

MBA 720

Global Economic Conditions

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Office Hours: W 10:00-10:50, W 5:00-5:50, or by appointment.

This is a class about globalization: what it is, its effects, its worth, its ups and downs. (There are some ups, too, believe it or not.) I assume some (but only some) basic familiarity with microeconomic and macroeconomic theory. It is not, however, a course in economics, nor is it a how-to course in such international-business minutiae as what techniques are needed to wage a successful marketing campaign in Lower Fredonia. Rather, it is an investigation of important worldwide trends, including the recent turbulent ones, that affect the business environment. The course will draw on knowledge not just of economics and business but political science, history, current events, and even botany, meteorology and philosophy. As you will note below, there are *many* readings. You are expected to do them all, but much of it is short newspaper articles, and so the total burden is not as great as it may first appear. The class is a lot of work, but by the end of the term you will have learned quite a lot.

Text: None. There is a required reading packet, available from <http://www.universityreaders.com>. It includes all readings except those in bold below, which are available directly online at the URL indicated. The packet is mandatory, and is available either digitally or in hardcopy. I have also written a book, *The Rise of the Anti-Corporate Movement: Corporations and the People Who Hate Them*, that has a couple of chapters on my view of globalization. It can be ordered at any of the usual places, and may be useful as noted below, but is not required.

Evaluation. There will be two midterms and a final. The midterms will be given on Wednesday, April 16 and Wednesday, May 21. The final will be at the scheduled time on Wednesday, June 11. Each exam will consist of short-answer and essay questions, and the questions will concern material covered in lecture, as well as the readings. The higher midterm score counts for a third of your grade, as does the final.

The final third comes from a term paper. You must write a paper in which you select any country, other than the U.S., and investigate *how prepared it is to emerge from this financial crash economically healthy, with its people in a position to succeed in the global economy*. You are thus analyzed to ask two questions: the likely effects of the crisis on your country, and life after the crisis there. You may write it with one or at most two classmates, but need not. You are expected to make use of such class knowledge as is most germane for the country you choose, and especially to make good use of data to make your case. The conclusion you draw, while important, is not as important as your demonstration of both presentation skills and mastery of class knowledge.

The paper is due on the day of the final, Wed., June 11. You may turn in as many rough drafts for comment as you like (although a likely grade is not one of the

comments I will make). The deadline for rough drafts is Wed., June 4.

Schedule

Introduction

I. The globalization of goods – models of international trade.

A. Comparative Advantage

B. Newer trade theories

1. Increasing returns to scale, positive externalities, and the argument for economic planning.

Readings:

“Where a Cuddle With Your Baby Requires a Bribe,” *The New York Times*, Aug. 30, 2005.

Excerpt from Khaled Al Khamissi, *Taxi* (2008, translation from the Arabic).

Case Study – Airbus. Readings:

“Boeing is Choking on Airbus' Fumes,” *Business Week*, 6/30/03, p. 50.

“‘Major Screwup’ at Airbus,” *Business Week*, July 3, 2006.

“The Airbus Saga: Hubris and Haste Snarled the A380,” *International Herald Tribune*, December 11, 2006.

2. Product-Lifecycle Theory

Readings:

“In This Job, the Suspense Might Really be Killing,” *The New York Times*, 10/19/00.

“A Thai Remedy for High Health Costs,” *International Herald Tribune*, July 28, 2005.

Holiday Dmitri, “Barbie’s Taiwanese Homecoming: A Plastic, Fantastic Tale of Globalization.” *Reason Online*, May 2005.

“Raising the Bar At Samsung; Electronics Company Aims To Create Break-Out Product,” *The New York Times*, April 25, 2006.

3. Economic geography and the product space: monkeys in a forest

4. Relationships, contestability, and outsourcing: is the world really flat?

II. The globalization of money – foreign portfolio investment and what it has wrought.

A. The tradeoffs of FPI.

B. What the heck happened to the global economy, anyway?

1. Understanding financial bubbles and crashes, in theory.

Readings:

Robert Skidelski, "The Moral Dimension of Boom and Bust," *The Guardian*, Nov. 23, 2008.

Henry Blodget, "Irreplaceable Exuberance," *The New York Times*, Aug. 30, 2005.

2. Examples, then and now.

Readings:

Evan Osborne, "Financial Crashes in the Globalization Era," *The Independent Review* 6 (2), Fall 2001, 165-184, <http://www.independent.org/publications/tir/article.asp?issueID=11&articleID=157>

"How U.S. Wooed Asia to Let Cash Flow In," *The New York Times*, Feb. 16, 1999.

Rik Kirkland, "The Greatest Boom Ever," *Fortune*, July 23, 2007.

Guy Sorman, "Empire of Lies," *City Journal*, Spring 2007.

Joshua Kurlantzick, "China's Future: A Nation of Single Men?," *The Los Angeles Times*, October 21, 2007.

C. Financial crashes as spurs to reform

Readings:

Turkey Tries to Step up Sell-off of State Companies," *The New York Times*, Jan. 19, 2001.

III. The globalization of innovation.

A. The hardware of innovation.

B. The software of innovation: the economics of complexity.

Readings:

Postrel, "Dynamism or Stasis," Section IIIB above.

Macabe Keliher, "China Set to Flood the World With Chips," *Asia Times*, Feb. 3, 2004.

C. The consequences of bad software.

Readings:

Hernando de Soto, "The Mystery of Capital," *Finance and Development* 38 (1), March 2001.

“Caps on Prices Only Deepen Zimbabweans’ Misery,” *The New York Times*, Aug. 2, 2007.

D. Positive-sum economics: global economic growth in a complex world.

Evan Osborne, “India, China and Humanity,”
<http://futureuncertain.blogspot.com/2005/08/india-china-and-humanity.html>

E. The natural resource curse.

Readings:

“Background: Enriching the Elites,” Ch. IV from Human Rights Watch,
“The Curse of Gold.” Full report available at <http://hrw.org/reports/2005/drc0505/>.
Reuters, “Oil Powerhouse Venezuela Struggles to Keep Lights On,” Oct. 23, 2008.

IV. Regional economic integration and the globalization of Europe.

A. Introductory information

Stratfor.com, “The WTO and the De-Synchronization of the Global Economy.”

B. The European Union

Readings:

The democracy deficit

Mark Steyn, “Sweet Land of Liberty,” *The Spectator*, May 2002.

_____, “Fool’s Paradise,” *The Spectator*, May 28, 2005.

Vaclav Klaus, “Europe, Environmentalism and the Current Economic Crisis: A Contrarian View,”
<http://www.klaus.cz/klaus2/asp/clanek.asp?id=pwMGFzzPU1MJ>

Economic sclerosis overall

Stephan Theil, “Europe’s Philosophy of Failure,” *Foreign Policy*, Jan./Feb. 2008.

“In a Funk, Italy Sings an Aria of Disappointment,” *The New York Times*, Dec. 13, 2007.

“After the Boomers, Meet the Children Dubbed “Baby Losers,” *The Observer*, May 11, 2008.

“For Europe’s Middle Class, Stagnant Wages Stunt Lifestyle,” *The New York Times*, May 1, 2008.

Dynamism and entrepreneurial activity

Edmund Phelps, “Entrepreneurial Culture: Why European Countries Lag Behind the U.S.,” *The Wall Street Journal*, Feb. 12, 2007.

Virginia Postrel, "Dynamism or Stasis," *Forbes*, November 27, 2006.

Emigration

Andrew Hussey, "Boulevard of Broken Dreams," *The Observer*, April 8, 2007.

Tony Patterson, "German Brain Drain at Highest Level Since 1940s," *The Independent*, June 1, 2007.

"Exodus: A Million Brits Emigrate While Three Million Enter," *The Daily Mail* (UK), November 3, 2006.

Demographics and immigration

Robert Samuelson, "The End of Motherhood," *Newsweek*, May 29, 2006, <http://www.msnbc.msn.com/id/12888599/site/newsweek/>.

"Empty Playgrounds in an Aging Italy," *The International Herald Tribune*, September 4, 2006.

Mark Steyn, "It's Breeding Obvious, Mate," *The Australian*, August 18, 2006.

"Europe's Immigrant Divide: As Unskilled Migrants Flood Borders, Well-Educated Stay Away," *The Wall Street Journal*, Dec. 8, 2005.

Niki Kitsantonis, "A Rising Tide of Migrants Unsettles Athens," *International Herald Tribune*, Oct. 2, 2008.

Theodore Dalrymple, "The Barbarians at the Gates of Paris," *City Journal*, 12 (4), Autumn 2002.

Note: In two places the above article contains offensive language, of both the sexually explicit and racial-slur kind. Readers who wish to avoid it may do so, but are responsible for talking with me about the points in it.

Note: The following two articles should be read together:

Stratfor.com, "Russian Far East Turning Chinese?"

"When Solitudes Collide, The Dragon Stings the Bear," *The Globe and Mail* (Toronto), Nov. 13, 2004

V. The globalization of governance: liberty, democracy, the rule of law and wealth.

A. Definitions, importance of L, D, RoL

Readings:

Fareed Zakaria, "Illiberal Democracy," Ch. 3 in *The Future of Freedom: Illiberal Democracy at Home and Abroad*, W.W. Norton, 2004, pp. 89-118.

"Money and Violence Hobble Democracy in Nigeria," *The New York Times*, Nov. 24, 2006.

"Caps on Prices Only Deepen Zimbabweans' Misery," Section IV above.

B. Does globalization promote better governance, in addition to better governance promoting prosperity?

Reading

Richard W. Fisher and W. Michael Cox, "Globalizing Good Government," *The New York Times*, April 10, 2006.

P.J. O'Rourke, "The Cleveland of Asia: A Journey Through China's Rust Belt," *World Affairs*, Spring 2008.

VI. Globalization rethought.

A. Globalization as corporate power grab and as glorified casino.

Readings:

International Forum on Globalization,

http://ifg.org/pdf/Citizens_Agenda_for_Reform_of_the_Global_Economic_System-1999.pdf, "A Citizen's Agenda for Reform of the Global Economic System."

International Forum on Globalization, "A Better World is Possible: Alternatives to Economic Globalization (Executive Summary),"
http://www.ifg.org/alt_eng.pdf.

B. The case for the defense: globalization as liberation.

Readings:

Virginia Postrel, "Economic Scene; The rich get rich and poor get poorer. Right? Let's take another look." *The New York Times*, Aug. 15, 2002.

Johan Norberg, "The Noble Feat of Nike," *The Spectator*, June 7, 2003.

Ronald Bailey, "Decrying the Pursuit of 'Unnecessary Things,'" *Reason*, Feb. 12, 2008.

Evan Osborne, *The Rise of the Anti-Corporate Movement* (Ch. 6, optional)

VII. The globalization of culture.

A. The effect of globalization on culture.

Readings

"For India's Youth, New Money Fuels a Revolution," *The Wall Street Journal*, Jan. 27, 2004.

The BBC, "Valentine's Day Celebrations Come Under Fire,"
http://news.bbc.co.uk/2/hi/south_asia/2757473.stm.

"French an Also-Ran as English Tops the EU," *The Daily Telegraph*, April 20, 2004.

"Venezuela Fights Use of English Words," Associated Press, Feb. 26, 2008.

"For Mongolians, E is For English, F is for Future," *The New York Times*, Feb. 15, 2005.

"Sushi Comes Home, With Cream Cheese and Chili," *The New York Times*, April 4, 2002.

"Shangri-La no More: The Dragons Have Settled In," *The New York Times*, Dec.

8, 2004.

Mario Vargas Llosa, "The Culture of Liberty," *Foreign Policy*, Jan./Feb. 2001.
"All Roads Lead to Cities, Transforming India," *The New York Times*, Dec. 7,

2005.

Evan Osborne, "Who Hates Globalization?,"
<http://futureuncertain.blogspot.com/2005/11/who-hates-globalization.html>.

Evan Osborne, *The Rise of the Anti-Corporate Movement* (Ch. 5, optional)

B. The effect of culture on globalization.

Readings

Ralph Peters, "Spotting the Losers: Seven Signs of Non-Competitive States,"
Parameters, Spring 1998, 36-47.

Arnold Kling, "What Causes Prosperity?," Tech Central Station online,
<http://www.techcentralstation.com/120302A.html>.

Mario Vargas Llosa, Section VIIB above.

**V. S. Naipaul, "Our Universal Civilization," The Manhattan Institute for
Policy Research 1990 Wriston Lecture, [http://www.manhattan-
institute.org/html/wl1990.htm](http://www.manhattan-institute.org/html/wl1990.htm).**

P.J. O'Rourke, "The Cleveland of Asia," Section VIIB above.

VIII. What's at stake – globalization and autonomy and peace.

Martin Wolf, "Seeds of its Own Destruction," *Financial Times*, March 8, 2009.

William Easterly, "Development Doesn't Require Big Government." *The Wall
Street Journal*, Oct. 3, 2008.

Evan Osborne, "Globalization and Getting Along,"
<http://futureuncertain.blogspot.com/2005/08/globalization-and-getting-along.html>

Evan Osborne, *The Rise of the Anti-Corporate Movement* (pp. 90-93, optional).

BBC, "India 2026: What Will Life Be Like?,"

<http://news.bbc.co.uk/2/hi/business/4773425.stm>

"China Appeals for Skilled Foreign Workers," *The Daily Telegraph*, Jan. 12,
2007.

"For Immigrants, Life in America Far Outstrips Sweden and Europe," translated
from *Sydsvenskan Dagbladet* (Sweden), Feb. 5, 2006.

Graham Watson, "It's Time Europe Joined the Dots on Migration," *EU Observer*,
April 8, 2008.

Tom Smithard, "Eastern Europeans 'Targeted by Angry Asians,'" *The Yorkshire
Post*, Jan. 8, 2008.

"Young and Arab in a Land of Mosques and Bars," *The New York Times*, Sept.
22, 2008.

Daniel Pipes, "Dubai's Dramatic Drop," Feb. 25, 2009,
<http://www.danielpipes.org/6190/dubais-dramatic-drop>

"Two Billion More Bourgeois" and "Burgeoning Bourgeoisie," *The Economist*,
Feb. 12, 2009.

“Italy: Immigrants a ‘Valuable Resource,’ Experts Agree,” ADNKronos International, Feb. 24, 2009

Spengler, “Obama, An Economic Unilateralist,” *Asia Times*, Feb. 18, 2009, http://www.atimes.com/atimes/Global_Economy/KB18Dj05.html