

BILKENT UNIVERSITY
Department of Economics
Econ 460 Economics of Globalization
Spring 2019

A. Erinc Yeldan
Office: FEASS 102
Office Hours: Mon 10:30-12:30; Fr 11:30-12:30

Tel. 1659
e-mail. YELDANE@BILKENT.EDU.TR
web address of the course:

The term *globalization* has become a key feature of the world economy in the last three decades. It was in this era that we witnessed the dominating ascendancy of finance over industry with the acceleration of the volume of *daily* trade in the foreign exchange markets from \$190 billion in the 1970s, to \$1.2 trillion in early 1990s, and to \$4.8 trillion currently. This is reportedly an expansion in excess of the *annual* volume of global commodity trade by 70-folds. It is also in this era that the transnational enterprises had increased their dominance in the world's commodity markets, with the 500 largest companies accounting for 30% of the global production, and 70% of the global commodity trade.

It was these observations that led *David Harvey* to comment that “*something significant has changed in the way capitalism has been working since about 1970*”; who echoed actually whence *Marx* and *Engels* advanced their observations some 150 years ago in their *Manifesto of the Communist Party*: “*The bourgeoisie, by the rapid improvement of all the instruments of production, and by constantly facilitating communication, draws into civilization even the most barbarian nations. It forces all nations, on pain of extinction, to adopt the bourgeois mode of production; it forces them to adopt so-called civilization, i.e. to become bourgeois. In one word, it creates a world after its own image*”.

To many, the advent of globalization meant a benign force that would lead ultimately to an epoch of converging world incomes, converging institutions with “free” markets, enriched cultural exchange and “participatory/decentralized” political values being the norm. The real facts of life, however, had been immensely diverse. While there had been *miracles* of growth such as China, India, and Ireland over the last two decades, we also witnessed *disasters* where the *poorest* of the poor 1 billion citizens of some fifty nations experienced *negative* rates of per capita income growth since the 1980's. With their current per capita income of 275\$ (less than 1 dollar a day), their poverty had been an uneasy show case of failed expectations and collapsed projects of global capitalism in the 21st century. What's more, the expected increase of cultural enrichment has not materialized, and quite to the contrary, the world's art and film markets have been increasingly dominated by *californiazation* of culture across the globe.

This is a course on the *economics* of globalization and development macroeconomics. Globalization as a real fact, has many faces, cultural, political, social, gastronomical,... among which we will selectively investigate as they pertain the economic issues of interest. Our current approach will focus on the determinants of the new wave of globalization, and attempt to investigate its economic and historical conditions as a new stage of capitalism. We will

regard the economic machine being in motion in all its giant complexity with many interrelated markets and different agents, classes, and institutions. In so doing, we will try to identify the agents of the neoliberal globalization, and investigate the concept in the context of the strategic interests of transnational corporations and of international finance capital. The altered conditions surrounding the state will be discussed with references to concepts such as neoliberal conditionalities in stabilization policy emphasizing fiscal austerity (the so-called “expansionary fiscal contraction” idea) with concepts such as central bank independence, inflation targeting, freely floating exchange rates, flexible labor markets, and the “credible” state.

Finally we will focus on the concept of “economic development” and regard it as a unique phase of the twentieth century capitalism. Classic theories of development will also be studied with references to the structuralist, Marxist, the Dependency school, and the world-systems paradigms.

The course will end with debates on *life after capitalism* and calls for *the need to re-think economic development*.

Grading will be based upon: (i) six *position papers* (5 points each, total 30%). Topics of these papers are indicated below. They will entail overviews of literature as well as your own theses on the subject, and will be subject to **1,000 words max.** each (strictly at most 2 single spaced pages). (ii) one midterm (in-class, closed-book, 30%); and (iii) a Final Exam (in-class, closed-book, 40%).

Both exams will be given *only* at the scheduled time, Midterm: **9 April, Tuesday**; and Final: **tbd by the Registrar’s Office**. Both exams will be closed book. Note that late papers will not be accepted under any exception, and **no position papers via e-mail attachments please!**

The course involves a fairly heavy reading load, the completion of which is essential to understanding the issues and controversies highlighted in the lectures. The lecture material will be complemented with film shows, guest lecturers, and various hand-outs relevant to the subject matter in due course. I will highlight some of the material as of secondary interest and regard as “optional reading” during the class.

Please note that this course is conducted under the principle that ***there is no such thing as a neutral position in front of the gates of sciences***. Scientific analysis of objective conditions always necessitates the researcher to take a position. In order to facilitate this, the course entails the *position* papers, rather than “term” papers that are limited to summaries of the literature alone. These papers will typically be focused on the current controversial debates about the economic aspects of globalization and should, in addition to a brief literature summary, state *your* views on the subject along with a demonstration of your expertise in defending your theses.

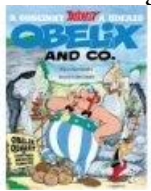
The position papers will be evaluated based on the following five criteria, all evenly weighted: *originality; literature support; rhetoric/argumentation; clarity of position; and cohesion/balance*.

Important dates are as follows (All position papers are to be uploaded to the Moodle page of the course by the set deadline; ***Absolutely No Exceptions***, for topics see below):

Position paper I	: 18 February, Monday, 23:59
Position paper II	: 25 February, Monday, 23:59
Position paper III	: 4 March, Monday, 23:59
Position paper IV	: 1 April, Monday, 23:59
Midterm	: 9 April, Tuesday, in class
Position paper V	: 15 April, Monday, 23:59
Position paper VI	: 13 May, Monday, 23:59

READING LIST and the COURSE PROGRAM

The following is the only *Required Text*:



Asterix, episode no. 23, titled “*Obelix and the Co.*” written by René Goscinny and illustrated by Albert Uderzo. This is a fabulous narration of the economics of monetarization of a humble, traditional *Gaul* village, and the on-set of corruption and greed with the introduction of the big business. A Turkish translation of the text is available at the bookstores

The following texts are used intensively (well, you may regard these as rather “required” too).

Lechner, Frank and Boli, John (eds) (2008) *The Globalization Reader, The Third Edition*. Blackwell Publishing (**GR**)

Ravenhill, John (2008) *Global Political Economy*, Oxford U. Press (**GPE**)

Dicken, Peter (2007) *Global Shift: Mapping the Changing Contours of the World Economy, The Fifth Ed.* New York: Guilford Press. (**GSM**)

The following is a very important web site for our purposes.

International Development Economics Associates (IDEAs) www.networkideas.org

It is highly recommended that you become a member of (**IDEAs**) and spread its relevance among your colleagues.

We will discuss all the papers listed below in class. This is *not* an exhaustible list of the papers in the subject area, though it should be useful enough for a head start. During the class, I will be highlighting the main papers and treat the remaining ones as “optional reading” (**O**).

WEEK 1: Capitalism into the 21st Century: Facts and Main Trends

Patterns of Growth in Dual Economies: Challenges of Development in the 21st Century
Chapter 2 in Acar, Sevil, Ebru Voyvoda and A. Erinċ Yeldan (2018) *Macroeconomics of*

Climate Change in a Dualistic Economy: A Regional Computable General Equilibrium Analysis, Elsevier.

OECD(2014) [Policy Challenges For the Next 50 Years](#), OECD Pub. Paris.

[Global Trends \(2012\) Alternative Worlds 2030.](#)

Palma, G. (2011) “Why has productivity growth stagnated in most Latin American countries since the neo-liberal reforms?” in Reinert, Ghosh, Kattel (ed) *Handbook of Alternative Theories of Economic Development*. Edward Elgar

Gordon, D. (2017) *The Rise and Fall of American Growth*. Chapters 17 and 18.

Golub, P. (2004) “All the riches of the world restored” *Le Monde Diplomatique*, October

Dumenil & Lévy (2006) “Neoliberal Dynamics: A New Phase?” in van der Pijl & D. Wigan *Global Regulation, managing Crises after the Imperial Turn* MacMillan: New York

POSITION PAPER I: Report on the total factor productivity (tfp) growth and capital-labor ratios across the globe (data from OECD and/or [penn world tables, pwt 9.0](#)). Comment on the drivers of growth, accumulation and distribution over the 21st century. What are the likely challenges? Key constraints? Opportunities?

DUE: 18 February, Monday, 23:59

WEEK 2: Understanding Globalization: The Record

Sen, Amartya (2002) “How To Judge Globalism” Chapter 2, (pp.19-24) in **GR**.

Ravenhill, (**GPE**) Chapter 9.

ILO (2004) *A fair Globalization: Creating Opportunities For All*, Geneva. Available on line at: <http://www.ilo.org/public/english/wcsdg/docs/report.pdf>

Milanovic, Branko (2002) “The Two Faces of Globalization: Against Globalization As We Know It” *World Development*, 31(4): 667-683.

Bestor, Theodore (2000) “How Sushi Went Global” Chapter 13, (pp. 121- 125) in **GR**.

Watson, James (1997) “McDonald’s in Hong Kong” Chapter 14, (pp. 126- 134) in **GR**.

(O) Klein, Naomi (2002) “The Discarded Factory: Degraded Production in the Age of the Superbrand” Chp 9 in *No Logo*, Picador Press.

And for some academic exchange...

[Stiglitz, Joseph \(2000\) “The Insider: What I Learned at the world economic crisis”](#) Open Letter, mimeo.

Rogoff, Kenneth (2002) “Open Letter to Joseph Stiglitz” IMF, Washington DC.
<http://www.imf.org/external/np/vc/2002/070202.htm>

POSITION PAPER II: Report on the main observations, achievements, challenges and failures of the globalization project since roughly the 1970s. State and defend your position clearly and analytically.

DUE: 25 February, Monday, 23:59

WEEK 3: Understanding Globalization: Historical Development and Alternative Theoretical Approaches-I

Baldwin, R. E. and P. Martin (1999) [“Two Waves of Globalization: Superficial Similarities, Fundamental Differences”](#) *NBER Working Paper*, No. W6904, January.

Dicken, (GSM) Chapters 2 and 18

Goldblatt, David (2006) Football After the Long Boom: FIFA and the Transformation of Global Football, Chp 15 in *The Ball is Round: A Global History of Football*, Riverhead Books.

WEEK 4: Understanding Globalization: Historical Development and Alternative Theoretical Approaches-II

Film Show: *The Age of Performance* by Carole Palluquin.

Huntington, Samuel (1993) “The Clash of Civilizations?” chp 5 (pp. 39-46) in **GR**.

Wallerstein, Immanuel (1974) “The Modern World-System as a Capitalist World-Economy” chp 6 (pp.55-61) in **GR**.

Arrighi, Giovanni (2002) *The Long Twentieth Century*, Chp 1: The Three Hegemonies of Historical capitalism, pp.1-85.

“The Kondratieff Theory of Long Wave Cycles” available from *Kwaves.com* at: http://www.kwaves.com/kond_overview.htm

POSITION PAPER III: Political economists from the *radical* tradition regard the ongoing path of globalization as one of conflict and chaos. For instance, Wallerstein refers to the characteristics of capitalism as a *world-system* evolving into a conflicting international world economy (note the use of “hyphen -” in his terminology). In his *interstate system* there is a division of states as “core”, and “peripheral” both of which are in economic and political conflict against each other and the political stability of the system is loosely held together thanks to the presence of the “*semi-peripheral*” states. On the other hand, for Baldwin and Martin the world economies are moving towards a harmonious equilibrium, as “*trade in goods*” give way to “*trade in ideas*”. Contrast these broad views and state **your own views** on whether the current trajectories of globalization are leading to conflict and chaos or harmonious equilibrium. Support your arguments from citations of the relevant literature as you see fit.

DUE: 4 March, Monday, 23:59

WEEK 5. Globalization as Neoliberal Imperialism

Film Show: *Battleship Potemkin*, by Eisenstein.

Yeldan, Erinç (2008) *Küreselleşme Kim İçin?*, Yordam Kitap.

Patnaik, Prabhat (2005) “The Economics of the New Phase of Imperialism” IDEAs,
Download: http://www.networkideas.org/featart/aug2005/fa26_Economics_New_Phase.htm

Petras, James and Henry Veltmeyer (2001) *Globalization Unmasked: Imperialism in the 21st Century* Zen Books. Chps 1, 2, 3.

Duménil and Lévy (2004) [The Economics Of U.S. Imperialism At The Turn of the 21st Century](#)” *mimeo*.

WEEK 6: Features of Neoliberal Globalization: The Rise of Finance Capital

Wolf, Martin (2007) “Globalisation’s Future is the Biggest Long-Term Question” *Financial Times*.

Akyüz, Yılmaz (2017) [“The Financial Crisis and the Global South: Impact and Prospects” South Centre Research Paper May, 2017](#)

(o) Akyüz, Yılmaz (2017) *Playing with Fire* Oxford U. Press

Ravenhill, (GPE) Chapter 7.

[Crotty, James \(2008\) “Structural Contradictions of Current Capitalism”](#) in J. Ghosh and C.P. Chandrasekhar (eds) *Work and Well-Being in The Age of Finance*, Delhi: Muttukadu Press.

[Dumenil and Levy \(2006\) “The Costs and Benefits of Neoliberalism: A Class Analysis”](#) in Epstein *Financialization and the Global Economy*, Edward Elgar Press.

Diaz-Alejandro, Carlos F. (1985) “Good-Bye Financial Repression, Hello Financial Crash” *Journal of Development Economics*, 19(1-2): 1-24, February.

WEEKS 7 and 8: Features of Neoliberal Globalization: Transnational Corporations, the Patterns of International Trade and Informalization of Labor

Film Show: *Mardi Gras Made in China*

Hamilton Project of the Brookings Institute ([2017](#)) "[Thirteen facts on wage growth](#)"

Akyüz, Yilmaz (2006) "From Liberalization to Investment and Jobs: Lost in Translation", UNCTAD Working Papers. Available on line at IDEAs:
http://www.networkideas.org/featart/feb2006/fa28_Lost_in_Translation.htm

Ravenhill, (GPE) Chapters 5 and 11

Dicken, (GSM) Chapters 4 and 17

Wolf, Martin (2004) "Incensed About Inequality" chp 20 (pp 183-189) in **GR**.

Gereffi, Gary (2005) "The Global Economy: Organization, Governance and Development" chp 19 (pp 173-182) in **GR**.

Rama, Martin (2003) "On Globalization and the Labor Market" *World Bank Research Observer* 18(2): 159-186.

[UNCTAD, Trade & Development Report, 2018](#) *Transnational Corporations and Resource Mis-allocation in foreign trade*

[UNCTAD, Trade & Development Report, 2016](#) *De-Industrialization*.

Fiona, Tregenna (2009) "Characterising deindustrialization: An analysis of changes in manufacturing employment and output internationally" [Cambridge Journal of Economics](#) 33: 433-466. Doi:10.1093/cje/ben032

Kongar, Ebru (2008) "Is Deindustrialization Good For Women? Evidence From The United States", *Feminist Economics*, 14(1): 73-92.

[ILO World of Work Report](#) various issues.

Will robots take over our jobs?

[World Bank Report 2019](#) *The Changing Nature of Work*

[McKinsey Global Institute reports](#) on artificial intelligence and the future of work

More optional reading material will be provided here. This is an utmost important segment of the course

POSITION PAPER IV: Industrialized economies of the developed world are observed to suffer from losses in manufacturing employment as well as stagnation of the real wages in manufacturing industries. At the same time, there had been a significant rise in the share of manufactured exports of the developing countries in the world trade. *Globalization* –as defined in a nutshell as the internationalization of goods, technology, capital, and labor– is often regarded as the main cause of this *de-industrialization* of the North and the worsening of the

wage gap between the skilled and unskilled labor categories at the global level. On the other hand, many researchers claimed that the cause of these phenomena has little to do with international trade, and that they have to be evaluated in the context of the nature of technological progress.

Briefly evaluate the major sides of these arguments, and then state and defend your position clearly. Be sure to refer to and utilize any empirical data that you find necessary in your analysis.

DUE: 1 April, Monday, 23:59

WEEK 9: The Debate on the Middle Income Trap and What to Produce (and Export): The Atlas of Product Space

Original statement of the problem:

Eichengreen, B., D. Park and K Shin (2011) “When Fast Growing Economies Slow Down: International Evidence And Implications For China” [NBER Working Paper, No 16919](#).

More applications and debate:

J. Felipe, A. Abdon and U. Kumar (2012) “[Tracking the Middle-income Trap: What Is It, Who Is in It, and Why?](#)” [Levy Economics Institute, Working Paper, No 715](#).

Shekhar Aiyar, Romain Duval, Damien Puy, Yiqun Wu, and Longmei Zhang (2013) “[Growth Slowdowns and the Middle-Income Trap](#)”, [IMF Working Paper No: WP/13/71](#)

And pondering over Turkey, breaking away from cookie-cutter arguments:

Yeldan, A. Erinç (2014) “Mysteries of the Middle-Income Trap” *Triple Crisis Blog* April <http://triplecrisis.com/beyond-the-mysteries-of-the-middle-income-trap/>

Yeldan, A. Erinç, Taşçı, Kamil, Voyvoda, Ebru and Özsan, Emin (2013) “[Escape from the Middle Income Trap: Which Turkey?](#)” Report Prepared for TURKONFED, Istanbul. March.

What to export: computer chips or potato chips?

Harvard University, Center for International Development: [Atlas of Economic Complexity](#)

R. Hausman, J. Hwang and D. Rodrik (2007) “[What You Export Matters](#)” *Journal of Economic Growth*, 12: 1-25. DOI 10.1007/s10887-006-9009-4

R. Hausmann, F. Rodriguez and R. Wagner (2006) “Growth Collapses” [Harvard University, Kennedy School of Governance Working Paper, No RWP06-046](#)

POSITION PAPER V: Document, collect data, analyse, and comment on the “middle income trap”. Is this merely a concept of rhetoric, or is it a real problem of 21st century capitalism?

DUE: 15 April, Monday, 23:59

WEEK 10: Midterm I: (9 April, in class)

WEEK 11: Environmental Pollution and Economics of Climate Change

Statement of the problem

Storm, Servas (2009) “Capitalism and Climate Change: Can the Invisible Hand Adjust the Natural Thermostat?” *Development and Change*, 40(6): 1011–1038.

What has been done and will that suffice?

Anne-Marie Codur, William Moomaw, and Jonathan Harris (2016) “[After Paris: The New Landscape for Climate Policy](#)” [Tufts University Climate Change Brief, No 2, February.](#)

Let's buy and sell air to save the environment

Lohmann, L. (2011) “[The Endless Algebra of Climate Markets](#)” *Capitalism Nature Socialism*, 22:4, 93-116

Is degrowth a feasibility?

Kallis, Giorgos (2011) “[In Defence of Degrowth](#)” *Ecological Economics* 70(5): 873-880.

Foster, J. Bellamy (2011) “[Capitalism and Degrowth: An Impossibility Theorem](#)” *Monthly Review*, January.

WEEK 12: Economic Development and Underdevelopment in Historical Perspective

Ravenhill, (GPE) Chapter 13

Dicken, (GSM) Chapters 6 and 7

Lal, Deepak (1985) “The Misconceptions of Development Economics” Chp 2 (pp. 28-36) in Wilber (1988) *The Political Economy of Development and Underdevelopment*

Vernengo Matias (2006) “Technology, Finance and Dependency: Latin American Radical Political Economy in Retrospect” *Review of Radical Political Economics* Fall 38(4): 551-568.

Wilber, Charles and Kenneth Jameson (1975) “Paradigms of Economic Development and Beyond” chp 1 in Wilber C. (ed) *The Political Economy of Development and Underdevelopment* (1996) New York: Random House.

(O) Frank, Andre Gunder (1966) “The Development of Underdevelopment” chp 7 (pp.109-120) in Wilber (1988) *The Political Economy of Development and Underdevelopment*

WEEK 13: What Is the Role of Nation State and “Governance” Under The Age Of Financial Globalization?

Adelman, I. And E. Yeldan (2000) “Is This the End of Economic Development?” *Structural Change and Economic Dynamics*, 11: 95-109.

Chang, Ha-Joon (1998) “Globalization, Transnational Corporations, and Economics Development: Can the Developing Countries Pursue Strategic Industrial Policy in a Globalizing World Economy?” Chp 4 (pp.97-114) in **GPEP**.

Rodrik, Dani (1997) “Has Globalization Gone Too Far?” Chp 28, (pp.241-246) in **GR**.

Ohmae, Kenichi (1995) “The End of National State”, Chp 29, (pp.206-211) in **GR**.

Strange, Susan (1996) “The Declining Authority of States” Chp 26, (pp. 228-234) in **GR**.

Meyer, John W., John Boli, George Thomas and Fransisco Ramirez (1997) “World Society and the Nation State” Chp 9, (pp. 78-86) in **GR**.

Dicken (**GSM**) Chapter 8

POSITION PAPER VI: Discuss the historical and social conditions leading to the emergence and rationale of the nation state in the context of the advance of capitalism. Is the nation state a necessary apparatus for the birth and advance of capitalism, or *vice versa*? Can capitalism operate without the system of nation states? Discuss.

DUE: 13 May, Monday, 23:59

WEEK 14: Development Macroeconomics in Practice: Rethinking Development Economics and Resisting Globalization: Critique and Action

Film Show: *Two Social Forums: Porto Alegre, 2003 and Mumbai, 2004*. As shot from my humble amateur camera.

Commandanté Marcos (1996) “Tomorrow Begins Today” Chapter 58 (pp. 474 – 478) in **GR**

World Social Forum: Porto Alegre Call for Mobilization chp59 in **GR**.

<http://www.forumsocialmundial.org.br>

Polanyi-Levitt, Kari (2001) “Reclaiming Development Economics” IDEAs Featured Article, available on line at IDEAs:

http://www.networkideas.org/feathm/nov2001/ft06_Development_Economics.htm

Dicken Chapter 1 (**GSM**)

(O) ATTAC (Association for the Taxation of Financial Transactions for the Aid of Citizens) (2001) “Special Issue on the Regulation of the Financial System and the Tobin Tax” *Finance and Economics Quarterly Report*, October.

Available online at: <http://www.attac.org>

Stiglitz, Joseph (2002) “Globalism’s Discontents” chp 24 (pp. 208-214) in **GR**

Epstein Gerald and Erinc Yeldan (2008) “Beyond Inflation Targeting: Assessing the Impacts and Policy Alternatives” *International Review of Applied Economics*, February, 22(8), pp. 131-144.

(O) Calvo G. and F. Mishkin (2003) “The Mirage of Exchange Rate Regimes for Emerging Market Countries” *Journal of Economic Perspectives*, 17(4): 99-118.