

# INTRODUCTION TO THE WORLD ECONOMY

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*Course Syllabus — Fall 2019*

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*Office hours: Saturdays, 13:40–15:00*

## § Course Description

### **Pre-requisites**

As the sole prerequisite, the students are expected to have mastered the first-year introductory course in economic theory.

### **Abstract**

*Introduction to the World Economy* is a one-semester elective course offered to the second-year students of all specializations. The course purports to introduce the students to the most topical issues of the global economy, including inequality, migration, trade wars, and climate change.

We start by reviewing the factors behind the historical development of capitalist economies and their amalgamation into one and seek to link these factors to the key theories in the field. In the course of our subsequent discussion, we come to explore and assess the different policies addressing the challenges world economy faces, including hunger, pension crisis, poverty, and others, their societal and political implications, as well as idiosyncrasies of these challenges in specific parts of the world.

The course is offered in a blended format, by virtue of combining in-class sessions with online learning (see *Methods of Instruction* below).

## § Learning Objectives

The course purports to:

- provide a thorough treatment of economic globalization, surveying different approaches as to its age, drivers, and outcomes;
- introduce the students to the most topical issues of the global economy, tracing each of them back to their historical roots;
- discuss the conventional, as well as alternative, theoretical explanations of inequality, migration, trade wars, and climate change;
- assess different cases of tackling these problems by national governments and international organizations

## § Learning Outcomes

Upon successfully completing the course, students should be able to:

- understand the economic implications of globalizing capitalism for individuals, industries, cities, and nations;
- analyze the links between trade, economic growth, and globalization with particular reference to developing countries' cases;
- critically comment on specific policy issues such as protectionism, gentrification, universal basic income, immigration controls, &c.;
- apply the framework of sustainable development to analyzing current global economic problems.

## § Course Plan

Week 1. Introductory lecture. Short history of globalization. Fourth Industrial Revolution & sustainable development

Online lecture<sup>1</sup>: Sachs week 1

Week 2. Demographic challenges. Malthusian limits to growth. Pension crisis. Global healthcare

Online lecture: Guillén module 1, videos 1–6 ; Sachs week 6, videos 1, 5

Week 3. Food supply and the end of hunger

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<sup>1</sup> See § *Methods of Instruction* below.

Online lecture: Sachs week 10 and video 4 from week 6

Week 4. Migration

Online lecture: Guillén module 1, video 7 ; Allard week 4

Week 5. Urbanization

Online lecture: Guillén module 1, videos 8–9 ; Sachs week 11

Week 6. Poverty & inequality

Online lecture: Guillén module 2 ; Sachs weeks 2, 4, 5

Week 7. Trade I: Currencies & exchange rate régimes

Online lecture: Allard week 1

Week 8. Trade II: Trade and the economy. The balance of payments. Trade policy

Online lecture: Allard weeks 2 and 3

Week 9. Trade III: Economic imbalances & trade wars

Online lecture: Guillén module 3

Week 10. Climate change

Online lecture: Sachs week 12

*Final Exam*

## § Reading List

Seminar assignments are taken from academic papers, books, and the leading financial and economic press. Further (optional) readings are marked with an asterisk\*:

Acemoglu, D., & Restrepo, P. (2017). Secular Stagnation? The Effect of Aging on Economic Growth in the Age of Automation. *American Economic Review*, 107(5), 174–179. Retrieved from <https://www.nber.org/papers/w23077>

\*Acemoglu, D., Robinson, J. A., & Verdier, T. (2017). Asymmetric Growth and Institutions in an Interdependent World. *Journal of Political Economy*, 125(5), 1245–1305. Retrieved from <https://economics.mit.edu/files/13783>

\*Annan, K., & Dryden, S. (2015, November/December). Food and the Transformation of Africa: Getting Smallholders Connected. *Foreign Affairs*, 94(6), 124–129. Retrieved from <https://www.foreignaffairs.com/articles/africa/2015-10-16/food-and-transformation-africa>

- Berger, T., & Frey, C. B. (2015). Industrial Renewal in the 21st Century: Evidence from US Cities. *Regional Studies*, 51(3), 404–413. Retrieved from [https://www.oxfordmartin.ox.ac.uk/downloads/academic/regional\\_studies\\_industrial\\_renewal.pdf](https://www.oxfordmartin.ox.ac.uk/downloads/academic/regional_studies_industrial_renewal.pdf)
- Bordo, M. D. (2003). Exchange Rate Regime Choice in Historical Perspective. *IMF Working Papers*, 03(160). Retrieved from <https://www.nber.org/papers/w9654>
- Bordo, M. D., & McCauley, R. N. (2017). *Triffin: dilemma or myth?* Basel: Bank for International Settlements. Retrieved from <https://www.bis.org/publ/work684.pdf>
- Burke, M., Davis, W. M., & Diffenbaugh, N. S. (2018). Large potential reduction in economic damages under UN mitigation targets. *Nature*, 557, 549–553.
- \*Curran, W., & Hamilton, T. (2012). Just green enough: contesting environmental gentrification in Greenpoint, Brooklyn. *The International Journal of Justice and Sustainability*, 17(9), 1027–1042. Retrieved from <https://www.tandfonline.com/doi/abs/10.1080/13549839.2012.729569>
- Czaika, M., & de Haas, H. (2014). The Globalization of Migration: Has the World Become More Migratory? *International Migration Review*, 48(2), 283–323. Retrieved from <https://onlinelibrary.wiley.com/doi/epdf/10.1111/imre.12095>
- de Haas, H. (2010). *Migration transitions: a theoretical and empirical inquiry into the developmental drivers of international migration*. Oxford: International Migration Institute, University of Oxford. Retrieved from <https://heindehaas.files.wordpress.com/2015/05/de-haas-2010-migration-transitions-imi-wp-24.pdf>
- \*Dinesh, D., Campbell, B. M., Bonilla-Findji, O., & Richards, M. (2017). *10 best bet innovations for adaptation in agriculture: A supplement to the UNFCCC NAP Technical Guidelines*. Wageningen: CCAFS. Retrieved from <http://cgspace.cgiar.org/rest/bitstreams/145982/retrieve>
- FAO, IFAD, UNICEF, WFP, and WHO. (2019). *The State of Food Security and Nutrition in the World 2019*. Rome: FAO. Retrieved from <http://www.fao.org/3/I9553EN/i9553en.pdf>
- \*Franklin, B. (2018). *Towards a Longevity Dividend: Life expectancy and productivity across developed countries*. London: International Longevity Centre. Retrieved from [https://ilcuk.org.uk/wp-content/uploads/2018/10/ILC-UK\\_-\\_Towards\\_a\\_Longevity\\_dividend.pdf](https://ilcuk.org.uk/wp-content/uploads/2018/10/ILC-UK_-_Towards_a_Longevity_dividend.pdf)
- International Labour Organization. (2018). *World Employment and Social Outlook 2018*. Geneva: ILO. Retrieved from [https://www.ilo.org/weso-greening/documents/WESO\\_Greening\\_EN\\_web2.pdf](https://www.ilo.org/weso-greening/documents/WESO_Greening_EN_web2.pdf)
- International Monetary Fund. (2018). *World Economic Outlook — April 2018*. Washington, D.C.: IMF. Retrieved from

<https://www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018>

Keynes, J. M. (1963). Economic Possibilities for our Grandchildren. In J. M. Keynes, *Essays in Persuasion* (pp. 358–373). New York: W.W. Norton & Co. Retrieved from <http://www.econ.yale.edu/smith/econ116a/keynes1.pdf>

\*Khanna, P. (2011, February). *When cities rule the world*. Retrieved from McKinsey & Co.: <https://www.mckinsey.com/featured-insights/urbanization/when-cities-rule-the-world>

Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2015). *International Economics: Theory & Policy*. Harlow: Pearson Education.

Lisenkova, K., Mérette, M., & Sánchez, M. (2014). The Long-Term Economic Impact of Reducing Migration in the UK. *National Institute Economic Review*, 229(1), 22–30. Retrieved from <https://journals.sagepub.com/doi/pdf/10.1177/002795011422900103>

Negri, S., Colfold, C., & Rusu, A. B. (2013, December 12). *Cities' Elusive Quest for a Post-Industrial Future*. Retrieved from World Bank Private Sector Development Blog: <https://blogs.worldbank.org/psd/cities-elusive-quest-post-industrial-future>

Pollin, R. (2015). *Greening the Global Economy*. Cambridge, MA: MIT Press.

Schwab, K. (2015, December 12). *The Fourth Industrial Revolution: What It Means and How to Respond*. Retrieved from Foreign Affairs: <https://www.foreignaffairs.com/articles/2015-12-12/fourth-industrial-revolution>

\*Scott, A. (2018, May 29). *The myth of an “ageing society”*. Retrieved from World Economic Forum: <https://www.weforum.org/agenda/2018/05/the-myth-of-the-aging-society/>

\*See-Yan, L. (2015). *Global Economy In Turbulent Times*. Singapore: John Wiley & Sons.

University of Minnesota. (2016). *Principles of Macroeconomics*. Minneapolis: University of Minnesota Libraries Publishing. Retrieved from <https://open.lib.umn.edu/macroeconomics/>

Urata, S., & Narjoko, D. (2017). *International Trade and Inequality*. Tokyo: Asian Development Bank Institute. Retrieved from <https://www.adb.org/publications/international-trade-and-inequality>

World Inequality Lab. (2017). *World Inequality Report 2018*. Paris: World Inequality Lab. Retrieved from <https://wir2018.wid.world/files/download/wir2018-full-report-english.pdf>

## § Grading System

The final grade shall be determined as per the following weights:

Online lectures completion (validated in-class by quizzes) — 30%

In-class participation — 30%

Final exam — 40%

*Quizzes* are offered at the beginning of each seminar and are based on the contents of the corresponding online lecture. A quiz consists of ten questions and lasts for no more than seven minutes. Questions may be of either multiple-choice, true/false, or short-answer format.

*Sample questions:*

1. “Younger populations tend to save less than populations that are older.” True or false?

*Correct answer:* False

2. The Oosterscheldekering (AKA “Eastern Scheldt Barrier”) is a:
  - A. Part of Hitler’s “Generalplan Ost”
  - B. Protective EU policy against Eastern European immigrants
  - C. System of dams and storm surge barriers in the Netherlands (*correct*)
  - D. Agreement between European cities to reduce carbon dioxide emissions
  - E. Green Energy plan

3. “...any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.” This principle is called:

*Correct answer:* Most favored nation

*In-class participation* accounts for a substantial share of the final grade, as it is crucial for learning experience. The students are thus expected to engage with the core ideas of the course as discussed in lectures and readings and

to arrive to class well prepared. Participation shall be evaluated in concordance with the HSE - UoL program evaluation rubrics, the *Code of Conduct*, and *Expectations* (available on the [official website](#)) and shall be based on:

1. Student's contribution to the discussion of a given problem or business case based on the concepts we learn. The quality of student's comments — critical thinking, relevance to the topic, conceptual links to the previous topics student makes, and rhetorical aptitude — is more important than the quantity of the same.
2. Student's in-class behavior, including punctuality, non-distraction, constructive and respectful attitude towards her peers and the comments they make.

Should a student be absent from more than five classes for reasons of sickness or with other valid excuses, thus missing more than five quizzes in addition to participation, he or she is allowed to make up for that in the form of an in-class essay.

### **Make-up Essay**

In the aforementioned cases of a student missing more than five classes for a valid reason, he or she is allowed to write a two-hour in-class compensatory essay with a choice of three out of four questions.

*Sample questions:*

1. How does a choice of a particular exchange rate régime affect the national economy?
2. Why has the world hunger not been eradicated yet?
3. Discuss the advantages and possible hidden threats of gentrification.
4. Which factors determined the trends in income inequality during the 20<sup>th</sup> century, and which ones determine it today?

## § Examination Type

*Final exam* will be closed-book and will consist of ten multiple-choice, six true/false, five definition-based, and two free-response questions. A total of 80 minutes will be allowed. The exam will be comprehensive, which means it will cover the contents of the entire course.

*Sample questions:*

1. Which of the following stages of regional integration presupposes no more than reduced tariffs between members?
  - a. PTA (*correct*)
  - b. Common market
  - c. FTA
  - d. Customs union
  - e. Monetary union
2. “Liberal market economies typically exhibit higher levels of inequality than coordinated market economies.” True or false?

*Correct answer:* true
3. Briefly define the following term: “Kuznets curve”

*A correct answer* should mention the author of the curve and its essence (hypothetical inverse U-shaped relation between economic development and inequality)
4. What drives climate change, and what are its major economic consequences?

## § Methods of Instruction

Methods of instruction include two live introductory lectures, weekly online lectures and seminars, and self-study.

The first two lectures of introductory nature notwithstanding, the students are required to watch pre-recorded lectures from these online courses freely available on *Coursera*:

*The Age of Sustainable Development* by Jeffrey D. Sachs:

<https://www.coursera.org/learn/sustainable-development>

*Global Trends for Business and Society* by Mauro F. Guillén:

<https://www.coursera.org/learn/wharton-global-trends-business/>

*Trade, Immigration, and Exchange Rates in a Globalized World*

by Gayle Allard: <https://www.coursera.org/learn/trade-immigration-exchange-rates-globalized-world>

The students are strongly advised to do so shortly before the corresponding seminar so as to demonstrate their best performance at the in-class *Socratic* tests. That said, the students are advised to watch the recordings closely and in full. A tentative schedule of lectures is provided under section *Course Plan* above.

The students are also encouraged to watch the online lectures not featured in the schedule below at their discretion and convenience.

## § Special Equipment and Software Support

No special equipment nor software is required for the course.