

Harvard University  
Spring Semester 2013  
**Societies of the World 48/ITF 225**  
**The Future of Globalization: Issues, Actors, and Decisions**

Professors Robert Lawrence and Lawrence Summers

Our lives today are deeply intertwined with global economic and political forces. We cannot fully understand any of the issues on the American political scene – jobs, economic inequality, the financial crisis, US government debt and deficits – without understanding America’s engagement in the global system. The same is true for citizens of every country. Europe is living through the consequences of commitments to a common currency, international trade has helped China transition from famines to feast in one generation, and the world as a whole is struggling with global challenges regarding climate change, food security, and migration. Everyone is embedded, for good or ill, in a global economic and political system, one that is changing before our eyes.

This course examines the economic, political, and social issues raised by deepening integration – its impact on living standards, jobs, inequality, poverty, and the environment – for citizens, societies, and nations. The course focuses on the economic interests and political power of the actors that constitute the international system – sovereign national governments, economic firms, financial institutions, international organizations, civil society, social networks – and the institutions within which those actors operate.

The course provides the necessary conceptual and empirical foundations to understand today’s global challenges, but focuses heavily on analyzing current debates. Lectures are supplemented by simulation exercises in section, in which students are asked to play the role of governments, stakeholders, or institutions and come to a decision on a key issue of the day. We will also have prominent experts and practitioners visit the class to discuss some of the most hotly debated decisions of the past decade.

This course is based on the premise that reasoning based on solid analytics and rigorous empirical evidence will lead to better choices about the institutions of globalization and better outcomes for human global well-being. More importantly, this course aims to give you the tools you need to have well-developed opinions on the enormously complex issues that globalization will create over your lifetime.

*Lectures.* The lectures will be held on Mondays and Wednesdays, 1:00-2:30pm, with both professors regularly attending.

*Sections.* Students will also be divided into sections of approximately 18 students each, with different sections for those enrolled in SW 48 (undergraduates) and ITF 225 (HKS students and all other cross-registered graduate students). Sections are not merely reviews of lecture and are an integral part of the course. Therefore, section participation is mandatory.

The majority of sections will be devoted to simulation exercises. This year's simulations will focus on upcoming US Government trade policy with the EU and the Trans-Pacific Partnership, a new amendment to the EU Treaty regarding deeper integration, and a strategy for investing in renewables after the Solyndra scandal.

*Course requirements.* Over the course of the semester, students will be responsible for *three* group presentations and *three* authored 4-5 page (double spaced) briefs for the simulation exercises. One of these briefs will be co-authored. In addition, there will be a midterm and a final examination covering all of the course material – lectures, readings, and section exercises.

All written material will be turned in through the course website and will be due on the first day of a given simulation, so due dates will vary according to section day. The midterm exam will be held in class on March 6<sup>th</sup>.

*Readings.* Links to all the readings from journal articles, web-sites and otherwise web-accessible sources will be provided on the course website. Non-web accessible readings will be in a source book, available for purchase at The Coop. Copies of the source book will also be on reserve at Lamont and the HKS library. While some readings will be discussed in lecture and section, it is up to you to keep up with readings as they will be an important part of both the midterm and the final exam. Please check the website for announcements regarding readings, because readings may change during the semester.

*Grading.* There will be a final examination, which counts for 30 percent of the grade, and a midterm examination, which will count for 10 percent of the grade. Each of the three decision briefs and your participation in each simulation will count for 20 percent of the grade.

*Prerequisites.* There are no prerequisites. We will cover all of the analytical material you are expected to know. Depending on your background, this may involve some additional review on your own and attendance at additional review sections.

*Teaching team office hours and contact information:*

Professor Lawrence's office hours are 10:30 to 12:30 on Tuesdays. A sign-up sheet is posted on his door. Professor Lawrence's email address is Robert\_Lawrence@harvard.edu.

Professor Summers office hours are 2:30pm to 4:30pm on Mondays. Please contact Julie Shample at Julie\_Shample@harvard.edu and Marah Brown at Marah\_Brown@harvard.edu to schedule an appointment. Professor Summers' email address is Lawrence\_Summers@harvard.edu.

For TF office hours please check the TF office hours guide on the course website. The TFs can be contacted as follows:

*Elizabeth Linos, the head TF, can be reached at elizabeth\_linos@hksphd.harvard.edu*

*Matthew Badalucco can be reached at matthew\_badalucco@hks13.harvard.edu*

*Hamouda Chekir can be reached at hamouda.chekir@gmail.com*

*Edoardo Campanaella can be reached at edo.campa@hotmail.it*

*Christy Lauridsen can be reached at christyl@gmail.com*

*Natasha Sarin can be reach at nsarin@jd14.law.harvard.edu*

## Lecture Overview and Readings

### Session

### SECTION I: THEMES AND HISTORICAL OVERVIEW

#### 1/28/13 Course Overview

Charan Devereaux, Robert Lawrence, and Michael Watkins. 2006. Chapter 1: Making Trade Policy. *Case Studies in US Trade Negotiation*. Peterson Institute.

Lawrence Summers. 1999. "Reflections on Managing Global Integration." *Journal of Economic Perspectives*. <http://www.jstor.org/stable/2647114>

#### 1/30/13 From Adam and Eve to the Pax Britannica

Jeffrey Frieden. 2012. "The modern capitalist world economy: A historical overview." *Oxford Handbook of Capitalism*. Ed. Dennis Mueller. New York: Oxford University Press.

[http://scholar.harvard.edu/jfrieden/files/modern\\_capitalist\\_economy\\_\\_page\\_proofs.pdf](http://scholar.harvard.edu/jfrieden/files/modern_capitalist_economy__page_proofs.pdf)

Ferguson, Niall. 2004. Introduction. *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power*.

#### 2/4/13 The Pax Americana Globalization

Frieden, J. A. 2007. Chapters 11-12. *Global Capitalism: Its Fall And Rise In The Twentieth Century*. WW Norton & Co.

Wolf, Martin. 2004. Preface. *Why Globalization Works*. Yale University Press.

#### 2/6/13 Where Are we Now? (Is the World Flat or does it need to be Flatter?)

Dunn, Robert. 2001. Has the US Economy Really Been Globalized? *Washington Quarterly*. [http://online.sfsu.edu/jgmoos/PDF/635\\_pdf/No\\_07\\_Dunn.pdf](http://online.sfsu.edu/jgmoos/PDF/635_pdf/No_07_Dunn.pdf)

Ghemawat, Pankaj. 2001. "Distance Still Matters: The Hard Reality of Global Expansion." *Harvard Business Review* 79, no. 8: 137-147. <http://web.ebscohost.com.ezp-prod1.hul.harvard.edu/ehost/pdfviewer/pdfviewer?sid=4aab91c0-e5d5-4255-a8d1-34a3b26e4e6d%40sessionmgr13&vid=3&hid=18>

Rodrik, Dani. 2000. "Governance of Economic Globalization" in Nye, Joseph and John D Donohue.(eds) *Governance in a Globalizing World*, Brookings Institution Press. Pp 347 - 356 and 363-364.

### SECTION II: INTERNATIONAL TRADE

#### 2/11/13 The Economics of Free Trade (and Arguments Against It)

Wolf, Martin. 2004. Chapter 6. *Why Globalization Works*. Yale University Press.

Dollar, David. and Aart Kraay. February 2002. "Spreading The Wealth". *Foreign Affairs*  
<http://www.foreignaffairs.com/articles/57626/david-dollar-and-aart-kraay/spreading-the-wealth>

Rodrik, D. 2011. Chapter 3. *The Globalization Paradox: Democracy and the Future of the World Economy*. Cambridge University Press.

Chang, Ha-Joon. 2003. "Kicking Away the Ladder: The 'Real' History of Free Trade". FPIF Special Report.  
<http://camara.ie/web/wp-content/uploads/2010/03/Kicking-away-the-ladder.pdf>

## 2/13/13 **The Politics of Free Trade**

\*\*Note: Simulation 1 begins in section today.

Alt, James E. and Michael Gilligan. 2000. "The Political Economy of Trading States: Factor Specificity, Collective Action Problems and Domestic Political Institutions" reprinted in Jeffery A. Frieden and David A. Lake (eds) *International Political Economy: Perspectives on Global Power and Wealth*, (Thomson Wadsworth), pp. 327 – 334.

Krugman, Paul. December 29 2007. "The Trouble with Trade" *New York Times*.  
<http://search.proquest.com.ezp-prod1.hul.harvard.edu/docview/848108341/pageviewPDF/13AF0B1A9AF435D0AC/65?accountid=11311>

Lawrence, Robert. 2007. "The globalization paradox: More Trade Less Inequality" Vox EU.  
<http://www.voxeu.org/article/globalisation-paradox-more-trade-less-inequality>

Lind, Michael. 2011. "The Cost of Free Trade." *American Prospect*, <http://prospect.org/article/cost-free-trade>

Bhagwati, Jagdish. 2012. "Shame on you Mr. Obama, for pandering on trade." *Financial Times*. February 6.  
<http://www.ft.com/intl/cms/s/0/56a045aa-50b3-11e1-8cdb-00144feabdc0.html#axzz1lvz5c1Fh>

## 2/18/13 **UNIVERSITY HOLIDAY**

## 2/20/13 **A Rule Based System for International Trade**

WTO. The World Trade Organization... In Brief. [http://www.wto.org/english/res\\_e/doload\\_e/inbr\\_e.pdf](http://www.wto.org/english/res_e/doload_e/inbr_e.pdf)

Lawrence, Robert. 2007. "The United States and the WTO Dispute Settlement System." Council on Foreign Relations. <http://www.cfr.org/trade/united-states-wto-dispute-settlement-system/p12871>

Wallach, Lori. 1999. "Whose Trade Organization?" *Public Citizen*.  
<http://www.citizen.org/publications/publicationredirect.cfm?ID=7081>

Martin Wolf. 2004. *Why Globalization Works*. pg 206 -212

## 2/25/13 **Rules Create Limits**

WTO. United States – Measures Concerning the Importation, Marketing and Sale of Tuna and Tuna Products. Summary of the dispute to date: [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds381\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds381_e.htm)

WTO. India etc versus US: ‘shrimp-turtle’ [http://www.wto.org/english/tratop\\_e/envir\\_e/edis08\\_e.htm](http://www.wto.org/english/tratop_e/envir_e/edis08_e.htm)

WTO. European Communities – Measures Concerning Meat and Meat Products (Hormones). Summary of the dispute to date: [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds26\\_e.htm#top](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds26_e.htm#top)

Charan Devereaux. “Food Fight: The US, Europe, and Trade in Hormone-Treated Beef.” KSG Case No. NR14-02-1677.3

2/27/13 **Can the WTO Adapt?**

Bhagwati, Jagdish. 1995. “US Trade Policy: The Infatuation with Free Trade Areas” in Jagdish Bhagwati and Anne O. Krueger. *The Dangerous Drift to Preferential Trade Agreements*. Washington, DC: American Enterprise Institute. Pages 1 – 18.

Hufbauer, Gary Clyde and Jeffrey Schott. 2012. *Will the WTO Enjoy a Bright Future?* Peterson Institute. May. <http://www.iie.com/publications/pb/pb12-11.pdf>

Ismail, Faizel. 2012. “Towards an Alternative narrative for the Multilateral Trading System”. *South Views*. No. 40. 7. [http://www.southcentre.org/index.php?option=com\\_content&view=article&id=1873%3Atowards-an-alternative-narrative-for-the-multilateral-trading-system-7-november-2012&catid=150%3Asouthviews&Itemid=358&lang=en](http://www.southcentre.org/index.php?option=com_content&view=article&id=1873%3Atowards-an-alternative-narrative-for-the-multilateral-trading-system-7-november-2012&catid=150%3Asouthviews&Itemid=358&lang=en)

Lawrence, Robert. 2012. Competing with Regionalism by Revitalizing the WTO. In *The Future and the WTO: Confronting the Challenges*. <http://ictsd.org/downloads/2012/07/the-future-and-the-wto-confronting-the-challenges.pdf>

Schwabb, Susan. 2011. “Acknowledge Doha’s demise and Move on to Save the WTO.” Vox EU. <http://www.voxeu.org/article/acknowledge-doha-s-demise-and-move-save-wto>

Summers, Lawrence. 2008. “America Needs to Make a New Case for Trade.” *Financial Times*, April 27. <http://www.ft.com/intl/cms/s/0/0c185e3a-1478-11dd-a741-0000779fd2ac.html#axzz2EBqmhnBV>

3/4/13 ***GUEST LECTURE: KAREL DE GUCHT***

3/6/13 **MIDTERM**

**SECTION III: INTERNATIONAL FINANCE AND FINANCIAL INSTITUTIONS**

3/11/13 **Basics of Monetary Economics and Finance**

Patrick McCoy. 2006. “The Moral Hazard Implications of Deposit Insurance.” <http://www.imf.org/external/np/seminars/eng/2006/mfl/pam.pdf>

3/13/13 **International Finance and Financial Crises**

\*\*Note: Simulation 2 begins in section today.

Summers, Lawrence. 2010. "Reforming and Renewing the Financial System." (Speech)  
<http://www.whitehouse.gov/administration/eop/nec/speeches/reforming-renewing-financial-system>

Reinhart, Carmen and Kenneth Rogoff. 2008. "Banking Crises: An Equal Opportunity Menace."  
[http://www.economics.harvard.edu/files/faculty/51\\_Banking\\_Crises.pdf](http://www.economics.harvard.edu/files/faculty/51_Banking_Crises.pdf)

3/18/13 **SPRING RECESS**

3/25/13 **Sovereign Debt Crises and The IMF**

Pritchett, Lant and Lawrence Summers. 1993. "The Structural Adjustment Debate." *American Economic Review*. vol 83 (2). <http://www.jstor.org/pss/2117695>

Stiglitz, Joseph. 2005. What I Learned at the World Economic Crisis. In *The Global Economy: Contemporary Debates*. <http://web.ebscohost.com.ezp-prod1.hul.harvard.edu/ehost/pdfviewer/pdfviewer?sid=162f2ce8-ee52-42f6-bda9-1a99c4882fa2%40sessionmgr4&vid=2&hid=19>

Rogoff, Keneth. 2005. The IMF Strikes Back. In *The Global Economy: Contemporary Debates*. <http://www.jstor.org.ezp-prod1.hul.harvard.edu/stable/3183520>

3/27/13 **The US Financial Crisis of 2008**

Swagel, Philip. 2009. "The Financial Crisis: An Inside View."  
[http://www.brookings.edu/economics/bpea/~media/Files/Programs/ES/BPEA/2009\\_spring\\_bpea\\_papers/2009\\_spring\\_bpea\\_swagel.pdf](http://www.brookings.edu/economics/bpea/~media/Files/Programs/ES/BPEA/2009_spring_bpea_papers/2009_spring_bpea_swagel.pdf)

Timeline of the Financial Crisis.  
<http://timeline.stlouisfed.org/pdf/CrisisTimeline.pdf>

Lewis, Michael. 2011. "All you need to know about why things fell apart." *Bloomberg*.  
<http://www.bloomberg.com/news/2011-02-16/all-you-need-to-know-about-financial-crisis-commentary-by-michael-lewis.html>

4/1/13 **The Crisis of the Euro**

Krugman, Paul. 2011. "Can Europe Be Saved?" *New York Times*.  
<http://www.nytimes.com/2011/01/16/magazine/16Europe-t.html?pagewanted=1> April 21, 2012

Wolf, Martin. 2010. "There is No sunlit Future for the Euro" *Financial Times*.  
<http://www.ft.com/intl/cms/s/0/d09c8910-f972-11e0-bf8f-00144feab49a.html#axzz2HKJLt9qN>

Gross, Daniel. Will More Integration Save Europe's Social Model? <http://www.project-syndicate.org/commentary/why-eu-integration-cannot-save-the-european-social-model-by-daniel-gros>

Summers, Larry. 2011. "Europe's Dangerous New Phase" *Reuters*. July 18.  
<http://blogs.reuters.com/lawrencsummers/2011/07/18/europes-dangerous-new-phase/>

4/3/13 **GUEST LECTURE : TIM GEITHNER**

## SECTION IV: GLOBALIZATION WITHOUT RULES

4/8/13 **Global Public Goods**

Lawrence, Robert, Albert Bressand, and Takatoshi Ito. 1996 "When is International Cooperation Desirable?" Chapter 3 in *A Vision for the World Economy: Openness, Diversity and Cohesion*, Washington, D.C.: Brookings Institution.

Wolf, Martin. 2012. "The World's hunger for public goods", *Financial Times*,  
<http://www.ft.com/intl/cms/s/0/517e31c8-45bd-11e1-93f1-00144feabdc0.html#axzz2GF1nhJWY>

Barrett, Scott. 2008. "Thinking Beyond Borders: Why We Need to Focus on Global Public Goods." Resources for the Future. [http://www.rff.org/Publications/WPC/Pages/01\\_07\\_08\\_Public\\_Goods\\_Barrett.aspx](http://www.rff.org/Publications/WPC/Pages/01_07_08_Public_Goods_Barrett.aspx)

4/10/13 **Climate Change**

\*\*Note: Simulation 3 begins in section today.

NRDC. 2008. "The Costs of Climate Change: What we'll pay if global warming goes unchecked." Pages iv-vii.  
<http://www.nrdc.org/globalwarming/cost/cost.pdf>

World Bank. 2010. *Costs to Developing Countries of Adapting to Climate Change*. Executive Summary (Pages 1-11).  
<http://siteresources.worldbank.org/EXTCC/Resources/EACC-june2010.pdf>

Ljomborg, Bjorn. 2012. "A tale of two treaties", *Project Syndicate*, <http://www.project-syndicate.org/commentary/climate-change-and-free-trade-in-doha-by-bj-rn-lomborg>

4/15/13 **Global Commodities: Energy and Food**

Paarlberg, Robert. 2010. "Attention Whole Foods Shoppers" *Foreign Policy*.  
[http://www.foreignpolicy.com/articles/2010/04/26/attention\\_whole\\_foods\\_shoppers?page=0,3](http://www.foreignpolicy.com/articles/2010/04/26/attention_whole_foods_shoppers?page=0,3)

Brown, Lester. 2012. "The great food crisis of 2011", *Foreign Policy*,  
[http://www.foreignpolicy.com/articles/2011/01/10/the\\_great\\_food\\_crisis\\_of\\_2011](http://www.foreignpolicy.com/articles/2011/01/10/the_great_food_crisis_of_2011)

Nordhaus, William D. 2009 "The Economics of an Integrated World Oil Market," Address at Annual Conference of Energy Information Agency, 2009, available at  
[http://nordhaus.econ.yale.edu/documents/iew\\_052909.pdf](http://nordhaus.econ.yale.edu/documents/iew_052909.pdf)

Frankel, Jeffrey. 2011. "The Curse: Why Natural Resources Are Not Always a Good Thing," *Milken Institute Review*, vol.13, no.4, 28-39. [http://www.milkeninstitute.org/publications/review/2011\\_10/28-39MR52.pdf](http://www.milkeninstitute.org/publications/review/2011_10/28-39MR52.pdf)

4/17/13 **Economic Development**

Lindauer, David and Lant Pritchett. 2002. "What's the Big Idea? The Third Generation of Policies for Economic Growth." *Economia*. <http://www.wellesley.edu/Economics/Lindauer/Documents/lindauer.pdf>

Rodrik, Daniel. "No More Growth Miracles" *Project Syndicate*. <http://www.project-syndicate.org/commentary/no-more-growth-miracles-by-dani-rodrik>

Ruchir Sharma (2012), "Broken BRICS: The demise of the rest", *Foreign Affairs*, <http://www.foreignaffairs.com/articles/138219/ruchir-sharma/broken-brics?page=2>

4/22/13 ***GUEST LECTURE***

4/24/13 **Globalization and Inequality**

The Economist. Oct 13, 2012. "History: As You Were"  
<http://www.economist.com/node/21564413?zid=293&ah=e50f636873b42369614615ba3c16df4a>

Uri Dadush and Kemal Dervis (2013), "The inequality challenge", *Current History*, <http://www.carnegieendowment.org/2012/11/29/inequality-challenge/enzl>

Atkinson, Anthony, Thomas Piketty, and Emmanuel Saez. March 2011. "Top Incomes in the Long Run of History." *Journal of Economic Literature* Vol. XLIX.  
<http://www.aeaweb.org.ezp-prod1.hul.harvard.edu/articles.php?doi=10.1257/jel.49.1>

Lawrence, Robert Z "Globalization, Stock Options and the Super Rich" Chapter 5 in Robert Z Lawrence, *Blue Collar Blues: Is Trade to Blame for Rising US Income Inequality?* Washington DC: The Peterson Institute for International Economics, 2008.

4/29/13 **Jobs, Labor Markets and Immigration**

Edwards, Lawrence and Robert Z Lawrence, "Good –Jobs, Trade and US Manufacturing Employment" Chapter 3 in Edwards, Lawrence and Robert Z Lawrence, *Rising Tide: Is Growth in Emerging Economies Good for the United States?* Washington DC: The Peterson Institute for International Economics, 2013.

Lant Pritchett. 2006. *Let Their People Come*. Introduction.  
[http://www.cgdev.org/doc/books/Labor\\_Mobility/Introduction.pdf](http://www.cgdev.org/doc/books/Labor_Mobility/Introduction.pdf)

5/1/13 **The Future of Globalization**