

GVPT 459H: Spring 2009
Globalization and Economic Governance
T/Th 9:30—10:45 p.m.
Tydings 1132.

Bart Kaminski
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Office Hrs; T/Th 11:00AM—12:15PM
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Snapshot

This is an interdisciplinary research seminar. It has two parts. The first part examines nuts and bolts of the contemporary wave of globalization in historical context and commonly voiced criticisms of globalization. It explores political and institutional underpinnings of globalization with a particular focus on multilateral trading regime. The second part focuses on the international architecture underpinning financial globalization and developments that had led to its recent collapse. It sets the current crisis in the context of earlier financial crises and broods over the question of validity of earlier assessments of globalization as exemplified by Thomas Friedman's *The Lexus and the Olive Tree*.

The objective of the course is to gain a good understanding of the nature of the emerging global economy, issues involved in its functioning, institutional underpinnings and challenges to its survival. The leading theme is an assessment of global governance as embodied in the WTO.

Student Responsibility: Grades will be determined by two quizzes (25% each, one of which may be take-home), a final examination (25%) and a final paper (25%). Students are expected to make at least one presentation in class, on the same topic as their paper, participate regularly, and follow current developments in international politics and economics (I would strongly recommend reading regularly *The Economist* and/or *Business Week*).

Organizational matters:

1. The topic of a final paper should be cleared with me by May 6. The final paper is due Tuesday, May 6 (up to 10 points out of 100 will be deducted each day for a paper submitted after the due date);
2. Inform me within the first two weeks of class if there is a conflict between the course schedule and any religious obligations, so we can make alternative arrangements ahead of time;
3. Inform me within the first two weeks of class of any physical or learning disability, so that we can accommodate your needs within the first two weeks of class of any physical or learning disability, so that we can accommodate your needs;
4. The University of Maryland, College Park has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. All students must read and understand the university's policy regarding cheating. This is contained in the Academic Integrity code available at <http://www.studenthonorcouncil.umd.edu/>;
5. In case of experiencing difficulties in keeping up with the academic demands of this course, you may take advantage of the campus Learning Assistance Service in 2201 Shoemaker, 314-7693. They can help you with time management, reading, note-taking, and exam preparation skills. They also offer a variety of one-credit courses, services for students with disabilities, and other academic support.

Required Readings:

- Friedman, Thomas. 2000. *The Lexus and Olive Tree*, Anchor Books, New York [hereafter **TF**]
- Hoekman, Bernard M. and Michel M. Kostecki. 2001. *The Political Economy of the World Trading System. The WTO and Beyond*, Oxford University Press, Oxford, New York [hereafter **HK**]
- Smick, David M. 2008. *The World is Curved. Hidden Dangers to the Global Economy*. Portfolio, The Penguin Group [hereafter **DS**]
- Wolf, Martin. 2005. *Why Globalization Works*, Yale Nota Bene: Yale University Press, New Haven and London [hereafter **MW**]
- WTO 2004: *The Future of the WTO*, Geneva, downloadable at http://www.wto.org/english/thewto_e/10anniv_e/future_wto_e.pdf [hereafter **WTO04**]

Outline of Class Topics:

1. 01/26-28: Review of the course objectives. Economic borders. Globalization in the long run. Second and first wave of globalization in comparative perspective. Tripod: IMF, World Bank and WTO.
MW: Part III; HK: 1 and handout on economic borders
2. 02/2-4: State and globalization. How to plug-into global markets? The notion of a golden straightjacket. The logic of global integration: is it reversible?
TF: Ch. 5—9; MW : Part I and II; Harold James. 1999. "Is Liberalization Reversible?" *Finance & Development*, December,
<http://www.imf.org/external/pubs/ft/fandd/1999/12/james.htm>
3. 02/9-11: Organizational description of the IMF, World Bank group and the WTO (consult respective websites) with the focus on the WTO. What is the WTO? Its principles, functions, decision making and structure. The global trading system in perspective. What is the WTO? Its principles, functions, decision making and structure. Safeguards and exceptions
MW: Part 5; WTO 04: Ch. 6, 7 and 8; HK: 1, 2, 9
4. 02/16-18: Enforcement of WTO rules. Agreements on trade in goods. Multilateral rounds of trade negotiations. Uruguay Round Agreements as a threshold?
HK: 3, 4, 5, 6, 7, 9
5. 02/23-25: Challenges for the multilateral trading regime. Why is the Doha (development) Round is stalled?
HK: 10 and Part V.
6. 03/2-4: Review on 3/3. **Quiz 1 on March 4**
7. 03/9-11: The anatomy of international finance: who finance whom and how? Why have the world capital markets become a house of cards? Or has it always been one? Why are financial services different from other industries? Securitization and virtuous circle or positive feedback mechanism of borrowing and lending.
DS: Ch. 1 and 2; "Greed –and fear" and "Wild-animal spirits" in "A special report on the future of finance," *The Economist*, January 24th 2009; David Hale, "Brave New World Economy," *The WSJ*, February 22, 2008.

8. 03/23-25: Look back at the recent history: from Third World debt crisis to British pound crisis, East Asian financial meltdown and the current global financial crisis. Similarities and differences. Foreign investments: FDI and portfolio investment. Imbalances
TF: Ch. 7; MW: Ch. 13; DS: Ch. 6; Brian Cognato and Bartlomiej Kaminski. 2009. "Globalization and Evolving Nature of Financial Crises," *e_Finanse*, No. 3, available at <http://www.e-finanse.com/artykuly/117.pdf>
 9. 03/30-04: Look back at the recent history continued.
Brian Cognato and Bartlomiej Kaminski. 2009. "Globalization and Evolving Nature of Financial Crises," *e_Finanse*, No. 3, available at <http://www.e-finanse.com/artykuly/117.pdf>
 10. 04/6-8: Are the financial markets what got globalization started? The implications of expansion in global financial flows for central banks. The private equity world and hedge funds. Imbalances in the world economy
DS: Ch. 4 and 7; "The Plato's cave" in "A special report on the future of finance," *The Economist*, Steven Gjerstad and Vernon L. Smith, 2009. "From Bubble to Depression?" *The Wall Street Journal*, April 6.
 11. 04/13-15: Review. **Second quiz on April 15.**
 12. 04/20-22: Friedman's and Smick's Visions of Globalization. Globalization, financial liberalization and dealing with the current crisis.
Discussion: Will there be a shift from globalization based on unfettered free markets to a new, more mercantilist model of globalization? Political dimension of dealing with a recession.
TF: Ch. 1–4; DS: Ch. 8 and 9; MW: Ch. 13. "The uneven contest" and "Fixing finance" in "A special report on the future of finance," *The Economist*, January 24th 2009; James Crotty and Gerald Epstein. 2009. "Avoiding another Meltdown," *Challenge*/January–February.
 13. 04/27-29: Presentation of papers
 14. 05/4-6: Presentation of paper
 15. 05/11: Review for the final examination
- May 14:** Final examination at 8:00 -10:00AM.