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**Fall term 2016**

**“The Political Economy of Globalization -  
Trade, Finance, Migration and the Role of International Organizations”**

Dr. Kai Gehring

Office hour: please arrange per e-mail

Email: [mail@kai-gehring.net](mailto:mail@kai-gehring.net)

Time of Lecture: Di 10:15-12:00, ab 20.09. (AFL-E-022)

Date of exam: Tuesday 13.12.2015

Mode of examination: 70% written exam, 30% written referee report. Written exam is based on the papers that we read and the discussions in class. The referee report will be a detailed assessment of one specific paper, which will be announced in class.

Details will be discussed and instructions provided in the lecture.

Note:

Teaching will be in English. Make sure to read one paper with an asterisk before the corresponding lecture and read the abstract of the others. Each week, students choose one of the papers (if there is a choice) with an asterisk and write a written two-page summary, which they hand in on OLAT at 23.59 each Monday before the lecture. Starting from the second lecture, students will be asked on a random basis to shortly explain their chosen paper to their fellow students in the lecture.

This Syllabus is preliminary and subject to change. <sup>1</sup>

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<sup>1</sup> This course is broadly based on the course “Globalization” by Prof. Dr. Axel Dreher. Many thanks for sharing slides.

## Content

This course gives a broad overview of the various dimensions of globalization. It starts with discussing the measurement of globalization and then turns to its causes and consequences. Rather than defining globalization according to the narrow economic definition, we take a broad definition, including topics like migration, the spread of institutions, and the role of international organizations.

## Structure

### I. Measuring Globalization (and its consequences)

#### Lecture 1. Composite Indices

(1) \*Hessami, Zohal, 2011, Globalization's winners and losers—Evidence from life satisfaction data, 1975–2001, *Economics Letters* 112, 3: 250-253.

Dreher, Axel, Noel Gaston and Pim Martens, 2008, *Measuring Globalization: Gauging its Consequences* (New York: Springer).

#### Lecture 2. Capital

(1)\*Quinn, Dennis, Martin Schindler and A. Maria Toyoda, 2011, Assessing Measures of Financial Openness and Integration, *IMF Economic Review* 59, 3: 488-522.

#### Lecture 3. Migration

(1)\*Docquier, Frederic and Hillel Rapoport, 2012, Globalization, Brain Drain, and Development, *Journal of Economic Literature* 50:3, 681-730.

### II. Movement of Money and Things

#### Lecture 4. Trade

(1) \*Berger, Daniel, William Easterly, Nathan Nunn, Shanker Satyanath, 2013, Commercial Imperialism? Political Influence During the Cold War, *American Economic Review* 103, 2: 863-96.

(2) \*Fuchs, Andreas and Nils-Hendrik Klann, 2013, Paying a Visit: The Dalai Lama Effect on International Trade, *Journal of International Economics* 91, 1: 164-177.

Klein, Michael W., Christoph Moser and Dieter Urban, 2013, Exporting, Skills and Wage Inequality, *Labor Economics* 25: 76-85.

#### Lecture 5. Impact of trade on developed countries

(1) \* Autor, David H., David Dorn, and Gordon H. Hanson. 2015. Untangling trade and technology: Evidence from local labour markets. *The Economic Journal* 125.584: 621-646.

### Lecture 6. The role of ethnicity, culture and language for trade

- (1) Egger, P. H., & Lassmann, A. (2013). The Causal Impact of Common Native Language on International Trade: Evidence from a Spatial Regression Discontinuity Design (No. 9441). *CEPR Discussion Papers*.
- (2) Melitz, J., & Toubal, F. (2014). Native language, spoken language, translation and trade. *Journal of International Economics*, 93(2), 351-363.

Additional literature:

- Bisin, A., & Verdier, T. (2010). The Economics of Cultural Transmission and Socialization. *Handbook of Social Economics*, nc.
- Kolo, P. (2012). Measuring a new aspect of ethnicity: The appropriate diversity index (No. 221). Discussion Papers, Ibero America Institute for Economic Research.

### **III. Spread of Ideas**

#### Lecture 7. The institutional perspective

- \*Acemoglu, Daron, Simon Johnson and James Robinson, 2001, The Colonial Origins of Comparative Development: An Empirical Investigation, *American Economic Review* 91, 5: 1369-1401.
- \*Acemoglu, Daron, Simon Johnson, and James Robinson, 2012, The Colonial Origins of Comparative Development: An Empirical Investigation: Reply, *American Economic Review* 102, 6: 3077-3110.
- \*Albouy, David, 2012, The Colonial Origins of Comparative Development: An Empirical Investigation: Comment, *American Economic Review* 102, 6: 3059-3076.

Additional literature:

- Auer, Raphael, 2013, Geography, Institutions, and the Making of Comparative Development, *Journal of Economic Growth* 18, 2: 179-215.
- McArthur, John and Jeffrey Sachs, 2001, Institutions and Geography: Comment on Acemoglu, Johnson and Robinson (2000), *NBER Working Paper* No. 8114.
- Olsson, Ola, 2005, Unbundling Ex-Colonies: A Comment on Acemoglu, Johnson, and Robinson, 2001, *Working Papers in Economics*, Department of Economics, Göteborg University.

#### Lecture 8. The role of genetics, culture and language

- (1) Spolaore, E., & Wacziarg, R. (2009). The diffusion of development. *Quarterly Journal of Economics*, 124(2).

#### Lecture 9. The role of genetics, culture and language II.

- (1) Ashraf, Quamrul, and Oded Galor. "The "Out of Africa" Hypothesis, Human Genetic Diversity, and Comparative Economic Development." *American Economic Review* 103.1 (2013): 1-46.

Additional literature for I. and II.:

- Ashraf, Q., & Galor, O. (2013). Genetic Diversity and the Origins of Cultural Fragmentation. *The American Economic Review Papers and Proceedings*, 103(3), 528.
- Falck, O., Heblich, S., Lameli, A., & Südekum, J. (2012). Dialects, cultural identity, and economic exchange. *Journal of Urban Economics*, 72(2), 225-239.
- Spolaore, E., & Wacziarg, R. (2013). How Deep Are the Roots of Economic Development? *Journal of Economic Literature*, 51(2), 325-369.
- Spolaore, E., & Wacziarg, R. (2015). Ancestry, Language and Culture (No. w21242). Working Paper.

*The Referee Report will be written prior to lecture 9*

#### **IV. Managing Globalization**

##### Lecture 10. Credit Rating Agencies

Fuchs, A. and Kai Gehring. 2015. The Home Bias in Sovereign Ratings. Working paper: Courant Research Centre Discussion Paper No. 175, University of Goettingen.

##### Lecture 11. World Trade Organization

(1) Rose, Andrew K., 2004, Do We Really Know That the WTO Increases Trade? *American Economic Review* 94, 1: 98-114.

(2) Subramanian, Arvind and Shang-Jin Wei, 2007, The WTO Promotes Trade, Strongly But Unevenly, *Journal of International Economics* 72, 1: 151-175.

Additional literature:

Rose, Andrew K., 2004, Do WTO Members Have More Liberal Trade Policy? *Journal of International Economics* 63, 2: 209-235.

Rose, Andrew K., 2007, Do We Really Know That the WTO Increases Trade? Reply, *American Economic Review* 97, 5: 2019-2025.

Tomz, Michael, Judith L. Goldstein and Douglas Rivers, 2007, Do We Really Know That the WTO Increases Trade? Comment, *American Economic Review* 97, 5: 2005-2018.

##### Lecture 12. International Monetary Fund & World Bank

(1) Dreher, Axel, Jan-Egbert Sturm and James Vreeland, 2009, Global Horse Trading: IMF loans for votes in the United Nations Security Council, *European Economic Review* 53: 742-757.

(2) Dreher, Axel, Jan-Egbert Sturm and James Vreeland, 2009, Development Aid and International Politics: Does membership on the UN Security Council influence World Bank decisions? *Journal of Development Economics* 88: 1-18.

Additional literature:

Dreher, Axel, Stephan Klasen, James Vreeland and Eric Werker, 2013, The costs of favouritism: Is politically-driven aid less effective? *Economic Development and Cultural Change* 62: 157-191.

Dreher, Axel and James Vreeland, 2011, Buying Votes and International Organizations, *Cege Discussion Paper* 123.

Kilby, Christopher, 2012, Assessing the contribution of donor agencies to aid effectiveness – The impact of World Bank preparation on project outcomes, Working Paper: *VSB Econ* #20.

### Lecture 13. United Nations Security Council

(2) Dreher, Axel, Vera Eichenauer and Kai Gehring, 2014, Geopolitics, Aid and Growth, *World Bank Economic Review*.

#### Additional literature:

Bashir, Omar S. and Darren J. Lim, 2013, Misplaced Blame: Foreign Aid and the Consequences of UN Security Council Membership, *Journal of Conflict Resolution* 57, 3: 509-523.

Bueno de Mesquita, Bruce and Alastair Smith, 2010, The Pernicious Consequences of UN Security Council Membership, *Journal of Conflict Resolution* 54, 5: 667-686.

Bueno de Mesquita, Bruce and Alastair Smith, 2012, Aid. Blame It All on "Easy Money," *Journal of Conflict Resolution* 57, 3: 524-537.