are required to purchase a [TOPHAP CLICKER?] Students will use the clickers for two purposes: 1). To take reading quizzes and 2). to answer multiple-choice questions during lecture.

While they are convenient for the reading quizzes, the primary purpose of the clickers is to give students a chance to actively participate in the lecture and to check understanding as we proceed through the material. Clicker responses will be used to calculate participation grades for lecture. With the exception of the reading quizzes, I will not deduct points for wrong answers, but students must attempt to answer the questions to receive participation credit.
Course Webpage
This syllabus and appropriate links are available on the course webpage at http://dornsife.usc.edu/graham. The slides from lecture will be available on the website. Reviewing the slides is not a substitute for attending lecture, and the slides will not include all the information covered in lecture, or all the material that will be on the exams.

Statement for Students with Disabilities
Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Tuesday through Friday. The phone number for DSP is (213) 740-0776.

Statement on Academic Integrity
USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one’s own academic work from misuse by others as well as to avoid using another’s work as one’s own. All students are expected to understand and abide by these principles. Scampus, the Student Guidebook, contains the Student Conduct Code in Section 11.00, while the recommended sanctions are located in Appendix A: http://www.usc.edu/dept/publications/SCAMPUS/gov/. Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: http://www.usc.edu/student-affairs/SJACS/.
Course Schedule

NUTS AND BOLTS
Tuesday, January 10
Lecture 1: Introductory Lecture
Optional Viewing: “How Ideas Trump Crises”

Optional Reading:
1. “Is the Era of Great Famines Over?”
   www.nytimes.com/2016/05/09/opinion/is-the-era-of-great-famines-over.html
2. “In 1990, more than 60% of people in East Asia were in extreme poverty. Now only 3.5% are.” https://www.evernote.com/l/AUsEDMBb-FFF2oZKmP2ZmBcg_2_9V4FsJaU

Thursday, January 12
Lecture 2: Fundamentals: Supply, Demand, Complements, Substitutes
Required Reading (actually viewing), watch videos from the Principles of Economics: Microeconomics series by Marginal Revolution University:
1. “The Demand Curve”
2. “The Supply Curve”,
4. “A Deeper Look at the Demand Curve”
5. “The Demand Curve Shifts” (super important, this is hard for many folks)
6. “A Deeper Look at the Supply Curve”
7. “The Supply Curve Shifts” (first 4:35 mandatory, the rest recommended)

The videos are on youtube. https://www.youtube.com/playlist?list=PL-uRhZ_pBM4XnKSe3BJa23-XKJs_k4KY

If you prefer a written source, see the links below or any standard economics textbook: http://www.investopedia.com/university/economics/economics3.asp
http://www.policonomics.com/supply-and-demand/

TRADE
Part I: How Trade Makes Wealth

Tuesday, January 17
Lecture 3: Comparative vs. Absolute Advantage
Required Reading: Carbaugh, Chapter 2, pp. 29-40, 52-55.
Required Viewing: “Comparative Advantage and the Tragedy of Tasmania”
http://mruniversity.com/courses/everyday-economics/comparative-advantage-and-tragedy-tasmania

Thursday, January 19
Lecture 4: The Terms of Trade: Winners and Losers Between Countries

**Required Reading:**
1. Carbaugh, pp. 40-44
2. Irwin, Douglas (2009 (3rd Edition)) Ch6 Developing Countries and Open Market in *Free Trade under Fire*. Only pp. 178-193 required.

**Optional Reading:**

Tuesday, January 24th
***Homework 1 Due***
Careers lecture & exercise

Thursday, January 26th
Class cancelled

Tuesday, January 31
Lecture 5: Sources of Comparative Advantage: Winners and Losers Within Countries

**Required Reading:** Carbaugh, pp. 65-82
**Required Skimming:** Carbaugh, pp. 82-103

Thursday, Feb 2
Lecture 6: The Law of One Price and Barriers to Trade


3. **Optional Viewing:** Explore this data visualization: [http://globe.cid.harvard.edu/?mode=gridSphere&id=null](http://globe.cid.harvard.edu/?mode=gridSphere&id=null)

4. **Optional Reading:** Carbaugh Chapters 4 & 5 NOTE: THESE CHAPTERS REALLY HELP WITH THE HOMEWORK AND THE MIDTERM
Part II: The Politics of Trade

Tuesday, Feb 7
Lecture 7: Domestic Politics of Trade: Concentrated vs. Diffuse interests, lobbying, etc

**Required reading:**
1. Carbaugh, pp. 209-215
2. Planet Money: The Lollipop War
3. “France moves to placate farmers with more aid”

**Optional reading:**
1. “Why are Unions so Focused on Fighting Trade Deals”
2. Irwin, Douglas (2009 (3rd Edition)) Ch6 Developing Countries and Open Market in Free Trade under Fire. pp. 200-204

Thursday, February 9
Lecture 8: International Politics of Trade: A Little History

**Required Reading:** Carbaugh, 179-193

**Recommended Viewing:** This is a UC Riverside lecture that covers material I don’t, and in a pretty engaging way. *A Brief History of International Trade*, by Ryan Petersen

[http://www.youtube.com/watch?v=mwEB85eX4R4&playnext=1&list=PL81931CF32FB0D9AE&feature=results_video](http://www.youtube.com/watch?v=mwEB85eX4R4&playnext=1&list=PL81931CF32FB0D9AE&feature=results_video)

Tuesday, February 14
*****Homework 2 Due*****
Lecture 9: International Politics of Trade: Current Debates

**Required Reading:** “This Was the Trans-Pacific Partnership”

**Required Listening:** Planet Money: “Retraining Day”

**Optional Reading:**
1. Carbaugh, pp. 193-209

1. Labor Standards & Trade Agreements Irwin, Chapter 6, pp. 204-218. (First half of the chapter assigned previously).
2. 'Reshoring' Trend Has Little Impact On U.S. Economy, Study Finds
http://www.npr.org/2014/12/16/371059896/reshoring-trend-has-little-impact-on-u-s-economy-study-finds

Thursday, February 16
Lecture 10: Trade and Development
Required Reading:
1. Carbaugh, pp. 223-240
2. Re-skim the first half of Chapter 6 from Irwin.

Optional Reading (Fair Trade Movement):
1. Economist (2014) Good thing, or bad?


Tuesday, February 21
*****Midterm Exam*****

Thursday, February 23
Lecture 12: Foreign Investment (I)
Required Reading:
1. Friedman, Excerpt from The Lexus and the Olive Tree,

2. Why Foreign Direct Investment Still Polarizes India

Tuesday, February 28
Lecture 13: Foreign Investment II
Required Reading:

Optional Reading:
1. The Economist, “Istanbuls and Bears”
http://www.economist.com/node/21552216

2. Quantitative Easing and Capital Flows to Emerging Markets
http://econbrowser.com/archives/2014/01/guest_contribut_41


For Later Reference: Chapter 9, Carbaugh

Thursday, March 2
Lecture 15: Paper Writing Workshop
Due in Class: A one-sentence thesis statement for your paper, and a bibliography with at least three sources.

Tuesday, March 7
Lecture 14: What is money? Also, interest rates and exchange rates
Required Reading (many articles, but all very short):
1. Carbaugh, p. 386 “How to Play the Falling (Rising) Dollar”
2. “What a Stronger Dollar Means for the Economy”:
3. NYTimes: Clashes and Protest in Iran As Currency Plunges
You don’t need to read the whole entry -- just figure out what the law is, so you can understand the blog post in #5.

Thursday, March 9
******Paper 1 Due******

Tuesday, March 21
Lecture 16: Balance of Payments
Required Reading:
1. Carbaugh Chapter 10
2. NYTimes: As the U.S. Borrows, Who Lends?
Optional Readings:
1. Economist (2014) Tourism and the trade balance: A number of great import

Thursday, March 23
Lecture 17: The IMF

Required Reading:
1. Read the introduction and section 5.1 of the Wikipedia article on the IMF. Skim the rest of the article.

Required Viewing Watch the three videos at the link (one each on surveillance, technical assistance, and lending)
http://www.imf.org/external/about/ourwork.htm

Optional Reading (short): Frankel, “Critiques of the IMF”
http://www.hks.harvard.edu/fs/jfrankel/Critiques_of_the_IMF.pdf

Optional Reading (short): Jerven: “What does Nigeria’s new GDP number actually mean?”

Tuesday, March 28

Required Reading:
“A Good Look at the Thai Financial Crisis in 1997-1998”

Required Listening: This American Life, episode #455, “Continental Breakup.” There is also a transcript you can download if you prefer.
http://www.thisamericanlife.org/radio-archives/episode/455/continental-breakup

Optional Reading:
1. Economist (2015) Greece signs up to a painful, humiliating agreement with Europe

2. A Set of Economist summaries on the Greek Crisis.
http://www.economist.com/greekcrisis


Thursday, March 30
Lecture 19: Development Strategies
Required Reading: Carbaugh, pp. 255-258 (247-250)
Also: Start reading for Thursday (Thursday readings are longer than usual, but important)

Tuesday, April 4
Lecture 20: Foreign Aid
Required Readings:
1. Sachs, “The Development Challenge” in Foreign Affairs
http://heinonline.org/HOL/Page?handle=hein.journals/fora84&div=33&g_sent=1&collection=journals

2. Easterly, “How to Assess the Need for Aid? The Answer: Don’t Ask”
http://www.ffem.fr/jahia/webdav/site/afd/shared/PUBLICATIONS/RECHERCHES/Archives/Notes-et-documents/29-notes-documents-VA.pdf#page=37

3. Dambisa Moyo, “Why Foreign Aid is Hurting Africa”
http://online.wsj.com/article/SB123758895999200083.html#articleTabs%3Darticle

Optional Reading:

Thursday, April 6
Lecture 21: Foreign Aid II
Required Reading:
1. Charles Kenny, “Get an MBA, Save the World,”

2. Sean Parker “Philanthropy for Hackers”
http://www.wsj.com/articles/sean-parker-philanthropy-for-hackers-1435345787

6. A short blog post on biometric smart cards in India.

Optional Reading:
1. The Problem with International Development and How to Fix It

Tuesday, April 11
Lecture 22: The World Bank
Required Reading:


2. U.S. Opposing China’s Answer to World Bank

3. “Uruguay: The little country that changed tobacco laws.”

Thursday, April 13
Lecture 23: Migration and Development: Winners and Losers From Immigration
Required Reading:

1. Vox article on open borders.
2. Carbaugh, pp. 317-323
3. Required Viewing: Is There a Brain Drain?
   http://mruniversity.com/courses/development-economics/there-brain-drain
4. “Illegal Immigrants Don’t Lower Our Wages Or Take Our Jobs”
5. “Yes, Immigration Hurts American Workers”

Optional Reading:

Tuesday, April 18
Lecture 24: Migration and Development II
Required Reading:
1. Accepting Migrants but Not Offering Rights:
   http://www.newrepublic.com/article/120179/how-reduce-global-income-inequality-open-immigration-policies

Thursday, April 20
Lecture 25: Global Supply Chains: Complicating Everything You’ve Learned
Readings TBD

Tuesday, April 25
Lecture 26: Special Topics: Economic Inequality

**Required Reading:**
2. “And the Richest Countries in the World 2040 Are...”
3. “A Bigger Economic Pie but a Smaller Slice for Half of the US.”
   http://www.nytimes.com/2016/12/06/business/economy/a-bigger-economic-pie-but-a-smaller-slice-for-half-of-the-us.html?_r=0

Optional Reading: “How Much Money Could a Land Value Tax Raise?”
http://www.slate.com/blogs/moneybox/2013/10/17/land_value_tax_revenue_how_much_can_we_raise_by_taking_unimproved_land.html
Thursday, April 27
***Paper 2 Due*****


Possible Readings:

1. “Industrial Revolution Comparisons Aren’t Comforting”
   https://www.bloomberg.com/view/articles/2017-02-16/industrial-revolution-comparisons-aren-t-comforting

2. “The Shocking Truth about the Border Adjustment Tax”
   http://econlog.econlib.org/archives/2017/02/the_shocking_tr.html

3. Planet Money: The Last Bank Bailout

4. The Opposite of Brexit: The African Union Launches an all-Africa Passport

5. “STRONG DEMAND FOR THINGS POOR PEOPLE SELL SOMEHOW BAD FOR POOR PEOPLE.”

FINAL EXAM: Wednesday, May 10, 2PM - 4PM