Lecture 24: Frontiers in the Global Economy

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Today’s Plan

• Housekeeping
• Reading Quiz

• Today’s topic:
  • Charter Cities
  • Economies of (global) scale
    • Intellectual property rights
  • Online education
Reading Quiz (1)

What has been one major criticism of Paul Romer's idea?

- A. It is only applicable in one situation
- B. Food aid is not among the most effective forms of development aid
- C. It sounds like Colonialism.
- D. It sounds like socialism
To help me...

• Which TED talk did you watch?
  • A. The original (18min) TED global talk, “Why the World Needs Charter Cities”
  • B. The newer talk about Honduras, “The World’s First Charter City”
  • C. Neither
Quick Notes on Papers
Review: How Does Government Create Comparative Advantage?

• Education, infrastructure
• Efficient courts, rule of law
Why did ISI survive as long as it did?

• Even the best policy change still creates winners and losers
  • This is especially true when we’re limiting corruption and government interference in the economy
Walk me through the Romer idea

- What are the benefits to the country that gives the land?
- What are the benefits to the countries that provide security, courts, police, etc?
Describe the Ideal “Charter”

• Who is allowed to immigrate?
• Should there be a minimum wage, and if so, how high? How easy should it be to fire someone?
• How strict should the labor and environmental regulations be?
• What’s more important in your court system, efficiency, or getting the right outcome?
  • Time for defendants to prepare, access to appeals, penalties for frivolous claims
• Should there be any unemployment benefits? Social security? State healthcare? Welfare? Who’s eligible?
• How would policies change over time?
How do you get the host country to accept?

• Why did Honduras back out?
• How would we prevent this from happening somewhere else?
What types of products does globalization favor?

- Those with large economies of scale
- Things that cost less per unit when you produce many units
- In the extreme: zero marginal cost
- Products that require a lot of R&D
- Idea-based and digital products
  - movies, recorded music, software
What are the implications for intellectual property rights?

- IP rights increase incentives to invest in IP
  - You can reap the rewards yourself
- But limit the consumer benefits of IP production
  - Restricted access limits the size of the pie
- Larger markets make intellectual property more valuable
- This implies that weaker IP rights may still be sufficient to encourage production
  - But how much weaker?
The politics of IP rights

• Who benefits from greater IP rights?
• Who is hurt?
• Who is ambivalent?

• In 2011, Google and Apple spent more on patent lawsuits and patent purchases than on R&D
Online Education

- TED talks

http://www.cato-unbound.org/2012/11/12/alex-tabarrok/why-online-education-works/
Online Education

• TED talks
• Kahn Academy
• Massively Open Online Courses (MOOCs)
Advantages of Online Education

• Economies of Scale
  • Online lectures need not be repetitive
    • Each student can repeat what he/she wants as often as necessary

• Time shifting
  • Available 24/7/365

• Data-richness
  • It's easy to improve, because feedback is easy

• Unbundling: split apart course development, delivery, assessment, and credentialling
Disadvantages of Online Education

• Online classes and in-person classes are not perfect substitutes
• Is there an “ineffable quality” to in-person instruction?
• How about the college experience?
We can at least flip the classroom

- Lecture-type material is delivered online
- Class time is used for discussion, mentoring, etc.
What are the IPE implications of online higher ed?

• In terms of economic development?
• In terms of migration?
Is this good for you?

• If there is a rapid expansion in higher education globally, is this good for USC graduates?

• Pros, Cons...
What other products have big economies of scale?