COURSE OBJECTIVES & SCOPE:

- To develop the ability to learn, analyze and evaluate international economics policy, i.e., trade, investment, growth and finance policy as practiced by the leading agents of globalization: national governments, multilateral agencies (e.g., IMF, WTO, etc.) and multinational corporations; in turn

- To focus on emerging market and developed nations and evaluate their actual policy experiences via the use of economic and non-economic analytical tools; in turn

- To develop core tools from relevant components of micro- & macro-economic theory, i.e., those tools essential to evaluate policy. This is done through the use of a proven, non-mathematical learning method; and thereby

- To assess the impacts of globalization on successes and failures of international economic policy in dealing with nation-state issues of 1) national growth, 2) employment, 3) income distribution, 4) productivity growth, 5) poverty-reduction, 6) financial market development and 7) macro-economic stability.

- To understand the limitations of economic theory’s applicability to guiding policy for the economic and social development of nations as well as meeting the challenges of global climate change.

COURSE REQUIREMENTS

- Mid-term examination
- Final examination
- Class participation; the Socratic Learning Method is emphasized. All students should come to class prepared, including assigned readings, daily reading of the WP, WSJ or NYT, short, special topics, group write-ups when assigned, and a review of the prior class-meeting notes.
- Class Meeting Assignments for Readings & Group Special Topics, when assigned, are given at pp. 6-9 below:

  **NOTE:** the reading list shown for each class meeting (pp. 6-9) is largely optional and not required. The required readings vary and are specified from the list in the prior class meeting(s). Special topics, e.g., short group write-ups, are also assigned in prior meetings.

- The below bibliography is provided to students as a convenient starting point, for related research in other courses.
- The final grade will be determined by a weighted average of the above requirements. Specific percentages, i.e., mid-term 40%, final 40%, class and special topic participation 20%. This will be discussed in class by the instructor.

REQUIRED TEXT (SEE ALSO OPTIONAL TEXTS** BELOW)—ALL ON LIBRARY RESERVE

- Myrdal, Gunner, *Rich Lands & Poor, the Road to World Prosperity* (Harper, 1958), if available
• Bookstore edoption id is # 884995.

**OTHER REQUIRED READING ASSIGNMENTS**

• Weekly: *Business Week, Financial World,* and/or *The Economist,* plus assigned articles.
• Monthly: *Fortune or Forbes and/or equivalents.*

**OPTIONAL TEXTS**
—SEE BOX AT END OF BIBLIOGRAPHY, P. 5

• Note: Compare these other texts below to the Pugel text above.----- if you prefer any of these others below, you can buy it instead via special order at AU Bookstore—or use from Reserves at Library.
• OR
• OR
• OR
• OR

**BIBLIOGRAPHY on Reserve (R)—FOR OPTIONAL, GENERAL USE—NOT FOR READING ASSIGNMENTS**

• Blecker, Robert A, *Taming Global Finance,* Economic Policy Institute, 1999
• Boyer, R. & Drache, Dr. eds., *States Against Markets* (London: Routledge, 1996). R
• Dornbush, Rudy *Euro Fantasies* (*Foreign Affairs, September/October 1996*), on reserve at A.U. library.
• Hahnel, Robin. *Panic Rules,* 2000

• Kapstein, Ethan B. “Workers and the World Economy” (Foreign Affairs, May/June 1996), R.

• Kraft, Joseph, The Mexican Rescue (NY: Group of 30, 1984), 64 pages R

• Krugman, Paul, “Competitiveness, a Dangerous Obsession,” Foreign Affairs, vol. 73, no. 2, Mar/Apr, 1994


• Krugman, Paul, “Saving Asia: It’s Time to Get Radical,” Fortune (September 7, 1998)


• Muller, R.E. Revitalizing America (Simon & Schuster, 1980), out of print, on reserve in A.U. library.


• Myrdal, Gunner, Rich Lands & Poor, the Road to World Prosperity (Harper, 1958), on reserve in A.U. library.

• Ohmae, Kenichi, The End of the Nation-State: The Rise of Regional Economies (Harper Collins, 1995) on reserve


• Soros , George “Can Europe Work? A Plan to Rescue the Union” Foreign Affairs (May/June 1996) R


• Vernon, Raymond G., "International Investment and International Trade in the Product Cycle," Quarterly Journal of Economics 80, no. 2 (May 1966), pages 190-207


• P. D. Whitney, “NAFTA and Hemispheric Integration,” Lecture, University of Buenos Aires, 1995


ADDITIONAL BIBLIOGRAPHY on Reserve [R]: added Fall/Summer 2001-06
Argentina, Brazil and China (1999-2002): 3 contrasts-- (China: WP, 11/25/01, p.A30; + Argentina-WP: 12/22/01, A19; 1/3/02, E1; 1/7/02, A1-13; 1/10/02, E1.) and Brazil (Economist: 1/16/99; cover story)


Duff & Phelps, “Credit Rating Analysis of Brazil,” (Chicago, Ill: Mid-October 1997)


Study on the Operation and Effects of the NAFTA Agreement (Office of President/United States, July 1997).

Swanson, P.E. “Trading Blocs: Bane or Blessing?” Multinational Business Review, Fall 1996.


Note: Previous students have consistently recommended these OPTIONAL TEXTS as excellent substitutes or complements to the PUGEL book. The student is free to choose among them for one or more of the assignments over the course of the semester. Required and additional suggested readings provide excellent preparation for the mid-term, the final and class lectures.

Traditionally, unforeseen problems seem to arise during the Semester regarding the reserve books, i.e., books disappear from the library or individualistic students check the books out for extended periods. To solve these potential problems, students are asked to be considerate of their peers, PLEASE do not hoard reserved books; also, many of the "out of print" and "reserve" books can be found in the Washington-area public libraries and from other area Universities: checking a book out from one of these other libraries is encouraged and expected of students.
ASSIGNMENTS

Class 1:

“Globalization & International Economics,” an Overview: Methodology, Basic Principles & Definitions

1. Review of Syllabus and Course Objectives
2. Class Learning and the Socratic Teaching Methodology
3. The Method and Theory of Economics as a Social Science: Theory Construction and Hypotheses Development & Testing; Positive and Normative Distinctions (see Handout)
4. A Note on Political Economy: The Role of Theory in the Making of Policy (see Handout)
5. Background on Students & Professor (see Handout)
9. P (-see abbreviations at end of Syllabus-) Ch.1 & 2, pp. 1-28: International Economics & Interdependence

Class 2:

Globalization as a Process of Systemic Transformation: Its Historical Origins, Adjustment and Other Issues & Key Assumptions as a Concept and A Policy Framework

EARLY SEMESTER INSTRUCTOR’S NOTE: ONLY CERTAIN ITEMS BELOW WILL BE REQUIRED. THESE WILL BE DESIGNATED IN THE PRIOR CLASS MEETING

1. **P: Ch. 22, Simple Analytics of Macroeconomic Stabilization Policy in an Open Economy;
2. **H&M, Chs. 1(optional) 2 (req’d.); Ch. 21optional: Analytics of Macroeconomic Stabilization Policy; or
3. AFC Chs 25 & 26:
4. B&M (-see abbreviations at end of Syllabus-) Chapters 1-5: skim; read 9-10: Globalization: “Start-Up:” Early Macro Adjustment Issues
5. REM Chapters 1-3: Globalization: “Adolescence:” Structural Lags & Monetary-Fiscal Stabilization Policy”
6. **J. Stiglitz, read pp. ix-xvi, and 3-22; skim pp. 23-52
7. P. Hirst & G. Thompson, “Globalization – A Necessary Myth?”, skim chs. 1 & 2 (R, see biblio)

Class 3:


EARLY SEMESTER INSTRUCTOR’S NOTE: MAKE SURE YOU UNDERSTAND THE LIMITED PURPOSE OF “SKIMMING” A READING ASSIGNMENT
1. **H&M, Chapters 11 & 12 read; 13 & 14, skim; review 21, especially FX-LM-IS; /or
2. **P: Ch. 16 & 17 read, skim 18 & 19 and review ch. 22, especially FX-LM-IS; /or
3. **AFC: Chs 19 & 20; skim only Ch. 21; /or
4. CFJ 15 & 16; review 17 (equivalent to assignment from H & M). or
5. S, for Chapters as equivalent to H & M,
8. Stiglitz, read pp. 23-52; skim 53-88

Class 4:


1. **P Ch.3,4 &5; /or
2. **H & M, review Chs 2, 3 & 4 or
3. S, Chapters 1-5, skim 6-10, /or
4. CFJ, Chapters 2-4 & 7,; skim 5, 6, & 8 /or
5. AFC: Chs 3, 6 & 8 plus
6. **Assumptions of Comparative Advantage Theory & the “Law of Occam’s Razor” (in-class handout)

Class 5:

**Heckscher-Ohlin vs Ricardo-Haberler vs Kindleberger-Linder (Intra-Industry Trade) vs PLCT: Alternative Versions of Comparative Advantage Theory, Its Policy Implications for Economic Growth and the Empirical Evidence

1. **P: Chs. 5 (review) & 6 or **H & M: Chapters 4, 5 & 6 (Review Especially “Leontieff Paradox” plus: “Dutch Disease” & “Immiserizing Growth”[pp. 290-3]), /or
2. CFJ, Chapter 6, & Appendix to Chapter 7, /or
3. AFC: Chs. 9, 10 & 11; or
4. S, Review Chapters 5-10; plus
5. **R. Muller, Ph.D. Dissertation: Impacts of Trade on Growth: Econometric Evidence, skim only Chapters 2, 3 & 4

Class 6:


1. **P: Chs. 8 + skim 9, & read 10. plus pp. 181-189 on the “world of second-best”, or
2. **H & M, Ch’s 6 & 9. or
3. **AFC: Ch.17: Economic Integration (skim for next class) or
4. **S, Chapter 11 for Policy Impacts of 2nd Best Theory (also for next) class

Class 7:

**Basic Tools Part IV of Analyzing Globalization & Economic Integration: Customs Union & the General Theory of Second Best: Economic Integration Trends and the Cases of the European...
Community, NAFTA & CAFTA

1. **P**: Ch. 12 or **H & M**, Chapter 9, plus
2. **S**, Chapter 12, plus
3. **AFC**: “Economic Integration,” Ch. 17; or
4. CFJ, Chapter 14;
5. PW3: NAFTA & Hemispheric Integration & Financial Turbulence;
7. “Study on…NAFTA Agreement,” Office of President, (on reserve/see biblio.)

Class 8:  **Mid-Term Review**

Class 9:  **MID-TERM EXAMINATION** (Covers through the end of Class Seven)

Class 10:


1. **G. Myrdal (M)**, Chap’s 1–9: Critique & an Alternative to Comparative Advantage Trade & Growth Theory
2. **B&M**, Chapters 6 & 7 plus 8: The Evolving Policy Debate on Multinational Corporations
3. **V1 and V2**: the Product Life Cycle Theory (PLCT);
4. **AFC**: Ch 12, pp.231-235: *Transfer Pricing & MNCs*
5. **REM**, Chapter 4: Maturing Policy Adjustments to the Multinationals
6. **P**: Chs 14 or **H & M**, Ch 10 plus
7. **AFC**: Ch. 18: LDC Trade Myths – Prebisch & Singer – Two Critical Hypotheses;
8. E. Cardoso & A. Helwege, “From Import Substitution to Trade Liberalization”
9. PW2, “Economics of Modern Latin America…. ”
10. Wash Post 4 Part Series: “….Globalization & the Developing World” (all; see bibliography)

Class 11:


1. **AFC**: Ch. 12, pp. 220-222: Multinational Corporations & China; plus
2. **P**: Ch. 14 or **H&M**
3. **Myrdal**: Chapters 1–9 (review): Growth & Efficiency Impacts vs. Income Distribution
4. REM, review chapter 4: The “Asian Tiger-NIC” Cases: Agriculture, Savings & Education
6. Eastern European Economies in Transition— the Case of Russia (lecture notes)
8. The Debate on Income Distribution Impacts: Group Papers to be reviewed.
9. P. Hirst & G. Thompson, “The Developing Economies & Globalization” Ch.5 (see biblio/on reserves)

Class 12

1. **P:** review ch. 22 plus read Chs. 23 & 24 plus
2. H & M, Chap 21 review “Open Macroeconomy & Stabilization Policy”; read Chap 20 & pp. 490-1 on Debt Crises or
3. AFC: Chs. 23 & 24 “Marshall-Learner vs. Keynes;” plus review Ch. 25 & 26; or
4. CFJ, Chap’s 17 & 18 review, read Chap’s 19-20; plus
5. **P:** Ch. 21 “International Financial Crises”
6. JK: The Mexican Debt Rescue, 1982
7. B&E: Latin America after Mexico (and its Debt Crisis of 1994-95)
8. CFJ, Chapters 22&23; skim 24.
9. PW2: review pp. 176-181 on Chile

Class 13:

Globalization & Impacts on Developed Nations (Part I): Macroeconomic Stabilization & Other National Policy Tools vs. Interdependence among Economies

1. B&M, Chapters 9 & 10 review. The Early Debate on Sovereignty of Monetary & Fiscal Policy
2. **P:** review Chs 22 & 23, read Ch. 24; or
3. **H & M, Chapter 21 (review), plus pp. 476-489 on fixed vs. floating exchange rates, or
4. AFC: review Chs. 25 & 26, read Ch. 27; or
5. CFJ, Chapters 24 & 25
7. P. Hirst & G. Thompson, Chapters 6-9: The Current Debate on Economic Governance & Globalization
8. REM, Chapters 7, 8 & 10: Approaches toward Resolution
9. Boyer & Drache, Pages 1-30: Looking Ahead (on reserve/see biblio.)

Class 14:

Globalization’s Impacts in Developed Nations (Part II): Select Case Studies and Issues of the USA, the European Community & Japan

1. PK, Europe in Contrast to USA: Successful Adjustment to a Global Market—An incorrect view
3. The “Japan Inc.” Model & Impacts of Globalization: An Irony; read IMF relevant pages & L, Ch.10, on Japan; review from week 2 “Japan’s Financial Mess,” by EJ Lincoln
4. PK: Competitiveness & Europe, pages 28-44
6. Krugman, P. “America the Boastful,” (or ‘don’t count Europe out yet’) ibid.

Class 15:

FINAL EXAMINATION
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>B</td>
<td>Boyer &amp; Arache, <em>States Against Markets</em></td>
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<tr>
<td>S</td>
<td>Staley, <em>International Economics</em></td>
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<tr>
<td>M</td>
<td>Myrdal, <em>Rich Lands &amp; Poor</em></td>
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<tr>
<td>V1</td>
<td>Vernon, &quot;International Investment and International Trade in the Product Cycle&quot; (see above, as Bibliography)</td>
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<tr>
<td>V2</td>
<td>Vernon, “PLC in a New International Environment”</td>
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<tr>
<td>B&amp;E</td>
<td>Burki &amp; Edwards, “Latin America After Mexico”</td>
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<tr>
<td>B&amp;M</td>
<td>Barnet &amp; Muller, <em>Global Reach</em></td>
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<td>PK</td>
<td>Krugman, “Competiveness, a Dangerous Obsession”</td>
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<td>JK</td>
<td>Kraft, <em>The Mexican Rescue</em></td>
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<td>Stern</td>
<td>Stern, &quot;Determinants of the Structure of U.S. Foreign Trade&quot;</td>
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<td>SE</td>
<td>Edwards, <em>The Mexican Debt Crisis of 1994-95</em></td>
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<td>CFJ</td>
<td>Caves, Frankel &amp; Jones, <em>World Trade &amp; Payments</em></td>
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### Attachments
- A Note on Political Economy
- The Method and Theory of Economics as a Social Science
- Dr. Ronald E. Muller, Biographical Sketch (this is provided since many students request background information on the professional experiences of their professors)