GLOBALIZATION IN ECONOMIC SCIENCES

This course is intended to deal with economic aspects of globalization and with prevailing theories in economic science that were the intellectual bases for decision-making processes in economic policy-making in the context of open economy macroeconomics. The first part of this module will deal with the analysis of changes in economic power of the largest economies in the world, the position of the developing countries, and the consequences of economic globalization for the distribution of global production and income over the last four decades. The second part of this course will be devoted to the critical rethinking of the theoretical fundamentals of globalization in the context of open economy macroeconomics as set up by the neo-Keynesians, new-Keynesians, and New Classical macroeconomists. It will cover alternative ways of reconstructing macroeconomics based on the integration of the consequences of the decision making process in the financial sector into macroeconomics models of an open economy, and the need for a new open economy macroeconomic model which respects the role and importance of both the advanced countries and the developing countries in coordinating the global economic order and economic policy making. In this sense this course is related to the courses on Economics: Strategic thinking, Cultural anthropology: Cultures of finance, and Epistemology: Fast decisions.

The main goal of this course is to provide participants with a critical way of thinking about the theoretical basis for economic policy-making on both national and international levels as a precondition for paving the way for economic globalization based on a more sustainable footing.

Main blocks of the course:

Economic globalization and its main driving forces
- “Limited” globalization in the first three post-war decades
- Economic importance of political decisions in China in 1978-1980
- Reaganomix, Thatcherism and globalization
- The fall of the Berlin Wall and Globalization

The economic consequences of globalization – new distribution of economic power
- Economic growth in the first three decades after World War II
- Economic liberalization in the eighties and its effects on economic growth in the world
- The visible hand versus the invisible hand – BRIC countries versus the G-7
- Globalization and the rise of inequalities in income distribution

Theoretical basis of economic globalization – open economy macroeconomics
- Open economy macroeconomics based on the neo-Keynesian framework
- Rational expectations incorporated in the new-Keynesian models
- New-open economy macroeconomics based on sticky prices and sticky information
- Post-Keynesian monetary circuit theory, and its relevance for global capital flows

*Alternative theories and their importance*

- Rationality, bounded rationality and irrationality
- Behavioral economics, behavioral finance and animal spirits
- Kahneman, Twersky, Thaler, and Shiller
- The return of the Master in economic policy making and economic theory – Keynes’s relevance for studying economics as the science of accumulation of capital
- Benoit Mandelbrot – a Greek among the Romans – (in)ability to measure the roughness
- Relevance of the agency theory for macroeconomics
- Keynes again – uncertainty - the Black Swan and Antifragility – Nassem Taleb
- The need to reconstruct macroeconomics

*Possible solutions for the “third way” in globalization*

- What was wrong with globalization over the last four decades – the issue of the digital divide and the financial divide
- Importance of the process of creating new sources of liquidity through financial derivatives and its impact on financial divide
- A need for a new era of globalization based on bridging the digital and financial divides
- New supranational and inter-regional institutional infrastructure needed for a sustainable global economic system