This is a course about global economic problems and solutions. Many issues do not have simple answers. This course introduces you to these debates and shows you how economic concepts can be applied to help us understand complex issues such as the effects of protection on employment and wages, environment and issues relating to multinationals, immigration, and international competition.

**Textbook:** The recommended textbook is B. Yarbrough and R. M. Yarbrough, *The World Economy, Trade and Finance. 7th Edition.* This is available in the University Bookshop. Other material will also be used, see the outline below. In particular, Paul Krugman, *Pop internationalism,* 1996 MIT Press, and Jagdish Bhagwati, *In defense of Globalization,* Oxford, 2004, are highly recommended. Additional Readings will be assigned during in lectures and tutorials.

**Assessment:** The course assessment will be:

Final Exam 60%
Midterm Exam 30%
Tutorial Participation 10%

The exam will be a combination of multi-choice long and short and short answers. In writing exams and essays you should demonstrate first, that you have a good command over the material and that you can think about real world problems and analyze them critically.

**Tutorials:**
Tutorial attendance is advised but not compulsory. You will be awarded a subjective mark with 10% of your final grade based on tutorial participation.

**Course Outline.**
This outline gives 14 topics. These roughly correspond to weeks. However some topics may take more than one week, and other will be shorter. There will therefore be some variation from the outline.

1. The pattern of “globalisation”, what are the facts to explain?
   Reading: Yarbrough and Yarbrough Chapter 1

2. Trade, Technology and Change
Resistance to Change
Technological Progress and Luddism
Contrasting technological Progress and with International Trade

3. Why Countries Do and Don’t Trade
Reading: Yarbrough and Yarbrough Chapter 2,
Attitudes toward trade Ancient Greece
The mercantilists and their critics
The gains from Trade versus gains from Technology change
Smith, Ricardo and Hume
A model of why countries trade

4. Competitiveness versus Growth
Reading: Yarbrough and Yarbrough Chapter 2,
Reading: Krugman Pop internationalism Chapter 1
Competitiveness: A Dangerous Obsession
Long run productivity growth, Wages and competitiveness.
Poverty and GDP
The terms of trade, depreciation and productivity as determinants of relative wages

5. Trade Policy and The World Trade Organization
Reading: Yarbrough and Yarbrough Chapter 6
WTO rules
Forms of Protection - Tariffs
Patterns of Protection
Case Study: The USA Steel Industry
Technical Standards.
Case Study Europe versus the USA on Genetically Modified Organisms

6. Doha and Agriculture and New Protectionism
Reading: Yarbrough and Yarbrough Chapters 7-8
Quota’s and VER’s
Dumping, Export Subsidies and Countervailing duties.
New Protectionism: Standards and Regulations
Africa and the Costs of European Subsidies

7. Strategic Trade Policy
Reading: Yarbrough and Yarbrough 8
Krugman Pop internationalism Chapters 5-6
Monopoly
Government policy
Credibility and Strategic Trade
WEEK 8
MIDTERM EXAM (Covers material up to and including WEEK/TOPIC 6)

9. Infant Industries?
Reading: Yarbrough and Yarbrough Chapter 5 and 8.3
Clusters of industries
Infant industry arguments for protection

10. Learning, Externalities and Protection
Reading: Yarbrough and Yarbrough Chapter 5
Dynamic learning externalities
Import Substitution Policies
Investment in Knowledge

11. The Global Commons, Social Cost and Human Rights
Yarbrough and Yarbrough Chapter 8.5
The Environment as a Technical Trade Barrier: Class exercise
The Coase Theorem
Global Environmental Problems
Trans-border externalities.
The Economics of International Terrorism

12. The Effects of Trade on Wages and Income Distribution
Reading: Yarbrough and Yarbrough Chapters 3 and 4 (Note: We approach this problem differently to the textbook)
Krugman Pop internationalism Chapter 3
Trade and wages in wealthy countries
The H-O model and Stolpar-Samualson
Sweatshop labour

13. Regionalism
Reading: Yarbrough and Yarbrough Chapter 9

Reading: Yarbrough and Yarbrough Chapter 10
Motives for Immigration
Australian Policy
Who gains and who looses.
Lessons From History