Globalization, Incomes and Inequality
Economics 4080, Fall 2009

Professor Donald R. Davis, drdavis@columbia.edu, 1038 IAB, office hours Weds 1-2, 4-4037
TA: Walker Hanlon, wwh2104@columbia.edu

This course seeks to understand global economic integration and its impact on levels and distribution of income within and between countries.

Prerequisites

Knowledge of microeconomics and macroeconomics at the intermediate level is required, as well as the mathematics underpinning these (i.e. through Calculus III). Econometrics preparation is very helpful for the course; the TA will review some basic econometric topics.

Assignments and Grading

- Weekly problem sets. (30 percent of grade.)
  Available by Wednesday noon on Courseworks, due the following Monday noon to the TA by hand, by email, or in the TA’s folder.
  No late problem sets accepted; no exceptions.
  Lowest two grades dropped.
- In class quizzes. (20 percent of grade.)
  Roughly one per week, takes 5-10 minutes.
  Consult your notes and papers, but not your neighbor.
  Easy if you are following the class and doing the problem sets.
  Lowest two grades dropped.
- In-class midterm scheduled for October 26. (20 percent of grade.)
- Comprehensive final per registrar schedule. (30 percent of grade.)

Readings

Cost: $0.00.

Readings should be done before the corresponding class.

The readings for the course will include a mix of theoretical, empirical, and policy-oriented articles. One difficulty in selecting articles for a course like this is that modern professional and policy discussions of the consequences of globalization inevitably draw on the full range of theoretical frameworks – frameworks that you will come to understand as we move through the course but can’t be expected to understand at the outset. This has a consequence. The course will plunge quickly into theory to bring you
up to speed. The early empirical and policy pieces will inevitably lean a bit more heavily toward description than analysis. As we move through the course, our ability to bring theory and empirical analysis together will grow. You will gain a real feel for what discussions of these issues at the highest professional and political levels looks like.

**Lecture slides** will be available on Courseworks in redacted form. They are not a close substitute for attending class.

**Theory:** I will be preparing notes for many of the theoretical topics throughout the term. These will be available via Courseworks.

**“Notes”:** On my teaching web page and on Courseworks you can find Notes on Competitive Trade Theory (originally written for a course I taught some years back at Harvard). You will find these helpful for a number of the topics we touch on, even when I make available notes on Courseworks that touch on related topics. NB: These Notes also cover some topics that are **not** required for the present course, so just look to them for more detail on topics we cover in class.

**All other readings** for the course, listed below, can be found in a Zip file on Courseworks.

Course Outline

Week 1  September 9, 14
Introduction, World Trading Equilibrium, Consumer Optimum, Exchange Economy


Handouts Week 1
Notes on Competitive Trade Theory, Chapters 1,2

Week 2  September 16, 21
Ricardian Model of Trade

International Monetary Fund, “Globalization and Inequality,” Chapter 4 in World Economic Outlook: Globalization and Inequality, October 2007.

Handouts Week 2
Notes on Competitive Trade Theory, Chapter 3

Week 3  September 23, 28
Review of Neoclassical Micro Underpinnings, Heckscher-Ohlin Model


Handouts Week 3
Notes on Competitive Trade Theory, Chapters 1,2

Week 4  September 30, October 5
Heckscher-Ohlin Model (cont.), Specific Factors


Handouts Week 4
Notes on Competitive Trade Theory, Chapters 4,5

Week 5  October 7, 12
Monopolistic Competition


Handouts Week 5
Week 6 October 14, 19
Heterogeneous Firms and Trade


Handouts Week 6

Week 7A October 21
Economic Geography, Home Market Effects


Handouts Week 7

Week 7B October 26
Midterm in Class

No readings.

Week 8 October 28, November 4
Multiple Equilibria, Development Traps


Handouts Week 8

Week 9 November 9, 11
International Migration


Handouts Week 9

Week 10 November 16, 18
Oligopoly, Capital Mobility, and Multinational Enterprise


Handouts Week 10
Week 11 November 23, 25
Offshoring, Outsourcing


Handouts Week 11

Week 12A November 30
Trade, Unemployment, and Adjustment


Handouts Week

Week 12B December 2
Trade and Growth


Handouts Week 12

Week 13 December 7, 9
Trade and Growth (continued)


Handouts Week 13

Week 14 December 16
Trade and Growth (continued)


Handouts Week 14