

# Course Syllabus: Trade and Financial Globalization in an Age of Crisis

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Instructor:  
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Course Meeting Time and Location:  
Thursdays 13:00 to 14:50,  
Teaching Bldg. #2 Room #405

Office Hours Time and Location:  
Tuesday 16:00 to 17:00,  
#322 School of Economics Bldg.

Course Website:  
<http://www.tonyjhowell.com/teaching/economic-globalization>

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## 1. Course Description

This course will cover a diverse set of topics related to international economic integration and new concerns that face the global economy, particularly in the wake of the 2007-2008 global financial crisis. We will discuss the challenges brought about by globalization and how they have been exacerbated by the recent crisis, leading many countries to prioritize national economic security at the expense of international economic cooperation. The course is divided into three main parts: (i) global trade and investment environment; (ii) the global monetary system; and (iii) the strategy and structure of international business. Specific topics of discussion include the nature and political economy of international trade, global finance and investment flows, as well as financial imbalances and crises, and the international business strategies of multinational firms. Students will be exposed to, and equipped with, the necessary applied and theoretical tools to understand and debate the most pressing and current issues facing the global economy.

## 2. Recommended Course Text

Any required readings will be provided to students when appropriate and will cover a broad set of topics drawing from various texts, articles and media reports. The following texts provide a good overview of economic globalization, in relation to international trade, finance and business.

- Feenstra and Tayler (eds.) (FT), *Globalization in an Age of Crisis*, University of Chicago Press, 2013.
- Michael W. Weinstein, ed., *Globalization: What's New*, Columbia University Press, New York, 2005.
- Charles Hill, *International Business: Competing in the Global Marketplace*, 10E, McGraw/Hill, 2014
- Caprio, Beck, Claessen, and Schmukler (CBCS), *The Evidence and Impact of Financial Globalization*, Elsevier, 2013

### 3. Course Requirements and Grading

- **Assigned Group Readings (30%):** There are 3 components: (1) Each group is responsible for providing a 1-2 page summary, i.e. main debate/argument, the findings, and your opinion, (Use 1-inch margins, 12pt font, times new roman) for each assigned reading; (2) Each group is responsible for providing a separate document containing 2-3 discussion questions for each assigned reading, which will be used to facilitate in-class discussion; (3) Each group will be responsible for finding two recent news articles in English from the Harvard Business Review or other main news outlets (New York Times, Financial Times, Huffington Post, the Guardian, etc.) related to each assigned reading; and (4) A group Prezi will be created for each week and should include the following: (i) the name of the assigned reading article, and 3-4 bullet highlights summarizing the main point of the article, findings, and your own thoughts about the paper (i.e. agree or disagree and why); and (ii) a 100-200 word summary for each news article, including a relevant picture and caption.
- **In-Class Participation (15%):** Students are expected to attend every class and participate in all group activities and discussions. Repeated absences from class, surfing the web or watching shows, failure to actively and regularly participate, or disruptive behavior will result in lower or no credit in this category. Evaluation will be based, in part, by group peers' assessment at the end of the semester, along with the instructor's own evaluation.
- **Examination (25%):** Students will take two in-class quizzes based on lecture and readings.
- **Final Group Project (30%):** The group will compare and contrast the going-out strategies of firms from advanced and emerging economies, respectively. Each group will select one Chinese firm that is or has the potential to become global and compare its global strategy to a relevant multinational company (MNC) from an advanced economy. For the domestic Chinese company, the group must describe its potential to globalize and/or strides that it has taken, noting important comparisons with the TNC. For the TNC from the advanced economy, the group will have to find out the where, why, when, and how it globalized. As a backdrop, the group should describe the globalization of the industry that the firms belong to, including finding or making a global supply chain industry map.

### 4. Policy for Late Work

Assignments turned in late will be subject to a 5% grade reduction for each day that the assignment is past due. After 10 late days, students may still turn in any assignment and receive a 50% grade reduction.

## 5. Course Topics, Student Presentations and Assignments

**Note:** Assigned reading summaries, discussion questions and Prezi's should all be uploaded to the course website ([www.courses.pku.edu.cn](http://www.courses.pku.edu.cn)) on the Tuesday before each class.

<i>Week (Date)</i>	<i>Lecture Topic</i>	<i>Readings*</i>	<i>Reading Assignment Topic Ideas</i>	<i>Due Date</i>
Week 1 (03/05)	Introduction to Economics of Globalization: History, Trends and Debates	Frankel; O'Rourke; FT, Ch. 1		
Week 2 (03/12)	Globalization Depth and the CAGE Framework	Ghemawat 2001; 2014	Discuss globalization and the economic shift towards emerging economies.	03/17
Week 3 (03/19)	Should Nigeria Strive towards Self-Sufficiency? Law of Comparative Advantage	Driskell; Weinstein, Ch. 2; Frankel	Arguments for and against free trade	03/24
Week 4 (03/26)	International Trade Theory	Leamer; Goldberg; Jaumotte; Feenstra;	Does Trade Lead to Income Inequality, for who?	03/31
Week 5 (04/02)	The Political Economy of International Trade	Baldwin; Bagwell; FT, Ch. 3	Discuss the WTO and the Doha Round?	04/07
Week 6 (04/09)	World Trade System and Regional Economic Integration & <b>Review for Quiz 1</b>	No Reading Assignment	What are the arguments for and against PTAs?	04/14
Week 7 (04/16)	Foreign Direct Investment & <b>Quiz 1</b>	Calomiris; Lipsey; Irwin	What are the effects of FDI on home & source countries?	04/21
Week 8 (04/23)	Currencies and the Foreign Exchange Market	Eichengreen; Frankel; Rodrik 2005; 08	What is the role of RMB in the global economy?	04/28
Week 9 (04/30)	The International Monetary System (IMS)	Mohan; Obstfeld	How did the crisis reveal weaknesses in the IMS?	05/05
Week 10 (05/07)	The Global Capital Market	CBCS, Ch. 1; Rodrik	What is financial globalization?	05/12
Week 11 (05/14)	Global Imbalances and Financial Crises	CBCS, Ch. 5; Reinhart; Mendoza	Discuss the financial globalization & crisis relationship.	05/19
Week 12 (05/21)	Financial Globalization, Crisis and Developing Countries	Kose; CBCS, Ch. 25	How were emerging economies impacted by the financial crisis?	05/26
Week 13 (05/28)	Multinational Firms: Strategy of International Business <b>Review for Quiz 2</b>	No Reading Assignment	Describe the global strategy of firms from emerging economies.	06/02
Week 14 (06/04)	Globalization, MNC Entry Strategy and Strategic Alliances & <b>Quiz 2</b>	Deng; Peng; Sun	Describe the global strategy of firms from China.	06/09
Week 15 (06/11)	Group Presentations (1)			
Week 16 (06/18)	Group Presentations (2)		Group Final Project	TBA

**Disclaimer:** Subsequent changes may be made to any aspect or detail of this syllabus if and when necessary. Any changes will be announced in class as soon as possible.

\*First author names listed. See selected readings section below for full reference information.

## 6. Selected Readings

### Week 1 Selected Readings:

1. Frankel, "Globalization of the Economy," NBER Working Paper, 2000.
2. O'Rourke and Williamson, "Once more: When did globalization begin?" *European Review of Economic History*, 2004.
3. FT, Ch. 1, Irwin and O'Rourke, "Coping with Shocks and Shifts."

### Week 2 Selected Readings:

1. Ghemawat, "Distance Still Matters: The Hard Reality of Global Expansion," HBR, 2001.
2. Ghemawat & Altman, "Depth Index of Globalization: Big Shift to Emerging Economies," 2013.

### Week 3 Selected Readings:

1. Driskill, "Deconstructing the argument for free trade," *Economics and Philosophy*, 2012.
2. Weinstein, Ch. 2, Irwin, "Trade and Globalization," 2005.
3. Frankel & Romer, "Does Trade Cause Growth?," *AER*, 1999.

### Week 4 Selected Readings:

1. Leamer, "In Search of Stolper-Samuelson Effects on U.S. Wages," NBER working paper, 1996.
2. Fenestra "Integration of Trade and Disintegration of Production in the Global Economy," *The Journal of Economic Perspectives*, 1998.
3. Jaumotte, et. al., "Rising Income Inequality: Technology, or Trade and Financial Globalization?" *IMF Economic Review*, 2013.
4. Goldberg & Pavcnik, "Distributional Effects of Globalization in Developing Countries,?" *JEL*, 2007.

### Week 5 Selected Readings:

1. Baldwin, "The Political Economy of Protectionism," in Bhagwati (ed) *Import Competition and Response*, 1982
2. Bagwell et al., "Is the WTO Passé?" Preliminary Draft, 2014.
3. FT, Ch. 3, Bagwell and Staiger, "Can the DOHA Round be a Development Round?"

### Week 6 Selected Readings:

1. Bhagwati et al., "The World Trade System: Trends and Challenges," Preliminary Draft, 2014.
2. Gajdos, "The Trans-Pacific Partnership and its impact on EU trade," *Policy Briefing*, European Parliament, 2013.
3. FT, Ch. 4, Krishna, "Preferential Trade Agreements and the World Trade System.

### Week 7 Selected Readings:

1. Weinstein, Ch. 3, Calomiris, "Capital Flows, Financial Crises, and Public Policy."
2. Lipsey, Home and Host Country Effects of FDI, NBER working Paper, 2002.
3. Irwin and Gallagher, "Exporting National Champions: China's OFDI Finance in Comparative Perspective", *CEGI Working paper*, 2014.

### Week 8 Selected Readings:

1. Frankel, "No Single Currency Regime is Right for all Countries or at all Times," NBER working paper, 1999.

2. Eichengreen, "Renminbi Internationalization: Tempest in a Teapot?" *Asian Development Review*, 2013.
3. Rodrik, "The Social Cost of Foreign Exchange Reserves," *International Economic Journal*, 2006.
4. Rodrik, "The Real Exchange Rate and Economic Growth," *Brookings Institute*, 2008.

Week 9 Selected Readings:

1. Mohan et al., "The International Monetary System: Where Are We and Where Do We Need to Go?" IMF working paper, 2013.
2. FT, Ch. 8, Obstfeld, "The International Monetary System: Living with Asymmetry."

Week 10 Selected Readings:

1. CBCS, Ch. 1, Beck et al., "Financial Globalization and Crises: Overview."
2. Rodrik and Subramanian, "Why Did Financial Globalization Disappoint?", IMF Staff Papers, 2009.

Week 11 Selected Readings:

1. CBCS, Ch. 5, Chinn, "Global Imbalances."
2. Mendoza and Quadrini, "Financial Globalization, Financial Crises and Contagion" NBER Working Paper, 2009.
3. Reinhart and Rogoff, "The Aftermath of Financial Crises," NBER Working Paper, 2009.

Week 12 Selected Readings:

1. CBCS, Ch. 25, Barth et al., "Policy Issues of China's Financial Globalization."
2. Ayhan et al., "Financial Globalization and Economic Policies," in Rodrik and Rosenzweig (eds.), *Handbook of Development Economics*, Vol. 5, 2010.

Week 13 Selected Readings:

1. Hoskisson et al., "Strategy in Emerging Economies," *Academy of Management Journal*, 2000.
2. Luo & Tung, "International expansion of emerging market enterprises: A springboard perspective," *Journal of International Business Studies*, 2007.
3. Wright et al., "Strategy Research in Emerging Economies: Challenging the Conventional Wisdom," *Journal of Management Studies*, 2005.

Week 14 Selected Readings:

1. Deng, "The Internationalization of Chinese Firms: A Critical Review and Future Research," *International Journal of Management Review*, 2012.
2. Peng, "The Global Strategy of Emerging Multinationals from China," *Global Strategy Journal*, 2012.
3. Sun et al., "A Comparative Ownership Advantage Framework for Cross-border M&As: The Rise of Chinese and Indian MNEs," *Journal of World Business*, 2010.