

INTERNATIONAL RELATIONS/ PS 125
International Political Economy

Preliminary Draft
Spring 2008

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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 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 International Relations.

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

- Bruce E. Moon, *The Dilemmas of International Trade*, 2nd edition, Westview Press, 2000.
- Thomas D. Lairson and David Skidmore, *International Political Economy: The Struggle for Power and Wealth*, 3rd edition, Thompson Wadsworth, 2003.
- A third required "text" consists of readings available on the Blackboard web site.
- 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*.

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STUDENT RESPONSIBILITIES

Course grades will be determined principally by two midterm exams and a comprehensive final exam.

There will be no make up exams in the absence 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!

Contact me as soon as possible if illness or other emergency will cause you to miss an exam. Students should not make plans to be away from campus during the final exam period (7 - 15 December) until they know their exam schedules.

If you have a disability for which you may be requesting accommodations, please contact both me and the Office of Academic Support Services, University Center 212 (610-758-4152) as early as possible. You must have documentation from Academic Support Services (Cheryl Ashcroft) before accommodations can be granted.

Up to 20 percent of the grade will be determined by class participation and brief written assignments on Blackboard. The instructor reserves the right to administer unannounced quizzes if necessary to enforce compliance with the attendance and preparation requirement or to verify students understanding.

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 dates of exams are unlikely to change, so students are urged to plan accordingly.

SECTION ONE: PERSPECTIVES ON INTERNATIONAL POLITICAL ECONOMY

27 August - 12 September

Monday, 27 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, chapter 1.

Review: Lairson, chapter 2. If this seems difficult to you, you may be in the wrong course. See the instructor immediately.

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

First.Day.125

Wednesday, 29 August. What is political economy? Distinctive phenomena, distinctive processes, competing values, competing interests, and competing institutions. Alternative means of allocating social values. The state and the market. Strengths and weaknesses of each form of allocation. Economic theory doesn't provide all the answers because it doesn't ask all the questions.

Reading: Robert Kuttner, "The Poverty of Economics," *The Atlantic Monthly* Feb. 1985: 74-84; Karl Polanyi, "Societies and Economic Systems" and "The Self-regulating Market and the Fictitious Commodities: Labor, Land, and Money;" various

States&Markets

Polanyi commentaries.

Friday, 31 August. The state and the market. Polanyi's view of the role of the market in system design. Why it matters. Alternative means of allocating social values. Strengths and weaknesses of each form of allocation. The question of how much market and how much state is desirable as reflected in the globalization debate. Alternative theories of the state – and alternative views of the strengths and weaknesses of state allocation.

Reading: Ernest Mandel, "Marxist Theory of the State", foreword, parts 1 and 2; David Gold, Clarence Lo, and Erik Olin Wright, "Recent Developments in Marxist Theories of the Capitalist State;" Claus Offe, "The Theory of the Capitalist State and the Problem of Policy Formation," (read pp.125-127, skim remainder).

Assignment (Blackboard, under "Discussion Board"), due by 9:00 am. *System design: allocation mechanisms.* All societies must allocate scarce resources (defined very broadly to mean anything that individuals value: income, wealth, and goods, but also social standing, life chances, opportunities, etc.) System designers, such as students of international political economy, must consider whether they are best 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?

Monday, 3 September. Labor Day. No class

Wednesday, 5 September. What markets do. Alternative theories of the market. Market behavior is more complex than economic theory recognizes: the Bovine Mystique. 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. #1: Interests and values affect theory. #2 (Structure and process): The necessity of structures. #3-5 (Dynamic interactions): Structures bias Outcomes --> Outcomes affect Actors --> Actors shape Structures --> ...

Lessons.IPE

Reading: James Ferguson, "The Bovine Mystique"

Friday, 7 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. Trade challenges for the U.S. Four policy approaches to trade challenges. Three theoretical views of IPE: realist/mercantilist, liberal, radical/structural. Politics and economics.

Reading: Moon, chapter 1.

James Fallows, "How the World Works"

Robert Gilpin, "Three Ideologies of Political Economy"

3Schools.IPE

Recommended: 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.

Monday, 10 September. The dilemmas posed by trade. Dangerous oversimplifications in the competitiveness debate. Determinants of the choice of trade policy.

TradeIntro

Reading: Review Moon, chapter 1 (pp 20-31).

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?

Wednesday, 12 September. Catch up

SECTION TWO: ORTHODOX (LIBERAL) TRADE THEORY AND ITS CRITICS: HISTORICAL ORIGINS AND EVOLUTION 14 September - 5 October

Friday, 14 September. The form and motivation of classical mercantilism. Mercantilism as a choice concerning the three dilemmas of trade. Change exemplified by the enclosure movement.

Reading: Moon, chapter 2 (pp. 33-51).

Review: Moon, chapter 1 (pp 20-31).

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

Monday, 17 September. A schema for understanding the choice of trade policy: economic, political, social and ethical theory; the state of markets; the balance of political power. Change exemplified by the enclosure movement.

Reading: Review, Moon, chapter 1 (pp 29-31).

Recommended: Stephen Krasner, "State power and the structure of international trade"

Wednesday, 19 September. The classical case for free trade: comparative advantage and the gains from trade. The costs of protection. Domestic political processes and protectionism.

Reading: Moon, chapter 2 (remainder)

Lairson, chapters 2 (pp 17-22) & 3

Optional Assignment: Come to class prepared with questions concerning the exposition of absolute advantage, comparative advantage, and protectionism by Moon and/or Lairson.

Friday, 21 September. Domestic political processes and protectionism. Polanyi on the Great Transformation. Specific manifestations in the Corn Law debate of the conceptual scheme for trade policy choice and the five lessons of political economy.

Reading: Review, Moon, chapter 1 (pp 29-31).

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?

Monday, 24 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. Radical views concerning the effect of trade on distribution/inequality manifested in the globalization debate. Empirical patterns: who favors free trade? protectionism? the welfare state?

Reading: Moon, chapter 3 (especially pp. 65-78).

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? Is it empirically accurate? What other cleavages exist?

Wednesday, 26 September. The dynamics of political economy: specific manifestations in the early 20th century decline of liberalism. 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 3, 4. & Lairson, chapter 4.

Friday, 28 September. Catch up. Review.

Monday, 1 October. Catch up. Review.

Assignment: Provide one essay question and one objective question for the exam. Please note that the next assignment is due soon.

***** FIRST EXAM - Wednesday, 3 October *****

Assignment (due by 5 October, 9:00 am): What was the hardest question on the exam? Why? What was the best question on the exam? Why?

Friday, 5 October. Exam debriefing. Note: This is a very important session.

Pacing Break : Monday, October 8 no class

SECTION THREE: INTERNATIONAL INSTITUTIONS AND GLOBAL FINANCE

10 October - 22 October

Wednesday, 10 October. Causes of Bretton Woods. Trade dilemmas, again. The Bretton Woods institutions. The American role in Bretton Woods. Hegemonic stability theory and alternative explanations. Determinants of trade policy choice, again.

Reading: Lairson, chapter 4.

Moon, chapter 4.

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

Friday, 12 October. The WTO. The Battle of Seattle.

Monday, 15 October. The optimal value for a currency. The effect of currency valuation on trade. Why does currency valuation matter to a political economist?

Reading: Lairson, chapter 2 (pp 23-42).

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?

Wednesday, 17 October. Foreign exchange markets and the global monetary order. Balance of payments. The effect of a trade deficit on the value of the currency. Determinants of currency valuation.

Reading: Lairson, chapter 5.

Friday, 19 October. Foreign exchange markets and the global monetary order. Budget deficits, trade deficits and global monetary flux.

Monday, 22 October. Catch up.

SECTION FOUR: THE ECONOMIC RELATIONS AMONG DEVELOPED COUNTRIES

24 October - 14 November.

Wednesday, 24 October. Bretton Woods, again. Globalization, again. Polanyi, again. Trade dilemmas, again. Determinants of trade policy choice, again. Trade tensions and policy coordination among developed states. Linkages between open macro economies: employment, growth, inflation, interest rates, asset prices.

Reading: Moon, chapter 5.

Lairson, chapter 6 (pp 147-165).

Schulze, "Memos 12, 16, 17"

Trade
Tensions

Friday, 26 October. Japanese trade policy. Determinants of trade policy choice, again. Structure and process, again. The impact of cultural norms and domestic political, economic, and social structures on foreign trade and investment. Strategic trade theory. Industrial policy. Trade dilemmas, again.

Reading: Lairson, chapter 7.

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

Japan

Monday, 29 October. The American-Japanese relationship. Perspectives of Fallows, again. U.S. trade relations with China. Trade, democracy, human rights, labor rights. Does trade promote democracy?

Wednesday, 31 October. A digression prior to registration for spring semester: The North-South division. Differences in the political economy of First and Third World countries.

NorthSouth Intro

Reading: Lairson, chapter 8.

Friday, 2 November. Regional integration. The Mundell-Fleming constraint. Trade dilemmas concerning national autonomy. The EU and NAFTA. Why intermediate levels of regional integration tend to be unstable.

Reading: Moon, chapter 6

Lairson, chapter 6 (pp. 165-191).

NAFTA.EU

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

Monday, 5 November. NAFTA and proposals to extend NAFTA. Trade dilemmas concerning inequality, insecurity.

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

Wednesday, 7 November. Catch up.

Friday, 9 November. Review.

***** SECOND EXAM - Monday, 12 November *****

Wednesday, 14 November. Exam debriefing.

SECTION FIVE: NORTH/SOUTH ECONOMIC RELATIONS

16 November - 8 December

Friday, 16 November. The North-South division. Dependency and modernization.

Reading: Lairson, chapter 8.

NorthSouth Intro

Monday, 19 November. Development goals and strategies. Development under globalization. The example of Thailand.

Reading: Moon chapter 7.

Thanksgiving - NO CLASS

Monday, 26 November. Problems of Third World development. Development goals and strategies. Controversies over the role of trade and investment. Controversies over the role of the state.

Wednesday, 28 November. The Commodity Problem. Dynamic aspects of trade and long-term growth prospects. Why a nation would want to **avoid** specializing in its comparative advantage. Differences between trade theory and development theory.

Reading: Lairson, chapter 9.

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

Friday, 1 December. Growth theory and recent research results. The Asian Miracle. There are no miracles. Capital flows. Foreign aid. Multinational corporations. Debt.

Reading: Lairson, chapters 10, 11, 12.

Monday, 4 December. The Southern view of the contemporary global system and its institutions. The New International Economic Order. Proposals for a new global financial architecture. Tobin tax. Poverty and sustainable development. The new international division of labor.

Reading: Moon, chapter 8.

Lairson, chapter 13.

Moon, "From Seattle and Doha to Cancun"

Alternative
Systems

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?

Wednesday, 6 December. America and the future in a changing global economy. Catch up. Review.

Reading: Lairson, chapter 15.

Moon, "The United States and Globalization: Struggles with Hegemony"

Friday, 8 December. Catch up.

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