

Political Science G6820x
The Theory of International Political Economy
Fall 2005

Tuesdays, 9-10:50am
702 Hamilton Hall

Instructor:

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This course serves as an introduction to the study of international political economy (IPE). We will examine the evolution of international economic relations over the past century, and discuss different explanations for its likely causes and consequences. The course is divided into five sections: the first section of the course reviews the main analytical approaches in IPE. Ensuing sections explore political economy explanations to policy outcomes in different issue areas: trade, finance and monetary relations, development and reform, and globalization. Special emphasis will be placed on recent literature in the positive political economy tradition.

We will make extensive use of the insights from economics and political science to understand how international economic interactions affect the incentives faced by political actors (voters, interest groups, parties, and politicians), and how the behavior of those political actors under different political institutions shape political and economic outcomes.

Requirements: Students must come to class prepared to discuss the assigned readings for the week. Formal requirements, in addition to participation in class discussion, include: an in-class midterm exam and a final examination. Ph.D. students may complete a short research paper on one of the themes of the course agreed with the instructor. These papers are due in my office on Tuesday 12/13 at 10:00am.

Grading: Written work composes 4/5 of the course grade. The remaining fifth of your grade is earned by class participation. Petitions for grade review have to be submitted to the grader in writing, explaining clearly the reason for the request.

Readings: The following books are available for purchase at Labyrinth Bookstore:

- * Jeffrey Frieden and David Lake, editors. *International Political Economy. Perspectives on Global Power and Wealth, Fourth Edition*, Wadsworth, 2000.
- * Theodore H. Cohn. *Global Political Economy: Theory and Practice, 3rd edition*, Addison Wesley Longman, 2003.

- * Robert Gilpin. *Global Political Economy: Understanding the International Economic Order*, Princeton University Press, 2001.
- * Barry Eichengreen. *Globalizing Capital. A History of the International Monetary System*, Princeton University Press, 1998.
- * Michael Weinstein, editor. *Globalization. What's New?* Columbia University Press, 2005.

The rest of the readings are on reserve at Lehman Library, except for Journal articles, which are available online through Columbia's Libraries Online Catalog (using E-Journal services such as JSTOR, Ingenta, EBSCO, etc.).

Familiarity with international economics international economics is a plus but not required. For reference purposes students may wish to consult international economics textbooks such as, Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy* (Addison Wesley), or Richard Caves, Jeffrey Frankel and Ronald Jones, *World Trade and Payments: An Introduction* (Harper Collins).

Course Outline and Weekly Reading List

I. Evolution of the Global Economy and the Study of IPE

September 6:

Introduction

- * Irwin, Douglas. "Trade and Globalization," in *Weinstein, Globalization*.
- * Gilpin, Robert. *Global Political Economy: Understanding the International Economic Order* (Princeton University Press, 2001). Chapters 2 & 4.

Historical Perspectives: Marxist Approaches

- * Lenin, Vladimir. "Selections from Imperialism," in *Frieden and Lake*, 2nd ed. (*Reserves*)

September 13:

Historical Perspectives: Realism and Hegemonic Stability Theory

- * Cohn, Chapter 3
- * Oye, Kenneth, "Explaining Cooperation Under Anarchy," in Kenneth Oye, ed., *Cooperation Under Anarchy* (Princeton, 1986). (*Reserves*)
- * Krasner, Stephen, "State Power and the Structure of International Trade," in *Frieden & Lake*.
- * Stein, Arthur, "The Hegemon's Dilemma," in *International Organization*, Vol. 38, No. 2, pp. 355-386 (1984). (*E-Journals*)
- * Milner, Helen, "International Political Economy: Beyond Hegemonic Stability." in *Foreign Policy*, No. 110, Special Edition: Frontiers of Knowledge, (Spring, 1998), 112-123. (*E-Journals*)

September 20:

Historical Perspectives: Liberal Approaches

- * Cohn, Chapter 4
- * Kindleberger, Charles. "The Rise of Free Trade in Western Europe," in *Frieden & Lake*.
- * Powell, Robert. "Anarchy in International Relations Theory: The Neorealist-Neoliberal Debate," *International Organization*, Vol. 48, No. 2 (Spring, 1994), pp. 313-344. (*E-Journals*)
- * Jervis, Robert. "Realism, Neoliberalism, and Cooperation," in *International Security*, Vol. 24, No. 1 (Summer, 1999), pp. 42-63. (*E-Journals*)
- * Moravcsik, Andrew. "A Liberal Theory of International Politics," in *International Organization*, Vol. 51, No. 4 (Autumn, 1997), pp. 513-553. (*E-Journals*)

September 27:

Historical Perspectives: Societal Influence and Domestic Politics

- * Ikenberry, G. John, David Lake, and Michael Mastanduno. "Introduction: Approaches to Explaining American Foreign Economic Policy" in *International Organization* Vol. 42, No. 1, The State and American Foreign Economic Policy (Winter, 1988), pp. 1-14. (*E-Journals*)
- * Katzenstein, Peter. "Conclusion: Domestic Structures and Strategies of Foreign Economic Policy," in Katzenstein, editor, *Between Power and Plenty* (University of Wisconsin Press, 1978). (*Reserves*)
- * Gourevitch, Peter. "International Trade, Domestic Coalitions, and Liberty," in *Frieden & Lake*.
- * Eichengreen, Barry. "The Political Economy of the Smoot-Hawley Tariff," in *Frieden & Lake*.
- * Putnam, Robert. "Diplomacy and Domestic Politics," in *International Organization*, Vol. 42, No. 3 (Summer, 1988), pp. 427-460. (*E-Journals*)

II. Positive Political Economy and Trade

October 4:

Trade Politics: Actors and Preferences

- * Rodrik, D (1995). Political Economy of Trade Policy. *Handbook of International Economics* v.III. (*Reserves*)
- * Milner, Helen. "The Political Economy of International Trade," in *Annual Review of Political Science* 1999-2, pp. 91-114. (*E-Journals*)
- * Alt, James E., Jeffrey Frieden, Michael Gilligan, Dani Rodrik, and Ronald Rogowski. 1996. "The Political Economy of International Trade: Enduring Puzzles and an Agenda for Inquiry," in *Comparative Political Studies*, Vol. 29, No. 6, pp. 689-717. (*E-Journals*)
- * Rogowski, Ronald. "Commerce and Coalitions: How Trade Affects Domestic Political Alignments," in *Frieden & Lake*.
- * Hiscox, Michael J. "International Trade and Political Conflict: Commerce, Coalitions, and Mobility." (Princeton University Press, 2002), Chapter 1. (*Reserves*)

- * Scheve, Kenneth and Matthew Slaughter. "What Determines Individual Trade Policy Preferences." *Journal of International Economics* Vol. 54, 2 (2001), 267-292. (*E-Journals*)

October 11:

Trade Politics: The Role of Domestic Institutions

- * McGillivray, Fiona. "Privileging Industry. The Comparative Politics of Trade and Industrial Policy," (Princeton University Press, 2004). Chapter 1. (*Reserves*)
- * Mansfield, Edward D., and Marc L. Busch (1995). "The Political Economy of Nontariff Barriers: A Cross-National Analysis," in *International Organization* Vol. 49, No. 4 (Autumn 1995), pp. 723-749. (*E-Journals*)
- * Alt, James and Michael Gilligan. "The Political Economy of Trading States: Factor Specificity, Collective Action Problems and Domestic Political Institutions," in *Frieden & Lake*.

International Institutions

- * Eichengreen, Barry and Peter Kenen. "Managing the World Economy Under the Bretton Woods System: An Overview," in Kenen, editor, *Managing the World Economy: Fifty Years After Bretton Woods* (Institute for International Economics, 1994). (*Reserves*)
- * Deardorff, Alan V. and Robert M. Stern. "What You Should Know About Globalization and the WTO," in *Review of International Economics* Vol. 10, No. 3 (August 2002). (*E-Journals*)
- * Mansfield, Edward and Eric Reinhardt. "Multilateral Determinants of Regionalism: The Effects of GATT/WTO on the Formation of Regional Trading Arrangements," in *International Organization* Vol. 57, No. 4 (Fall 2003), pp. 829-862. (*E-Journals*)

October 18: Mid-term Examination

III. Money and Finance

October 25:

Evolution of the International Monetary System

- * Eichengreen, Barry. "Globalizing Capital. A History of the International Monetary System" (Princeton University Press, 1996). Selection. (*Eichengreen*)
- * Broz, Lawrence. "The Domestic Politics of the International Monetary order: the Gold Standard," in *Frieden & Lake*.
- * Broz, J. Lawrence and Jeffry Frieden. "The Political Economy of International Monetary Relations." *Annual Review of Political Science* 4, 317-43 (2001). (*E-Journals*)

November 1:

Causes and Consequences of Monetary Regime Choice

- * Cohen, Benjamin. "The Triad and the Unholy Trinity: Problems of International Monetary Cooperation," in *Frieden & Lake*.
- * Frieden, Jeffry. "Exchange Rate Politics," in *Frieden & Lake*.

- * Jeffrey A. Frankel and Nouriel Roubini, "The Role of Industrial Country Policies in Emerging Market Crises," in Martin Feldstein, ed., *Economic and Financial Crises in Emerging Market Economies*, pp. 155-171. (*Reserves*)
- * MacIntyre, Andrew. "Institutions and Investors: The Politics of the Economic Crisis in Southeast Asia," in *International Organization*, Vol. 55, No. 1. (Winter, 2001), pp. 81-122. (*E-Journals*)
- * Calomiris, Charles. "Capital Flows, Financial Crises and Public Policy," in *Weinstein, Globalization*.
- * Goodman, John B., and Louis W. Pauly. "The Obsolescence of Capital Controls? Economic Management in an Age of Global Markets," in *Frieden & Lake*.
- * Bhagwati, Jagdish. "The Capital Myth," *Foreign Affairs*, Vol. 77, No. 3, (May/June 1998), pp. 7-12. (*E-Journals*)
- * Rogoff, Kenneth. "The IMF Strikes Back," in *Foreign Policy*, (January/February 2003), pp. 38-46. (*E-Journals*)

November 8: No Class – Election Day

IV. States and Markets

November 15:

Economic Strategy and Growth

- * North, Douglass. "Institutions and Economic Growth: A Historical Introduction," in *Frieden & Lake*.
- * Engerman, Stanley & Kenneth Sokoloff, "History Lessons: Institutions, Factor Endowments and Paths of Development in the New World," in *Journal of Economic Perspectives*, Vol. 1, No. 3, (2000), 217-232. (*E-Journals*)
- * Stiglitz, Joseph E., and Lyn Squire. "International Development: Is it Still Possible?" in *Frieden & Lake*.
- * Sachs, Jeffrey. "Globalization and Patterns of Economic Growth," in *Weinstein, Globalization*.
- * Wade, Robert. "East Asia's Economic Success: Conflicting Perspectives, Partial Insights, Shaky Evidence," in *World Politics*, Vol. 44, No. 2 (1992), pp. 270-320. (*E-Journals*)
- * Krugman, Paul. "The Myth of Asia's Miracle," in *Foreign Affairs*, Vol. 73, No. 6 (1994), pp.63-79. (*E-Journals*)

November 22:

Strategic Trade and Industrial Policy

- * Gilpin, Robert. "Global Political Economy," Chapter 5.
- * Coughlin, Cletus, K. Alec Chrystal, and Geoffrey E. Wood. "Protectionist Trade Policies: A Survey of Theory, Evidence, and Rationale, in *Frieden & Lake*.

Structural Adjustment and Policy Reform

- * Cardoso, Eliana and Ann Helwege. "Chapter 4: From Import Substitution to Trade Liberalization," in *Latin America's Economy: Diversity, Trends, and Conflicts* (MIT Press, 1993). (*Reserves*)

- * Rodrik, Dani. "Understanding Economic Policy Reform," in *Journal of Economic Literature* Vol. 34, No.1 (1996) pp. 9-41. (E-Journals)
- * Tornell, A. "Are Economic Crises Necessary for Trade Liberalization and Fiscal Reform?" in Dornbusch and Edwards, eds., *Reform, Recovery, and Growth* (University of Chicago Press, 1995). (Reserves)
- * Fernandez, Raquel, and Dani Rodrik. "Resistance to Reform," in *The American Economic Review*, Vol. 81, No. 5, (2001), pp. 1146-1155. (E-Journals)
- * Hellman, Joel. "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," in *World Politics*, Vol. 50, No. 2 (Feb., 1998), pp. 203-234. (E-Journals)

V. The Consequences of Globalization

November 29:

Globalization and Wages

- * Williamson, Jeffrey A. "Globalization and Inequality, Past and Present," in *Frieden & Lake*.
- * Bhagwati, Jagdish. "Trade and Wages: Choosing Among Alternative Explanations." *FRBNY Economic Policy Review*, January 1995, pp. 42-47. (E-Journals)
- * Freeman, Richard. "Are Your Wages Being Set in Beijing?" In *Frieden & Lake*.
- * Borjas, George. "Globalization and Immigration", in *Weinstein, Globalization*.

Patterns of Production

- * Tarzi, Shah M.. "Third World Governments and Multinational Corporations: Dynamics of Host's Bargaining Power," in *Frieden & Lake*.
- * Fieldhouse, David. "A New Imperial System? The Role of Multinational Corporations Reconsidered," in *Frieden & Lake*.
- * Markusen, James R.. "The Boundaries of Multinational Enterprises and the Theory of International Trade," in *Journal of Economic Perspectives* Vol. 9, No. 2 (1995), pp. 169-189. (E-Journals)
- * Loungani, Prakash and Razim Assaf. "How Beneficial Is Foreign Direct Investment for Developing Countries?" in *Finance & Development*, Vol. 38, No 2 (June 2001), pp. 6-9. (E-Journals)

December 6:

Globalization: The Evolving Role of the State

- * Garrett, Geoffrey. "The Causes of Globalization," in *Comparative Political Studies*, Vol. 33, No. 6-7 (2000), pp. 941-991. (E-Journals)
- * Rodrik, Dani. "Sense and Nonsense in the Globalization Debate", in *Frieden & Lake*.
- * Garrett, Geoffrey. "Global Markets and National Politics: Collision Course or Virtuous Circle?" In Peter J. Katzenstein, Robert O. Keohane, and Stephen D. Krasner, editors, *Exploration and Contestation in the Study of World Politics* (MIT Press, 1999), pp. 147-184. (Reserves)
- * Mosley, Layna. "Global Capital and National Governments," (Cambridge University Press, 2003). Chapter 1. (Reserves)
- * Rodrik, Dani. "Feasible Globalizations," in *Weinstein, Globalization*.

- * Swank, Dwane and Sven Steinmo. "The New Political Economy of Taxation in Advanced Capitalist Democracies," in *American Journal of Political Science*, Vol. 46, No. 3, (2002), pp. 477-89. (*E-Journals*)