

**University of Waterloo, Department of Economics  
and the Balsillie School of International Affairs**

**Econ 637 Economic Analysis for Global Governance  
Winter 2023**

**COURSE OUTLINE**

(updated: December 8, 2022)

## **Horatiu Rus**

### **Contact Information:**

Office: Hagey Hall of Humanities, 203 + Temporary Wednesdays Office @BSIA tba

Office hours: in-person (HH203) or online Fridays 12:30-2:00 pm Book an appointment here

Email: hrus at uwaterloo dot ca

Class time and location: W 11:30am-2:20 am, BSIA

Course materials are available on UW-LEARN

### **Course Description:**

This is the core economics course for the MA program in Global Governance. The class will cover the basic theories of international trade and international finance, as essential stepping stones for an informed analysis of global economic issues. After establishing these foundations, the class will move to discuss international policy issues. The inefficiency of the lack of cooperation in international trade policy making and the need for multilateral negotiations have long been recognized. However, there is still a significant amount of debate with respect to the specific features of the multilateral trading architecture. The importance of coordination on monetary and financial issues is emphasized by the fragility of the current system. This is showcased by the frequency and rapid global contagion characterizing modern financial crises, and in view of the most recent episodes especially, is a topic of vivid contention. Chronic underdevelopment in many areas of the world is also recognized as a global issue requiring global solutions, while international environmental coordination is becoming increasingly regarded as a precondition for effectively addressing issues ranging from transboundary resource depletion to global warming. These will constitute the main policy areas explored in the second part of the course.

### **Course Objectives:**

- To develop an ability to work with economists to apply elements of economic analysis to Global Governance issues such as: international trade, international finance, global development, international environmental policy and cooperation and others
- To equip students with the ability to study their global public policy topic of choice using an interdisciplinary lens, by complementing the literature in their main field with an Economics-grounded perspective
- To understand the usefulness and limitations of theoretical modeling in social sciences and to discuss its applicability to a certain policy field of Global Governance
- To be able to explain the value and limitations of quantifying social phenomena in order to produce evidence-based policy recommendations in their chosen field
- To select appropriate economic models and discuss their implications for their respective policy area

- To be able to assess empirical studies and employ their results in their analysis of their chosen global policy area
- To build an ability to apply economic concepts such as: incentives, equilibrium, externalities, opportunity cost, public goods, uncertainty, cost-benefit analysis etc. to a specific Global Governance issue
- To develop a level of literacy in Economics that would allow students to engage with primarily non-technical academic journal articles on Global Governance-related issues and published in such Economics outlets as: *The Journal of Economic Perspectives*, *The Journal of Economic Literature*

### **Evaluation:**

Lead class discussion of one article (10%), a midterm exam (20%), a class presentation (15%) and a referee report (5%), consistent participation in discussions (15%) and a final paper (35%) will make up your grade.

Each student must choose one of the articles for Topics 2-9 (or alternatively - a pre-approved article on a similar topic). These choices must be approved by the instructor and are assigned on a first-come first-served basis. For about 15 min you will summarize the key points of the article, analyze and make some critical remarks and raise some questions that will serve as starting point for the class discussion. You will also lead the discussion for another 15 min or so.

The midterm exam (*tentatively scheduled for **March 1st, 2017***) will be based on the material covered in class and in the readings and will consist of several short-essay questions.

The last few classes will be dedicated to student presentations and referee reports. Each student will present the core argument of their final essay in a short class presentation. Every paper/report presentation will be assigned a referee, who will provide brief comments on the material. The intention is for you to receive constructive feedback on your work from your peers (referee and the rest of the class) before writing up the final papers/reports.

A list of suggested topics will be made available upon request. For other ideas you may consult also the books under the 'Economic Globalization' heading in the Readings list below.

The final essay will be due on **April 7, 2017** and will consist of approximately 20 double-spaced pages. This is a research paper on a specific topic related to the themes of the course. You should start thinking about a topic as early as possible in the course and the research proposal must be discussed with the instructor and approved by the week before the reading break, at the latest.

### **READINGS:**

The course coverage is eclectic and there is no single textbook required for the course. However, depending on your previous background in Economics, several potentially useful sources are listed here by topic. Please note that in addition to the titles below, many textbooks exist in an **open-source** format. One such provider is: <http://www.saylor.org/books/>, where you can freely download and use several principles and international economics texts.

#### **International economics:**

1. Paul Krugman and Maurice Obstfeld (2008), *International Economics: Theory and Policy*, 8th edition, Pearson/Addison-Wesley. NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE
2. Elhanan Helpman, "Understanding Global Trade", Harvard University Press (2011) NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE This is a great little book explaining the change in economic thinking about trade in an accessible non-technical yet still rigorous treatment.
3. Todaro, M.P. and S. C. Smith. 2012. "Economic Development." Boston: Addison Wesley (Pearson), 11th edition (other recent editions are similar). NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE

### Economic Globalization:

\* Dani Rodrik, *Economics Rules: The Rights and Wrongs of the Dismal Science*, W. W. Norton, 2015.  
NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE

\* Richard Baldwin, *The Great Convergence: Information technology and the new globalization* (2016).  
NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE

\* Branko Milanovic, *Global Inequality: a new approach for the age of globalization*. (Cambridge MA: Harvard University Press) 2016. NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE

\* Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy* (Norton, 2011) NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE

Carmen Reinhart and Kenneth Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, (Princeton University Press, 2011) NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE

Dani Rodrik, *One Economics, Many Recipes*, (Princeton University Press, 2007). NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE

Joseph Stiglitz, *Making Globalization Work*, (New York:W.W. Norton, 2006).

William Easterly: *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, (Penguin Press, 2006).

\* Angus Deaton: *The Great Escape: Health, Wealth, and the Origins of Inequality*, Princeton University Press 2013. NOTE: THIS ITEM HAS BEEN PLACED ON RESERVE

\* Banerjee and Duflo: *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, Public Affairs, 2013. NOTE: E-Book can be borrowed and downloaded for up to 7 days. THIS ITEM HAS ALSO BEEN PLACED ON RESERVE as a Physical book

Daron Acemoglu and James Robinson: *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, Crown Business, 2012.

William Easterly: *The Tyranny of Experts: Economists, Dictators and the Forgotten Rights of the Poor*, Basic Books 2014.

### General LIST OF TOPICS:

The list of topics below is broad and tentative. Changes to the order and/or content of some of the topics will occur, depending on class level and interest. **The Readings page on UW-LEARN will provide a detailed and up to date outline including links to readings, and the subset of required readings will be marked with a \***. Normally a campus (or off-campus proxy) internet connection may be required for free access to electronic journals. In addition to journal articles, there will be links to newspapers articles, videos, blog entries and other sources.

*Students are required to read the readings indicated for every section in the Readings sections on UW-LEARN. Please complete the readings for the week prior to class. Each lecture will include a discussion component, where your participation is critical.*

### Topic 0: Introduction to the Course (*Tentative date: January 4*)

#### Readings:

Max Roser (2016) 'A history of global living conditions in 5 charts'. Published online at *OurWorldInData.org*. Retrieved from: <https://ourworldindata.org/a-history-of-global-living-conditions-in-5-charts/>  
Also: Global Inequality 2003-2013 <https://ourworldindata.org/how-global-inequality-has-changed-from-2003-to-2013/>

UNDP. From the MDGs to Sustainable Development for All. New York: UNDP, 2016. Available at: <http://www.undp.org/content/undp/en/home/librarypage/sustainable-development-goals/from-mdgs-to-sustainable-development-for-all.html>

Bjorn Lomborg. Editorial in the Washington Post, Nov 21 2014. Available at: <http://tinyurl.com/ndybxuo>  
Canada's Trade and Investment Update 2016  
([http://www.international.gc.ca/economist-economiste/assets/pdfs/SoT2016\\_eng.pdf](http://www.international.gc.ca/economist-economiste/assets/pdfs/SoT2016_eng.pdf)).

**Topic 1: On the Use of Economics to Understand Global Governance Issues (*Tentative date: January 11*)**

Acemoglu, Daron, and James A. Robinson. 2013. "Economics versus Politics: Pitfalls of Policy Advice." *Journal of Economic Perspectives*, 27(2): 173-92.

Dani Rodrik, *Economics Rules: The Rights and Wrongs of the Dismal Science*, W. W. Norton, 2015. Chapters 1,2.

Krugman & Obstfeld Melitz chapters 1, 2  
Helpman, Introduction

**Topic 2: The Classical Theories of International Trade: Trade driven by Technological Differences (the Ricardian model and The Specific Factors Model); Trade driven by Factor Endowments: the Heckscher Ohlin Model. New trade Theories. International Trade with Imperfect Competition: Intra-industry Trade and the role of Firms. (*Tentative date: January 18*)**

Readings for Ricardo:  
Helpman chapter 2

Krugman & Obstfeld Melitz chapter 3 or Feenstra & Taylor chapter 2 or (more advanced) Markusen et al: online textbook, chapter 7

Readings for Specific Factors:

Krugman & Obstfeld Melitz chapter 4 (chapter number may be different in some editions) or Feenstra & Taylor chapter 3 or (more advanced) Markusen et al. chapter 9

Hongbin Li & Lei Li & Binzhen Wu & Yanyan Xiong, 2012. "The End of Cheap Chinese Labor," *Journal of Economic Perspectives*, American Economic Association, vol. 26(4), pages 57-74, Fall.

Readings for H.O.S.:

Krugman & Obstfeld Melitz chapter 5

Williamson & O'Rourke "The Heckscher-Ohlin Model Between 1400 and 2000: When It Explained Factor Price Convergence, When It Did Not, and Why," NBER Working Papers 7411.

Readings for Intra-Industry Trade:

Krugman & Obstfeld chapter 6,7 or Feenstra & Taylor chapter 6 or (more advanced) Markusen et al. chapter 11 and 12

Paul Krugman, Is Free Trade Passe? *Journal of Economic Perspectives* 1 (2) 1987.

Paul Krugman: "Increasing returns, monopolistic competition, and international trade", *Journal of International Economics*, 1979.

**Topic 3: Trade Policy Instruments and the Political Economy of Trade. International Trading Agreements: from free trade areas to the WTO, to Global Imbalances (*Tentative dates: January 25*)**

Krugman & Obstfeld chapters 9-12 or Feenstra & Taylor chapters 8-11 or (more advanced) Markusen et al. chapter 15 and chapters 16-20

Richard Baldwin, *The Great Convergence: Information technology and the new globalization* (2016). (sections tba)

Russ Roberts, *The Human Side of Trade* (2016)

<https://medium.com/@russroberts/the-human-side-of-trade-7b8e024e7536#.txp19et4b>

Krugman, P. (1997): "What should trade negotiators negotiate about?," *Journal of Economic Literature*

David Autor, David Dorn and Gordon Hanson, *The China Shock: Learning from Labour Market Adjustment to Large Changes in Trade*, *Annual Review of Economics*, 2016, 8, 205240.

David Autor, David Dorn, Gordon Hanson and Kaveh Majlesi, *A Note on the Effect of Rising Trade Exposure on the 2016 Presidential Election*, MIT Working Paper, November 16, 2016.

Paul Krugman 'Trade and Inequality, Revisited' *VOX EU* June 2007 <http://www.voxeu.org/index.php?q=node/261>

Elhanan Helpman (2016) NBER wp: 'Globalization and Wage Inequality' <http://www.nber.org/papers/w22944>.

Richard N. Cooper, 2008. "Global Imbalances: Globalization, Demography, and Sustainability," *Journal of Economic Perspectives*, American Economic Association, vol. 22(3), pages 93-112, Summer.

Richard Baldwin. 21st Century Regionalism: Filling the Gap Between 21st Century Trade and 20th Century Trade Rules, available [http://wto.org/english/res\\_e/reser\\_e/ersd201108\\_e.pdf](http://wto.org/english/res_e/reser_e/ersd201108_e.pdf)

Richard Baldwin, Simon J Evenett (eds.), "The collapse of global trade, murky protectionism, and the crisis: Recommendations for the G20"

Global firms: Insights for trade and trade policy — VOX, CEPRs Policy Portal (2016)

<http://voxeu.org/article/global-firms-insights-trade-and-trade-policy>

#### **Topic 4: International Macroeconomic Policy and Coordination, Financial Crises - (*Tentative date: February 1*)**

Readings:

Krugman & Obstfeld Melitz chapters, 19,20, 21

Kevin H. O'Rourke & Alan M. Taylor, 2013. "Cross of Euros," *Journal of Economic Perspectives*, American Economic Association, vol. 27(3), pages 167-92, Summer.

The 2011 Euro Crisis, Project Syndicate and VOX-EU readings tba

Enrico Spolaore, 2013. "What Is European Integration Really About? A Political Guide for Economists," *Journal of Economic Perspectives*, American Economic Association, vol. 27(3), pages 125-44, Summer.

Paul Krugman, *The Return of Depression Economics and the Crisis of 2008*, sections tba

Carmen Reinhart and Kenneth Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, tba

Barry Eichengreen, 2013. 'Does the Federal Reserve Care about the Rest of the World?,' *Journal of Economic Perspectives*, American Economic Association, vol. 27(4), pages 87-104, Fall.

Gary Gorton & Andrew Metrick, 2013. 'The Federal Reserve and Panic Prevention: The Roles of Financial Regulation and Lender of Last Resort,' *Journal of Economic Perspectives*, American Economic Association, vol. 27(4), pages 45-64, Fall.

Robert Hall, 2010. 'Why Does the Economy Fall to Pieces after a Financial Crisis?' *Journal of Economic Perspectives*, American Economic Association, vol. 24(4), pages 3-20, Fall.

Samuel G. Hanson & Anil K. Kashyap & Jeremy C. Stein, 2011. 'A Macroprudential Approach to Financial Regulation,' *Journal of Economic Perspectives*, American Economic Association, vol. 25(1), pages 3-28, Winter.

Frederic S. Mishkin, 2011. 'Over the Cliff: From the Subprime to the Global Financial Crisis,' *Journal of Economic Perspectives*, American Economic Association, vol. 25(1), pages 49-70, Winter.

#### **Topic 5: Topics in International Development and Poverty Alleviation (*Tentative dates: February 8, 15*)**

## Readings:

Krugman & Obstfeld Melitz chapter 22

Dani Rodrik: 'The Global Governance of Trade - As If Development Really Mattered'

Dollar, D., T. Kleineberg, A. Kraay. 'Growth Still Is Good for the Poor.' World Bank Policy Research Paper 6568, 2013. Available at: <http://tinyurl.com/m8yk6mn>

Angus Deaton, 2013. *The Great Escape*, sections tba.

Easterly, W. (2003): 'Can Foreign Aid Buy Growth?,' Journal of Economic Perspectives.

Daron Acemoglu, 2010. 'Theory, General Equilibrium, and Political Economy in Development Economics,' Journal of Economic Perspectives, American Economic Association, vol. 24(3), pages 17-32, Summer.

Angus Deaton, 2010. 'Understanding the Mechanisms of Economic Development,' Journal of Economic Perspectives, American Economic Association, vol. 24(3), pages 3-16, Summer.

Abhijit Banerjee & Esther Duflo - 'Poor Economics' (2011) - sections tba

John A. List, 2011. 'Why Economists Should Conduct Field Experiments and 14 Tips for Pulling One Off,' Journal of Economic Perspectives, American Economic Association, vol. 25(3), 3-16.

Jens Ludwig & Jeffrey R. Kling & Sendhil Mullainathan, 2011. 'Mechanism Experiments and Policy Evaluations,' Journal of Economic Perspectives, American Economic Association, vol. 25(3), 17-38.

Debraj Ray, 2010. 'Uneven Growth: A Framework for Research in Development Economics,' Journal of Economic Perspectives, American Economic Association, vol. 24(3), pages 45-60, Summer.

Rodrik, Dani. 2010. 'Diagnostics before Prescription.' Journal of Economic Perspectives, 24(3): 33-44.

**Topic 6: Topics in Environmental Economics and Global Environmental Governance (*Tentative date: March 1*)**

## Readings Environmental Economics:

Daniel Esty, 'Bridging the Trade-Environment Divide.' Journal of Economic Perspectives 15 (3) 2001.

Gary Sampson, 'Effective Multilateral Environment Agreements and Why the WTO Needs Them.' The-World Economy 24 2001.

Scott Barrett, 2009. 'The Coming Global Climate-Technology Revolution,' Journal of Economic Perspectives, American Economic Association, vol. 23(2), pages 53-75, Spring.

Gilbert E. Metcalf, 2009. 'Market-Based Policy Options to Control U.S. Greenhouse Gas Emissions,' Journal of Economic Perspectives, American Economic Association, vol. 23(2), pages 5-27, Spring.

## Readings Governance:

Robert N. Stavins (2007) 'Environmental Economics,' NBER Working Papers 13574, National Bureau of Economic Research, Inc.

Brander, James A. (2007), 'Viewpoint: Sustainability: Malthus revisited?,' *Canadian Journal of Economics* 40(1), p. 1-38.

Tol, Richard S J. 2009. 'The Economic Effects of Climate Change.' Journal of Economic Perspectives, 23(2): 29-51.

Abhinay Muthoo (2000) 'A Non-technical Introduction to Bargaining Theory,' World Economics.

Catherine Wolfram & Ori Shelef & Paul Gertler, 2012. 'How Will Energy Demand Develop in the Developing World?,' Journal of Economic Perspectives, American Economic Association, vol. 26(1), pages 119-38, Winter.

**Topic 7: Inequality (*Tentative date: March 8*)**

Thomas Piketty - 'Capital in the 21st Century' - sections tba

Milanovic (2016) - book sections tba

Lakner, C. and B. Milanovic. 'Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession.' Washington DC: World Bank Policy Research Paper 6719, 2013. Available at: <http://tinyurl.com/nhte3b5>

Facundo Alvaredo & Anthony B. Atkinson & Thomas Piketty & Emmanuel Saez, 2013. "The Top 1 Percent in International and Historical Perspective," Journal of Economic Perspectives, American Economic Association, vol. 27(3), pages 3-20, Summer.

Miles Corak, 2013. "Income Inequality, Equality of Opportunity, and Intergenerational Mobility," Journal of Economic Perspectives, American Economic Association, vol. 27(3), pages 79-102, Summer.

**Topic 8: Migration, Security and Health (*Tentative date: March 15*)**

Michael A. Clemens, 2011. 'Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?,' Journal of Economic Perspectives, American Economic Association, vol. 25(3), pages 83-106, Summer.

Jamison, D. T., Summers, L. H., Alleyne, G., Arrow, K. J., Berkley, S., Binagwaho, A., and others (2013). 'Global health 2035: a world converging within a generation.' The Lancet, 382(9908), 1898-1955.

Sridhar, D. and R. Batniji. 2008. 'Misfinancing global health: a case for transparency in disbursements and decision making.' The Lancet 372: 1185-1191.

Lane, C. and A. Glassman, "Bigger And Better? Scaling Up And Innovation In Health Aid, Health Affairs 26, no. 4 (2007): 935-948 Available at <http://content.healthaffairs.org/content/26/4/935.full.pdf+html>

**Topic 9: Final Projects Presentations I (*Tentative date: March 22*)**

**Topic 10: Final Projects Presentations II (*Tentative date: March 29*)**

**IMPORTANT NOTES: please read carefully!**

Missing the Midterm Exam: If you miss the midterm exam for a valid reason, such as medical or family emergency, a make-up oral or written examination may be arranged, or the weight may be transferred to the final.

Missing the Final Exam: The Department of Economics' policy regarding missed final exams is as follows: *A student who has been ill (documentation required) and missed the scheduled final exam MUST petition the Department of Economics Graduate Office within five calendar days to write the Departmental Deferred Examination. If the student has failed to write the Departmental Deferred Examination, the student will automatically receive a grade of 0% for the missed deferred final examination.*

Academic Integrity:

In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline:

A student is expected to know what constitutes academic integrity, to avoid committing academic offenses, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (e.g., plagiarism, cheating) or about "rules for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 Student Discipline. For information on categories of offenses and types of penalties, students should refer to Policy 71 - Student Discipline, [http : //www.adm.uwaterloo.ca/infosec/Policies/policy71.htm](http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm).

Grievance:

A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70 - Student Petitions and Grievances, Section 4, <http://www.adm.uwaterloo.ca/infosec/Policies/policy70.htm>.

Appeals:

A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read Policy 72 - Student Appeals, <http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm>. Academic Integrity website (Arts): [http : //arts.uwaterloo.ca/arts/ugrad/academic\\_responsibility.html](http://arts.uwaterloo.ca/arts/ugrad/academic_responsibility.html) Academic Integrity Office (University): [http : //uwaterloo.ca/academicintegrity/](http://uwaterloo.ca/academicintegrity/)

Note for students with disabilities:

The Office for Persons with Disabilities (OPD), located in Needles Hall, Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.