

**IR 213: The Global Economy**  
**School of International Relations**  
**University of Southern California**  
**Fall 2008**

**Instructor:** Iva Bozovic

**Class meeting:** T Th 2:00-3:20 (ZHS 352)

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**Office hours:** T Th 10-12

**Office:** VKC 300B

### **OVERVIEW AND OBJECTIVES:**

In essence, this is a course provides a foundation in international economics for students in International Relations. The course will equip you with essential tools with which to understand the modern global economy. By the end of this course you will be familiar with 1) basic economic principles, 2) essentials of international economics, 3) key economic forces and players in the international arena, 4) key conflicts and policy issues, and 4) the inherent challenges of the global economy. Recommended preparation: IR 210.

We will begin with some basic microeconomic concepts. These are the tools which we will need to examine international trade, international production and international finance. Together, these three aspects of international economics will help us define and understand globalization as a prominent force in the world economy today. Against the background of globalization, we will consider the challenges of economic development and post-communist transition.

Completing this course prepares you for many SIR courses: Managing New Global Challenges (305), Globalization: Issues and Controversies (308), Multinational Enterprises and World Politics (324), Rich and Poor States in the World Economy (325), Politics of the World Economy (330), Developing Countries in World Politics (344), and The Politics of International Trade (430). I hope you will consider these for your future semesters at USC.

### **REQUIREMENTS:**

The course grade will be based on the following elements: **homework assignments** (30%), **2 midterm exams** (20% each), and a **final exam** (30%).

1. **Homework Assignments:** There will be several homework assignments given out during the course and you are required to complete all of them. Generally, the homework assignment will be given to you in class and posted on *Blackboard*. The assignments are due in class and cannot be e-mailed unless cleared with the instructor ahead of time. Late assignments will be penalized and you can be late only up to a day. I will not accept homework assignments later than one business day following their due date. Your TA will go over the solutions in the section following the due date for each assignment.

2. **Exams:** We will have two midterms and the provisionally scheduled dates are listed in the syllabus. I may change the dates of the midterms to accommodate our progress with the material. The students will be notified of any changes in class and via *Blackboard*. The final will take place in our classroom on 12/11 from 2-4 pm. I do not give any make-up exams. You must contact me in advance if you have a valid documented reason for not being able to come to an exam on the day for which it is scheduled. Not taking an exam will result in 0 points for the appropriate percentage of the grade (20% for each midterm and 30% for the final).
3. **Participation:** It is imperative that you come to class having done the readings otherwise you will have very little benefit from the day's lecture. Please ask questions in class and in discussion sections. Asking questions helps you understand the material better and there is a good chance that someone else in the classroom has the same question on their mind. It is especially important for you to participate in the discussion sections led by the TA. If in the course of the semester I notice that the students are not doing the required readings, I will institute unannounced quizzes which will count toward your homework grade.

### ADMINISTRATIVE ISSUES:

Every one must have an USC e-mail account. This is the surest and easiest way to get in touch with me and for everyone to communicate via *Blackboard*. Please visit the *Blackboard* page frequently throughout the semester for lecture notes, slides, latest announcements, and other postings.

Students requesting academic accommodations based on disability are required to register with the 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 (or TA) as early in the semester as possible and absolutely by the end of the 4<sup>th</sup> week.

Everyone must adhere to the university's standards for academic integrity. Failure to submit original and independent work (e.g. plagiarism, cheating on exams) will result in an F for the course and can be grounds for severe sanction by the university. Please refer to the USC Student Guidebook *SCampus* (especially Appendix A on p.134) for detailed information on what constitutes academic dishonesty.

### REQUIRED TEXTS:

The following textbooks are required and are available for purchase at the USC bookstore and online. The texts will also be made available through the Course Reserves in the Leavey Library.

- 1) Reinert, Kenneth A. 2005. *Windows on the World Economy. An Introduction to International Economics*. Mason, OH: Thomson: South-Western.
- 2) Frank, Robert H. and Bernanke Ben S. *Principles of Economics*. (3<sup>rd</sup> edition) McGraw Hill. Select chapters are available for purchase as an E-book for around \$25 at the following website.

<https://ebooks.primisonline.com/eBookstore/index.jsp> . Please check *Blackboard* for further instructions on how to obtain a copy of the E-book.

Most of the readings outside the main texts are available online using a USC computer (or through a VPN connection on any computer). To locate the journals, follow the options under *eResources* on the *Homer* home page or search for articles directly through *Google Scholar*. Readings not available online are available through Electronic Reserves. To view items on reserve for this course visit <http://usc.ares.atlas-sys.com/>

Some of the articles such as those from the *Journal of Economic Perspectives* are more technical compared to the rest of your readings. It is o.k. if you do not understand all of the sections of these papers. However, I do expect that you will read these papers carefully and have a good understanding of the main arguments presented there.

### **COURSE OUTLINE:**

*NOTE: The course outline may change depending on our progress. The most up-to-date syllabus will always be posted on Blackboard.*

#### **Introduction (8/26)**

- Reinert Ch. 1
- Frank and Bernanke Ch. 1

*NOTE: no class 8/28*

*Please refer to the handout for the instructions on how to make up this class..*

#### **Demand (9/2, 9/4)**

- Frank and Bernanke Ch. 3 and 5

#### **Suply (9/9)**

- Frank and Bernanke Ch. 6

#### **Absolute and Comparative Advantage (9/11, 9/16)**

- Reinert Ch. 2, 3, and 4
- Frank and Bernanke Ch. 2

#### **Gains from Trade (9/18)**

- Reinert Ch. 5

#### **Barriers to Trade (9/23)**

- Reinert Ch.6
- Groombridge, Mark. "America's Bittersweet Sugar Policy." *Cato Institute Trade Briefing Paper*. December 4, 2001. <http://www.freetrade.org/pubs/briefs/tbp-013.pdf>

#### **Institutions and Agreements (9/25, 9/30)**

- Reinert Ch. 7,8

- Naim, Moises. “The Free-Trade Paradox: Why is trade booming while trade talks are crashing?” *Foreign Policy*, September/October 2007: 94-95.

### Midterm 1 (10/2)

#### **International Production and Foreign Direct Investment (10/7)**

- Reinert Ch. 9, 10

#### **Multinational Enterprises (10/9)**

- Reinert Ch. 11 (p.161-169)
- Stopford, John. 1998. “Multinational Corporations,” *Foreign Policy*. Winter:113
- Drezner, Daniel. 2001. “Bottom Feeders,” *Foreign Policy* 121(Nov/Dec): 64-70.

#### **Accounting Framework (10/14)**

- Frank and Bernanke Ch. 17
- Reinert Ch. 12
- Bergsten, Fred C. “Strong Dollar, Weak Dollar,” *International Economy* 15(4): 8-10, 40-41.
- Mann, Catherine L. “Is the U.S. Current Account Deficit Sustainable?” *Finance and Development*, 37 (1): 42-45

#### **Exchange Rates (10/16, 10/21, 10/23)**

- Reinert Ch. 13, 14,
- Frank and Bernanke Ch. 23, 27
- Reinert Ch. 15

#### **International Monetary Fund (10/28)**

- Reinert Ch. 16

#### **Balance of Payment Crises (10/30)**

- Reinert Ch. 17
- Stiglitz, Joseph. 2000. “The Insider,” *The New Republic*. April.

#### **Monetary Unions (11/4)**

- Reinert Ch. 18

### Midterm 2 (11/6)

#### **Globalization – Winners and Losers? (11/11, 11/13)**

- World Bank, 2002. “The New Wave of Globalization and Its Economic Effects,” *Globalization, Growth and Poverty: Building an Inclusive World Economy*, The World Bank, p. 23-52. - available through electronic reserves.
- Rodrik, Dani. 2000. “How Far Will International Economic Integration Go?” *Journal of International Perspectives*. 14(1): 177-186.
- Dollar, David and Aart Kraay. 2002. “Spreading the Wealth,” *Foreign Affairs*. Jan/Feb, 81(1) p.120

- Galbraith, James K. et al. 2002. "Is Inequality Decreasing?" *Foreign Affairs*. Jul/August, 81(4) p.178 – response to Dollar and Kraay
- Rodrik, Dani. 2001. Trading in Illusions. *Foreign Policy* 123(March/April): 54-62.
- Stiglitz, Joseph. 2004. "Globalism's Discontents," *The Globalization Reader*. Blackwell Publishing. Ch.25, p.200-207. - available through electronic reserves.

#### **Development (11/18, 11/20)**

- Frank and Bernanke Ch. 20
- Reinert Ch. 19, 20, 22 (skim, focus on pages 364-69)
- World Development Report 2006. Washington DC: World Bank. p. 1-9
- Sachs, Jeffrey. 2005. "The Development Challenge," *Foreign Affairs*. 84(2): 78-90.
- Easterly, William. 2002. "The Cartel of Good Intentions," *Foreign Policy* (July/August): 40-44.
- Birdsall, Nancy et al. 2005. "How to Help Poor Countries," *Foreign Affairs*. 84(4): 136

#### **Transition (11/25, 12/2)**

- Gerard Roland. 2000. *Transition and Economics*. Cambridge: MIT Press. Ch 1
- Svejnar, Jan. 2002. "Transition Economies: Performance and Challenges," *Journal of Economic Perspectives*. 16(1): 3-28
- Bradshaw, Michael. 2002. "The Post-Socialist States in the World Economy: Transformation Trajectories." - available through electronic reserves.

*NOTE: No class 11/27. Have a good Thanksgiving.*

#### **Conclusion and Review (12/5)**

- Reinert Ch. Epilogue

#### **Final Exam (12/11) 2:00 – 4:00 pm**