

## Global Capitalism Since 1920

### Course Objectives

The world economy is facing its gravest crisis since the Great Depression. The goal of this course is to understand the current situation in light of the past and assess the performance of the global capitalist system over last one hundred years, focusing on the interplay between events, economic theories and government policies. Little formal theory is used; the focus instead is on underlying ideas and historical developments.

**Prerequisite:** Econ 1.

### Readings

The following books are available for purchase in the bookstore and will be assigned in their entirety.

Jeffrey Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century*, Norton 2006.

Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, 2<sup>nd</sup> edition Princeton, 2008.

John Kenneth Galbraith, *The Great Crash 1929*, Houghton-Mifflin, 1954, reprinted 2009.

Nouriel Roubini and Stephen Milm, *Crisis Economics*, Penguin 2010.

Other readings listed below will be available on **Moodle**. Reading dates/exams approximate.

You are also expected to keep up with current events by reading the *NY Times*, *Financial Times*, or other major newspaper.

**Requirements** (dates approximate)

***In-class exam:*** October 11

***Two short papers*** (600 words each) due September 27 and November 20

***Current events presentation***, to be scheduled. Each student will make a 5 minute presentation on a news article sometime during the term.

***Final Exam***, to be scheduled by the registrar.

### Grading

Midterm	20%
First essay	15%
Second essay	15%
Class Participation	10%
Final exam	40%

## Part I: Overview of Main Issues

### 1. *Technological Change, Institutions and Long Term Growth* (September 4)

Krugman and Wells, *Economics*, 2<sup>nd</sup> edition, Ch. 25 (review from Econ 1).

Lant Pritchett, "Divergence, Big Time," *Journal of Economic Perspectives* (Summer 1997), pp. 3-17. <http://www.jstor.org/stable/2138181>

Joseph Schumpeter, *Capitalism, Socialism and Democracy*, Ch. 7, "The Process of Creative Destruction," 1942.

Thomas Friedman, "DOS Capital 6.0" Ch. 8 of *The Lexus and the Olive Tree*, 2000.

Douglas North, "Institutions and Economic Growth: A Historical Introduction," *World Development* 17, 1989.

William Baumol, "Entrepreneurial Enterprises, Large Established Firms and Other Components of the Free-Market Growth Machine," *Small Business Economics*, 2004. <http://www.springerlink.com/content/m2702885328288xl/>

### 2. *Monetary and Fiscal Policy* (September 6)

Krugman and Wells, *Economics*, 2<sup>nd</sup> edition, Ch. 29-32 (review from Econ 1)

Roubini and Milm, Chs. 6, 7.

William Galvin, "More Money: Understanding Recent Changes in the Monetary Base," Federal Reserve Bank of St. Louis Review, March/April 2009.

Willem Buiter and Ebrahim Rahbari, "Greece and the Fiscal Crisis in the Eurozone," CEPR Policy Insight No. 51, October 2010.

### 3. *International Trade* (September 11)

Krugman and Wells, *Economics*, 2<sup>nd</sup> edition, Ch. 8.

Douglas Irwin, Chs. 1, 2, of *Free Trade Under Fire*, 3<sup>rd</sup> edition, 2009.

### 4. *International Monetary Relations and Exchange Rate Regimes* (September 13, 18)

Krugman and Wells, *Economics*, 2<sup>nd</sup> edition, Ch. 34.

Jeffrey Frankel, "No Single Currency Regime is Right For All Countries or At All Times," *Princeton Essays in International Finance* No. 215, December 1998. (section 5 optional).

Eichengreen, *Globalizing Capital*, Chs. 1, 2, 4.

5. ***Financial Markets and Financial Crises*** (September 20, September 25)

Roubini and Milm, Chs. 1, 2.

Charles Kindleberger, *Manias Panics and Crashes*, Chapter 2, “Anatomy of a Typical Financial Crisis”, 1978.

Thomas Friedman, *The Lexus and the Olive Tree*, Chs. 7 “The Electronic Herd” and 9 “Globalution,” 2000.

James Tobin, “On the Efficiency of the Financial System,” reprinted in Tobin, *Policies for Prosperity*, 1987.

***First paper due September 27***

**Part II: Historical Developments and Economic Theories**

6. ***Globalization Eras*** (September 27)

Michael Bordo, "Globalization in Historical Perspective," *Business Economics* (January 2002). <http://people.ucsc.edu/~hutch/Econ143/bordo.pdf>

Richard Baldwin and Philippe Martin, “Two Waves of Globalization: Superficial Similarities Fundamental Differences,” *NBER Working Paper* No. 6904, February 1999. <http://www.nber.org/papers/w6904>.

Charles Kindleberger, *The World in Depression*, Chapter 14, “An Explanation of the 1929 Depression,” revised edition 1986. Frieden, Chs. 1-5. (Skim)

7. ***The 1920s*** (October 2)

Frieden, Chs. 6, 7.

Galbraith, Chs. 1-5.

8. ***The Great Depression: Causes and Responses*** (October 2, 4)

Galbraith, Chs. 6-10.

Frieden, Chs. 8, 9, 10

Eichengreen, Ch. 3. (introduction and conclusion—skim rest).

Christina Romer, “The Nation in Depression,” *Journal of Economic Perspectives* 7(2), Spring 1993.

**9. Keynes and Keynesian Economics** (October 9)

“The Battle of the Letters: Keynes vs Hayek, 1932, Skidelsky vs Besley 2010,”  
<http://www.cobdencentre.org/2010/07/the-battle-of-the-letters/>.

Keynes, *The General Theory*, Chs. 12, 24.

James Tobin, “Keynesian Policies in Theory and Practice,” reprinted in Tobin, *Policies for Prosperity*, 1987.

Robert Solow, “On Theories of Unemployment,” *American Economic Review* 70(1), March 1980.

Olivier Blanchard, “The Neoclassical Synthesis,” <http://econ-www.mit.edu/files/677>.

***In class exam October 11***

**10. The Post-War Golden Age 1950-1970** (October 23)

Eichengreen Ch. 4 (review from section 3).

Frieden, Chs. 11, 12.

James Tobin, “The Political Economy of the 1960s,” reprinted in Tobin, *Policies for Prosperity*, 1987.

Douglas Irwin, *Free Trade Under Fire*, Ch. 7, pages 219-239.

Barry Eichengreen, “Institutions and Economic Growth in Post-War-Europe, September 1999. <http://www.econ.berkeley.edu/~eichengr/research/vanark.pdf>

John Gerard Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” Volume 36(2), *International Organization* (Spring, 1982). Focus on sections 1-3 (pp. 385-404).

**11. Stagflation of the 1970s** (October 25)

Frieden, Chs. 15, 16.

Brad Delong, “America’s Only Peacetime Inflation: The 1970s,” in Christina Romer and David Romer, eds., *Reducing Inflation: Motivation and Strategy* (University of Chicago Press), 1995. [http://www.j-bradford-delong.net/pdf\\_files/Peacetime\\_Inflation.pdf](http://www.j-bradford-delong.net/pdf_files/Peacetime_Inflation.pdf).

**12. Return of Free-Market Economics** (October 30)

Milton Friedman, *Capitalism and Freedom* Chs. 3, 5 “The Control of Money” and “Fiscal Policy,” 1962.

Milton Friedman, “The Role of Monetary Policy,” *American Economic Review*, 1968.

Kevin Hoover, “The New Classical Macroeconomics,”  
<http://www.econlib.org/library/Enc/NewClassicalMacroeconomics.html>

Mancur Olson, "The Varieties of Eurosclerosis: The Rise and Decline of Nations since 1982," in *Economic Growth in Europe Since 1945*, edited by Nicholas Crafts and Gianni Toniolo, 1995.

James Buchanan, "Policies Without Romance: A Sketch of Positive Public Choice Theory and its Normative Implications," reprinted in Buchanan and Tollison, *The Theory of Public Choice II*, 1984.

Anne Krueger, "Government Failures in Development," *Journal of Economic Perspectives* 4(3), Summer 1990.

**13. *Globalization, Liberalization and Inequality 1980-2006*** (November 1)

Frieden, Ch. 17.

Eichengreen, Ch. 5, pp. 134-149 and Ch. 6, pp. 185-192 and 210-218.

Thomas Friedman, *Lexis and Olive Tree*, Ch. 4.

Frank Levy and Peter Temin, "Inequality and Institutions in 20<sup>th</sup> Century America," MIT Department of Economics Working Paper No. 07-17, 2007.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=984330](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=984330)

Claudia Goldin and Lawrence Katz, [Econ 54 course syllabus. 2012.doc](#) "The Future of Inequality," *The Milken Institute Review*, Third Quarter 2009.

[http://www.economics.harvard.edu/faculty/goldin/files/GoldinKatz\\_Milken.pdf](http://www.economics.harvard.edu/faculty/goldin/files/GoldinKatz_Milken.pdf)

Irwin, *Free Trade Under Fire*, 3<sup>rd</sup> ed., Ch. 7, pp.239-269.

**14. *The Financial Crisis and Great Recession 2007-?*** (November 6, 8)

Roubini and Milm, Chs. 3-5, 8-9.

Paul Krugman, "The Slump Goes On: Why?" *NY Review of Books*, September 30, 2010.

<http://www.nybooks.com/articles/archives/2010/sep/30/slump-goes-why/>

John Taylor, "Getting Back on Track: Macroeconomic Lessons from the Financial Crisis," Federal Reserve Bank of Saint Louis *Review*, May-June 2010.

<http://research.stlouisfed.org/publications/review/10/05/Taylor.pdf>

**15. *New Directions in Economics*** (November 13)

Paul Krugman, "How did Economics Get it So Wrong?" *NY Times Magazine*, September 2, 2009 [http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?\\_r=1](http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?_r=1)

Paul Krugman, "Building a Green Economy," *NY Times Magazine* April 7, 2010, <http://www.nytimes.com/2010/04/11/magazine/11Economy-t.html>

Narayana Kacherlakota, "Modern Macroeconomic Models as Tools for Economic Policy," *The Region*, Federal Reserve Bank of Minneapolis.  
[http://www.minneapolisfed.org/research/economists/staff\\_display\\_pubs\\_papers.cfm?id=5](http://www.minneapolisfed.org/research/economists/staff_display_pubs_papers.cfm?id=5)  
May 2010.

Mulligan, Casey B. (2009) "Is Macroeconomics Off Track?," *The Economists' Voice*:  
Vol. 6: Iss. 10, Article 6. <http://www.bepress.com/ev/vol6/iss10/art6/>

Jeffrey Sachs, "Rethinking Macroeconomics," *Capitalism and Society*, 2009.

George Akerlof and Robert Shiller, *Animal Spirits*, Prefaces and Chapter 11, 2009.

Richard Layard, *Happiness: Has Social Science A Clue?* Lionel Robbin Lectures, 2003,  
Chs 2 and 3. <http://cep.lse.ac.uk/events/lectures/layard/RL040303.pdf>

### **Part III: Regional Focus**

#### **16. Western European Growth, Integration, and Crisis** (November 15, 20)

Raghuram Rajan and Luigi Zingales, "The Decline and Fall of Relationship Capitalism",  
Ch. 11 of *Saving Capitalism from the Capitalists*, pp. 247-271.

Robert Gilpin, "National Systems of Political Economy," Ch.7 of *Global Political  
Economy*, (2001) pp. 148-195.

Martin Feldstein, "The Case Against EMU," *The Economist*, June 13, 1992. DeGrawe et  
al, "Reply to Feldstein" *The Economist*, July 4, 1992.

Eichengreen, Ch. 5, pp. 149-177 and Ch. 6 pp. 219-227.

Barry Eichengreen, "The Euro's Existential Crisis," *The Milken Review*, October 2010.  
[www.relooney.info/0\\_New\\_7688.pdf](http://www.relooney.info/0_New_7688.pdf)

#### **17. Japan: The System that Soured** (November 27)

Richard Katz, *Japan: The System that Soured*, 1998, Chs. 1, 13.

Richard Katz, "The Japan Fallacy: Today's U.S. Financial Crisis Is Not Like Tokyo's  
Lost Decade" *Foreign Affairs* March/April 2009.

Robert Madsen, "Worse and Worser," *Foreign Affairs*, May/June 2009.

#### **18. Communism: Collapse and Transition** (November 27)

Frieden, Ch. 14

Anders Åslund and Nazgul Jenish, "The Eurasian Growth Paradox," *Petersen Institute  
for International Economics Working Paper* 06-5, June 2006.  
<http://www.iie.com/publications/wp/wp06-5.pdf>

**19. East Asia: Miracle and Crisis** (November 29)

Frieden, Ch. 18.

Robert Wade, "After the Crisis: Industrial Policy and the Developmental State in Low-Income Countries, *Global Policy* 1(2), 2010.

<http://onlinelibrary.wiley.com/doi/10.1111/j.1758-5899.2010.00036.x/pdf>

Eichengreen, Ch. 6, pp. 192-198.

**20. The Rise of China and India** (November 29, December 4)

Barry Bosworth and Susan M. Collins, "Accounting for Growth: Comparing China and India." *Journal of Economic Perspectives* 22(1), 2008.

Niall Ferguson and Moritz Schularick, "The End of Chimerica," *International Finance* 14(1), 2011.

**21. Latin America: Instability and Inequality** (December 4)

Frieden, Ch. 13.

Eichengreen, Ch. 5 pp. 178-183. Ch. 6, pp. 198-210.

**22. Africa: Glimmers of Progress?** (December 6)

Frieden, Ch. 19.

Paul Collier, "Globalization and Africa," in Ch. 6 of *Trade Reform and Regional Integration in Africa*, ed. By Zubair Eqbal and Mohsin Khan, IMF, 1998.

Steven Radelet, *Emerging Africa*, Chs. 1, 2 ,4, 2010.

**23. The Middle East: Stagnation to Revolution** (December 6)

~~[Abdeel Malik and Bassem Awadallah "The Economics of the Arab Spring," \*World Development\*, 2013. Marcus Noland and Howard Pack, "Islam, Globalization, and Economic Performance in the Middle East," Petersen Institute for International Economics Policy Brief 04-4, June 2004. — <http://www.piie.com/publications/pb/pb04-4.pdf>](#)~~

~~[Marcus Noland and Howard Pack, "Arab Revolutions of Rising Expectations," \*Real Time Issues Watch\*, February 1, 2011. <http://www.piie.com/realtime/?p=1998>.](#)~~

**24. Conclusions** (December 11)

Frieden, Ch. 20.

Roubini and Milm, Conclusion and Outlook.

