

**National Research University - Higher School of Economics**

**Faculty of World Economy and International Affairs**

Course Syllabus and Description

## **World Economy**

Master of International Business Program

*38.04.02 Management*

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Moscow 2019

# World Economy

## COURSE DESCRIPTION

**Pre-requisites:** none

**Course type:** adaptational

**Abstract:** This course is designed for master students of the 1<sup>st</sup> year (1 module). It follows the introductory course on international relations and provides the introduction to world economy. The course covers five blocks of topics: history of global economy, resources, international trade, international finance, and international institutions.

## LEARNING OBJECTIVES AND OUTCOMES

The course doesn't provide students with full vision and understanding of international economic processes. Its objective is to make an overview of stylized facts on the main dimensions of the global economy. This knowledge forms the base for further courses of "International business" master program.

## COURSE PLAN AND READING LIST

№	Topic	Academic hours	Seminars	Self-preparation
1	Introduction. History of the world economy. Globalization	28	4	24
2	Resources in global economy. Natural resource and environmental problems	28	4	24
3	International Trade	29	4	25
4	International Financial system. Cycles and Crises. Institutions	29	4	25
	<b>Total</b>	<b>114</b>	<b>16</b>	<b>98</b>

### *1. Introduction. History of the world economy. Globalization*

Methodology of international economics. World economy and neoclassical economics. World economy and institutional economics. World economy and international relations.

Dynamics of world development. Resources for economic growth. Factors of production and evolution of its use.

Main stages of world economic development. The main features of World economy in Antiquity, in Medieval Ages, in Epoch of Great Geographical Discoveries, before the World War I, after

the World War II, at the beginning of the 21<sup>st</sup> century. The reasons for launching sustained economic growth in the 17-18<sup>th</sup> century. Role of industrial revolution. Great divergence.

Definition of globalization. Globalization's components: integration, internationalization, informatization, liberalization, standardization etc. When did globalization start? Impact of globalization on developed and developing countries. "Globalization and its discontents".

*Readings (required readings are marked bold):*

1. **IMF World Economic Outlook, October 2000. Chapter 5.**
2. **Gilpin R. Global political economy: Understanding the International Economic Order Princeton University Press, 2001. Chapters 2, 3.**
3. Maddison A. The World Economy. Vol. 1. A Millennial Perspective. Paris: OECD 2006.
4. Braudel F. Civilization and Capitalism, 15th–18th Centuries, 3 vols. London: Phoenix Press, 2002 [1979].
5. Kolodko G. Truth, Errors, and Lies: Politics and Economics in a Volatile World. New York: Columbia University Press, 2011.
6. Clark G. A Farewell to Alms: A Brief Economic History of the World. Princeton University Press, 2008.
7. Stiglitz J. Globalization and Its Discontents. New York and London: W.W. Norton, 2001.
8. Bhagwati J. In Defense of Globalization. New York: Oxford University Press, 2004.

## *2. Resources in global economy. Natural resource and environmental problems*

Types of resources. Labour resources. Population growth and its difference in different countries. Demographic transition. Demographic factors of economic growth. "Malthusian trap". International migration. Geography of international migration flows. Demographic problems in developed and developing countries.

Natural resources. Problem of their scarcity and uneven distribution. Physical and economic scarcity of natural resources.

Economics of global environmental problems. Ozone layer depletion and Montreal protocol. Climate change and its economic impact. Mitigation, adaptation and geoengineering. International climate change regime. Kyoto protocol. Climate change regime beyond 2020. Water scarcity. Its reasons and possible responses. Optimization of water consumption, water trade, technological innovations. Loss of biodiversity. Deforestation. Transnational pollution. Concept of sustainable development and its weaknesses. International cooperation for sustainable development. Green economic growth. Decoupling.

*Readings (required readings are marked bold):*

1. **OECD. Environmental Outlook to 2050. The Consequences of Inaction. Paris: OECD Publishing, 2012. Executive Summary.**
2. **Farid M. et al. After Paris: Fiscal, Macroeconomic and Financial Implications of Global Climate Change. IMF Staff Discussion Notes No. 16/1, January 2016.**

3. Stern N. et al. *Stern Review: The Economics of Climate Change*. London: HM Treasury, 2006. Executive Summary
4. Brown L. *The New Geopolitics of Food* // *Foreign Policy*, No. 3, 2011.
5. Jagerskog A., Jonch Clausen T. et al. *Feeding a Thirsty World – Challenges and Opportunities for a Water and Food Secure Future*. Report Nr. 31. SIWI, Stockholm, 2012.
6. OECD. *Towards the Green Growth*. Paris: OECD Publishing, 2011.
7. Solow R. *Sustainability: An Economist's Perspective* / in: Stavins R.N.. *Economics of the Environment: Selected Readings*. New York, London: W.W.Norton & Company, 2000.

### *3. International Trade*

History and dynamics of international trade. Geography of international trade flows. Inter- vs intraregional trade. Main exporters and importers.

Gains from trade and their origin. Classical theories of international trade. Absolute and comparative advantage. Hecksher-Ohlin theory. New theories of international trade. Scale effect. Imperfect competition. Krugman' contribution. Competitive advantage. Role of the cities. Path dependence in international trade. New economic geography. Role of the state.

Liberalism vs protectionism. Instruments for exports support. Regulation of international trade. GATT and WTO. Russia in WTO

*Readings (required readings are marked bold):*

1. **Gilpin R. *Global political economy: Understanding the International Economic Order* Princeton University Press, 2001. Chapter 8.**
2. **Bougrine H. *The World Trade Organization, free trade areas, and the distribution of wealth* / in: O'Hara P.A. *Global Political Economy and the Wealth of Nations*. London, New York: Routledge, 2004.**
3. Krugman P., Obstfeld M. *International Economics: Theory and Policy*. Boston: Pearson, 2006 [1998].
4. Krugman P. *Geography and Trade*. London: MIT Press/Leuven UP, 1991.
5. Reinhardt E. *How Rich Countries Got Rich and Why Poor Countries Stay Poor*. London: Constable, 2007.
6. Trebilcock M.J., Howse R. *The regulation of international trade*. London and New York: Routledge, 2005.
7. Portansky A. *Russia's Accession to the WTO: External Implications* // *Russia in Global Affairs*, Vol. 8, No. 2, 2011.

### *4. International Financial system. Cycles and Crises. Institutions.*

Structure of GDP. Savings, investment, consumption. Rate of savings and rate of investment. Financial markets and their role. Types of financial markets. Capital market. FDI vs portfolio, other investments. Role of FDI in world economy. TNC and its role. Financial globalization.

Economic cycles and crises. Types and role of the cycles. Procyclical and anticyclical economic policy. Origin of business cycle. Keynesian approach to business cycle analysis. Real business

cycle theory. Economic crisis of 2008-2009: its reasons and consequences. “How did economists get it so wrong?”

Institutions and their role in economic system. Formal and informal institutions. The economic meaning of democracy, jural state, well-protected property rights. Corruption and bureaucracy as obstacles to economic development. Problems of institutional system in developing countries. “Path dependence”. Are good institutions a reason for economic growth or its result?

*Readings (required readings are marked bold):*

1. **Krugman P. *How Did Economists Get It So Wrong?* // *New York Times*, September 2, 2009.**
2. **North D. *Institutions* // *Journal of Economic Perspectives*, Vol. 5, No. 1, 1991.**
3. Gilpin R. *Global political economy: Understanding the International Economic Order* Princeton University Press, 2001. Chapter 10.
4. Krugman P. *The Return of Depression Economics and the Crisis of 2008*. New York, London: W.W. Norton, 2008.
5. Roubini N., Mihm S. *Crisis Economics: A Crash Course in the Future of Finance*. New York: The Penguin Press, 2010.
6. Fraser N. *Reframing Justice in a Globalizing World* // *New Left Review*, Vol. 36, No. 6, 2005.
7. Friedman T.L. *The First Law of Petropolitics* // *Foreign Policy*. May-June 2006.
8. North D. *Understanding the Process of Economic Change*. Princeton University Press, 2005.
9. Acemoglu D., Robinson J. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown Publishers, 2012.
10. De Soto H. *The Other Path: The Economic Answer to Terrorism*. New York: Basic Books, 2002.

## **GRADING SYSTEM AND GUIDELINES FOR KNOWLEDGE ASSESSMENT**

Students will be expected to attend all lectures and actively participate in the seminar discussions. Participation in discussions will give students 50% of the final mark while a final oral exam based on course readings and discussion will give other 50%.