

INTERNATIONAL RELATIONS 125

International Political Economy

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International Political Economy (IPE) is an introduction to the politics of the global economy. *IPE* emphasizes the interactions between political and economic phenomena as well as between international and domestic affairs. We begin by tracing historical efforts to understand the significance of the global political economy and to shape its basic economic, political, social and institutional structure. Later, we will consider the problems encountered by both developed and less developed nations as they seek to adapt to the global system's continuing evolution. Because some background in both economics and international relations is necessary, students are expected to have completed at least one course each in Economics and IR.

COURSE OBJECTIVES

- [1] To demonstrate that many contemporary international phenomena make it impossible to distinguish foreign policy from domestic policy and unwise to separate politics from economics.
- [2] To give students a general understanding of the most important phenomena of contemporary international political economy so that they may better understand the meaning, the causes, and the consequences of ongoing events and trends.
- [3] To acquaint students with the basic concepts and theories of international political economy, allowing them to pursue further study of international politics, economics, and political economy. (The course is a prerequisite for further IR courses in IPE.)

READINGS

- C Bruce E. Moon, *The Dilemmas of International Trade*, Westview Press, 1996.
- C Thomas D. Lairson and David Skidmore, *International Political Economy: The Struggle for Power and Wealth*, 2nd edition, Harcourt Brace, 1997.
- C A third required "text" consists of a packet of readings available in the office of the Department of International Relations.
- C The student is also expected to keep up with current events in international political

economy by regularly reading a *high-quality* news source. The best dailies are the *New York Times*, *Wall Street Journal*, and *Washington Post*. The best weekly is *The Economist*.

STUDENT RESPONSIBILITIES

Course grades will be determined principally by two midterm exams and a comprehensive final exam. **There will be no make up exams or incompletes except in the case of a written and documented emergency.**

Students are required to attend class. ATTENDANCE IS MANDATORY! Moreover, students are required to come to class PREPARED. This means you have done the readings, identified problems you would like to discuss, considered any discussion questions raised in the previous session, and formed tentative answers to those questions. PARTICIPATION IS ALSO MANDATORY!

Up to 20 percent of the grade will be determined by class participation and brief written assignments to be handed in on 4 x 6 inch index cards. The instructor reserves the right to administer unannounced quizzes if necessary to enforce compliance with the attendance and preparation requirement.

SCHEDULE OF TOPICS, ASSIGNMENTS, AND EXAMS

The following course outline indicates the topics to be covered and the approximate date of the lectures on each topic. The reading assignments are to be completed BEFORE the indicated lecture. **The student is forewarned, however: these dates are subject to change and it is the responsibility of the student to know where we are in the syllabus.** The indicated date of exams is very unlikely to change, so students are urged to plan accordingly.

SECTION ONE: PERSPECTIVES ON INTERNATIONAL POLITICAL ECONOMY

31 August - 14 September

Tuesday, 31 August. Course introduction. Books, assignments, expectations, etc. Briefly, what is "international political economy (IPE)". The distinctive phenomena of IPE. The blurring of economics and politics. The blurring of domestic and foreign policy. The need to blend economy, polity, and society.

Reading: Lairson, preface and chapter 1.

Review: Lairson, chapter 2. If this seems difficult to you, you may be in the wrong course. See the instructor immediately. (Note "Special Session" below.)

Thursday, 2 September. Allocating social values. Politics and economics. System design. The state and the market. Strengths and weaknesses of each form of allocation. The debate over how much market and how much state is desirable. Structure and process. The necessity of structures.

Reading: Karl Polanyi, "Societies and Economic Systems" & "The Self-regulating Market and the fictitious Commodities: Labor, Land, and Money."

Robert Kuttner, "The Poverty of Economics," *The Atlantic Monthly* Feb. 1985: 74-84

Assignment, due at the beginning of class on an index card: Scarce resources (defined very broadly to mean anything that individuals value) can be allocated by the market or by the state. In what way or for what purpose or from what perspective is the state superior to the market in allocating scarce resources? In what way ... is the market superior to the state? What other means of allocation are possible?

To be announced: A special session (if needed). Remedial macro- and international economics.

Reading: Charles L. Schulze, Selections from *Memos to the President: A Guide Through Macroeconomics for the Busy Policymaker*.

Assignment: Come prepared with specific questions. No lecture is planned.

Tuesday, 7 September. Political economy as a distinctive method for studying familiar phenomena. The interaction of political/social structure and economic process. The evolution of political economy. Five lessons of political economy. The effect of interests and values on theory. Dynamic interactions: Structures bias Outcomes --> Outcomes affect Actors --> Actors shape Structures -->

Thursday, 9 September. Twin questions which guide the course: (1) How should one *evaluate* the foreign economic policies of nations and individuals? (2) How can we *explain* the choice of these policies? The importance of trade. The dilemmas posed by trade. Trade challenges for the U.S. Dangerous oversimplifications in the competitiveness debate.

Reading: Moon, chapter 1 (Read the 2nd edition in the packet).

Assignment: Scenario: you are in the market for a new car and have narrowed your choice to one American and one Japanese model. Aside from typical consumer criteria (e.g., price and quality), what additional considerations, if any, are appropriate? Why?

Tuesday, 14 September. Three theoretical views of IPE: realist/mercantilist, liberal, radical/structural. Four policy approaches to trade challenges.

Reading: Moon, chapter 1 (pp 13-23).

James Fallows, "How the World Works"

Robert Gilpin, "Three Ideologies of Political Economy"

Christopher Chase-Dunn and Richard Rubinson, "Toward a Structural Perspective on the World System"

Assignment: List four proposals for changes in U.S. policy, each corresponding to one of the four policy approaches discussed by Moon.

SECTION TWO: ORTHODOX (LIBERAL) TRADE THEORY AND ITS CRITICS

16 September - 14 October

Thursday, 16 September. The form and motivation of classical mercantilism. A schema for understanding the choice of trade policy: economic, political, social and ethical theory; the state of markets; the balance of political power.

Reading: Moon, chapter 2 (up to “The Advent of Free Trade Theory”).

Assignment: What parallels do you see between classical English mercantilism and contemporary forms of this policy approach?

Tuesday, 21 September. The classical case for free trade: comparative advantage and the gains from trade. The costs of protection. Domestic political processes and protectionism. Specific manifestations in the Corn Law debate of the conceptual scheme for trade policy choice and the five lessons of political economy.

Reading: Moon, chapter 2 (remainder)

Lairson, chapters 2 (pp 13-18) & 3

Assignment: Why weren't the Corn Laws repealed in the middle of the eighteenth century (or seventeenth), instead of the middle of the nineteenth century?

Optional Assignment: What questions do you have concerning the exposition of absolute advantage, comparative advantage, and protectionism by Moon and/or Lairson?

Thursday, 23 September. Sources of comparative advantage: the modern (liberal) trade theory of Heckscher-Ohlin and the (not-so-liberal) dissenters. Considerations of comparative advantage in the Third World. Stolper-Samuelson Theorem. Trade and distribution.

Reading: Moon, chapter 3 (especially up to “The Effects of Market Dominance and Decline”).

Ronald Rogowski, “Political Cleavages and Changing Exposure to Trade”

Assignment: What is the Stolper-Samuelson prediction concerning group and party attitudes toward trade issues in the U.S. today?

Tuesday, 28 September. The dynamics of political economy: specific manifestations in the early 20th century decline of liberalism. The Depression and World War II.

Reading: Moon, chapter 3.

Thursday, 30 September. The historical background to Bretton Woods: rising protectionism, the Great Depression, monetary chaos, World War II. The perceived need for greater management by international institutions.

Reading: Moon, chapter 4.

Lairson, chapter 4.

Tuesday, 5 October. Review.

Assignment: Provide one essay question and one objective question for the exam.

***** FIRST EXAM - Thursday, 7 October *****

Thursday, 14 October. Exam debriefing.

Assignment: What was the hardest question on the exam? Why? What was the best question on the exam? Why?

SECTION THREE: INTERNATIONAL INSTITUTIONS AND GLOBAL FINANCE

19 October - 28 October

Tuesday, 19 October. Causes of Bretton Woods. The Bretton Woods institutions. The American role in Bretton Woods. Hegemonic stability theory and alternative explanations.

Reading: Lairson, chapter 4.

Assignment: Did the U.S. gain or lose from the leadership position it took in creating the Bretton Woods system?

Thursday, 21 October. The optimal value for a currency. The effect of currency valuation on trade. Why does currency valuation matter to a political economist? Balance of payments. The effect of a trade deficit on the value of the currency. Determinants of currency valuation.

Reading: Lairson, chapter 2 (pp 18-37).

Charles Schulze, "Memos 9 & 10"

Jeffrey Frieden, "Exchange Rate Politics: Contemporary Lessons From American History"

Assignment: What are the distributional implications of a decline in the value of the U.S. dollar?

Tuesday, 26 October. Foreign exchange markets and the global monetary order. Budget deficits, trade deficits and global monetary flux.

Reading: Lairson, chapter 5.

Thursday, 28 October. Bretton Woods, again. Globalization.

SECTION FOUR: THE ECONOMIC RELATIONS AMONG DEVELOPED COUNTRIES

2 November - 23 November.

Tuesday, 2 November. Trade tensions and policy coordination among developed states.

Reading: Moon, chapter 5.

Lairson, chapter 6 (pp 126-141).

Schulze, "Memos 12, 16, 17"

Thursday, 4 November. Strategic trade theory. Industrial policy. Japanese trade policy. The American-Japanese relationship.

Reading: Lairson, chapter 7.

Assignment: Why doesn't the U.S. have an industrial policy?

Tuesday, 9 November. Regional integration. The EU and NAFTA. Proposals to extend NAFTA.

Reading: Moon, chapter 6

Lairson, chapter 6 (pp. 141-164).

Assignment: Why is the structure of NAFTA so much different than that of the EU?

Thursday, 11 November. Catch up.

Assignment: What parallels do you see between the Corn Laws debate and the NAFTA debate?

Tuesday, 16 November. Review.

***** SECOND EXAM - Thursday, 18 November *****

Tuesday, 23 November. Exam de-briefing.

Assignment: What was the hardest question on the exam? Why? What was the best question on the exam? Why?

SECTION FIVE: NORTH/SOUTH ECONOMIC RELATIONS

30 November - 9 December

Tuesday, 30 November. The North-South division. Problems of Third World development. The Commodity Problem. Dynamic aspects of trade and long-term growth prospects. Why a nation would want to **avoid** specializing in its comparative advantage.

Reading: Lairson, chapter 8; Moon chapter 7 (2nd edition) .

Assignment: What's wrong with exploiting a comparative advantage in agriculture and mining?

Thursday, 2 December. Development goals and strategies. The Southern view of the contemporary global system and its institutions.

Reading: Lairson, chapter 9 & 13.

Assignment: Scenario: You are the minister of finance for a Latin American nation attending the Bretton Woods conference. How would your vision of an ideal international structure differ from that created at Bretton Woods?

Tuesday, 7 December. Foreign aid. Multinational corporations. Debt.

Reading: Lairson, chapters 12,14 and 15.

Thursday, 9 December. America and the future in a changing global economy. The new international division of labor. Eastern Europe. The Uruguay Round.

Reading: Lairson, chapters 10 and 11; Moon, chapter 7 of 1st edition.