

INTERNATIONAL RELATIONS 222 Political Economy of North-South Relations

First Draft

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IR 222 is a lecture/discussion course that will examine the politics and economics of relations between developed and less-developed countries, focusing on the development problems of poor countries. It will explore political economy theories concerning

- the factors which affect the development process in poor countries, determining whether development succeeds or fails,
- patterns in North-South transactions, including the major actors involved in them and the issues that arise from them.
- the global economic institutions that affect these phenomena, especially the World Bank, International Monetary Fund, and World Trade Organization,
- and the controversies concerning these institutions, emphasizing various proposals for systemic change.

IR 222 can be taken as a stand-alone course focused on international system issues and general development theory, but it is also intertwined with Poverty and Development (IR 322). IR 322 is focused on poverty and development at the national level, applying general theory to particular cases and emphasizing the policy issues that arise from nations living within the systemic context discussed in IR 222. Students are encouraged to take both courses in the same semester, creating an intensive immersion in both the general theory of international political economy and its specific application in solving concrete development problems. Those with deep interests in political economy should consider a concurrent enrollment in IR322.

IR 125 is a strongly recommended pre-requisite, not only because it guarantees some exposure to both economics and international relations, but, more importantly, because it supplies a common orientation to political economy that permits meaningful communication among students. However, a solid background in economics may substitute for it with the permission of the instructor.

READINGS

- John Rapley, *Understanding Development: Theory and Practice in the Third World*, 2nd edition, Boulder, Colorado: Lynne Rienner Publishers, 2002.
- Additional readings will be available via the Blackboard 7 network software, which can be reached at <http://bb.lehigh.edu>.

STUDENT RESPONSIBILITIES

The bulk of the course grade will be made up of an in-class mid-term, a final exam, and participation in class discussion. There will be no make-up exams or incompletes except in the case of a written and documented emergency. **Attendance and participation in class discussions are required**; reading the assigned material *prior to* the class at which it will be discussed is also required. The instructor reserves the right to give pop quizzes to insure that the material is being read on time.

Many class meetings will have brief written assignments designed to facilitate discussion and insure that the reading has been completed. These will take the form of either Blackboard assignments (marked "BB" in syllabus), which require posting a brief message in the Discussion Board segment of Blackboard, or email assignments directly to the instructor. ***Both are due by 7 am the day of the class meeting for which they have assigned.***

SCHEDULE

Preliminaries

January 16 Tu Introduction to North-South Relations. Definitions. What are we all doing here?

January 18 Th Why should we care about the Third World? Conditions in the Third World. Consequences. The impact of the 3rd world on the 1st world. How is your life affected by the poor countries of the Global South? Narrow liberal macro-economic models. Broad gauge radical and structuralist models. Non-economic considerations. Our discussion will center around the three Blackboard assignments.

why.care

Reading: Beck, "Survival Strategies and Power Amongst the Poorest in a West Bengal Village" (*Warning: Read footnotes and endnotes!*)

Skim or read: Roberts Center, "The Great Global Poverty Debate," p 1-25.

Recommended for the philosophically inclined: Thomas Nagel, "The Problem of Global Justice," *Philosophy & Public Affairs* 33, 2 (March, 2005): 113-147.

BB assignments (3): Post two answers to the question, "Why should we care about the Third World?". One should reflect normative considerations that are rooted in whatever ethical/religious/spiritual/philosophical tradition guides your behavior. (If you don't have one, it is high time you begin looking!) You may wish to ponder Nagel's ruminations on the possibility of global justice or the alternative he rejects (cosmopolitanism). What do we owe to those described by Beck? The other should reflect

"Why should we care about the Third World?" Describe the ethical principles that underlie your answer. Explain the implications of your answers for what aspects of the Third World we should be studying, especially if you believe that the answers to certain empirical questions bear upon your obligations under these ethical principles. (Consider, for example, that we may feel a greater obligation to fix problems that we had a hand in creating. This implies that we will want our studies to emphasize the question "Is global poverty caused by rich countries or international institutions?")

Economic impact of South on North. List three avenues by which economic conditions in the South affect economic conditions in the North. (You don't need statistics - though they are certainly a good idea - but be creative in thinking about potential linkages.)

Why should we care about the Third World? Describe the theory(ies) that postulate a linkage between conditions in the Third World and your own life. What interests of yours (or your community or nation, etc.) are affected by the topics we will be studying? What do you need to know about them?

interest considerations that are rooted in theories about international relations concerning how conditions in one country affect citizens in others. *Why* we should care about the Third World implies something about *what aspects* of it we care about and hence what we should endeavor to learn. These answers should help you define your personal educational agenda this semester (that is, describe what you want to learn about the political economy of North-South relations.)

BB Assignment (optional): List three avenues by which economic conditions in the South affect economic conditions in the North.

Part One: Overview of the Competing Claims about the Impact of North-South Relations: Does the global political economy enhance or impede development?

January 23 Tu The impact of the 1st world on the 3rd world: Orthodox views in the form of early modernization theory, which sees economic, political, social and cultural change bound together (Inkeles and Lipset). What is modernization? How does it occur? Convergence across different countries and diffusion from one to another. A universal path to political and economic development? The role of culture in development. Weber and the Protestant ethic. The “Hindu rate of growth”. Islam and development. Is democracy the inevitable outcome of modernization? Does contact with the international political economy (via trade and investment) promote or retard growth and democracy? The doubts of Portes are the bridge to the next day’s topic.

Modernization
& Dependency

Reading: Alex Inkeles, “Making Men Modern: On the Causes and Consequences of Individual Change in Six Developing Countries,”; Seymour Martin Lipset, “The Social Requisites of Democracy Revisited,” Alejandro Portes, “On the Sociology of National Development: Theories and Issues”; Rapley, pp. 15-19. What disciplines are represented by these guys?

January 25 Th The impact of the 1st world on the 3rd world: Dependency theory. The doubts of structuralists about modernization. The (variable) political and sociological correlates of economic change. Multiple development paths. Economic distortions and inequality. Political distortions and barriers to democracy. Dependency, exploitation, stagnation, and policy distortion. The role of class formation and the dynamics among and conflict between classes. What’s different in the theoretical conceptions of society underlying Frank/Huber et al. as compared with Inkeles/Lipset?

World_system_
notes

Reading: Andre Gunder Frank, “The Development of Underdevelopment”; Huber, Rueschemeyer, and Stephens: “The impact of economic development on democracy”.

Andre Gunder Frank’s thesis. In Frank’s classic article, “The Development of Underdevelopment”, what is his central claim? If it were true, what policy advice would follow from it?

BB assignment: Frank is a classic – perhaps the most well-known article in the history of modern political economy. What is Frank’s central claim? If it were true, what policy advice would follow from it? Are you sure?

February 1 Th Testing the competing hypotheses derived from dependency and modernization theory. Empirical studies of trade, growth, inequality and democracy. A digression

on statistical hypothesis testing.

Reading: Robert Jackman, "On the relation of economic development and democratic performance"; Arrighi, Silver and Brewer, "Industrial convergence, globalization, and the persistence of the North-South divide" and Comments

Recommended?: Dean Baker, "Gaining with trade?".

February 6 Tu Catch up.

Part Two: Theories of Development and Underdevelopment: How do nations grow and develop?

February 8 Th Why the West? Until the 18th century, Western Europe was no richer than most of today's 3rd world. What happened to produce the modern North-South gap? Very broad gauge theories of development originating from history and the social sciences. Determinants of long-term growth. What advantages (if any) did the West possess to bring about this result? What lessons are to be learned? How relevant is economic theory? "Capitalism depends upon conditions it cannot itself bring about." Hm m m m m. What does Polanyi mean that the market is "embedded?" Read Dillard very hard - it's full of insights and ideas we'll use later. What, exactly, *is* capitalism?

Why.the.west

Reading: Marc Ferguson, "Why the West?" ; Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age* (University of California Press, 1998), chapter 1; **Dillard**, "Capitalism".

BB assignment: What is the main lesson(s) of Dillard's analysis? Why did both Jameson/Wilber and Moon think it important that you read this piece?

Dillard's thesis. What lesson should be learned from Dillard's analysis?

February 13 Tu Empirical growth theory: economists struggle to move beyond theory-driven curves and graphs. Assorted findings on the determinants of long-term growth. The effects of geography, climate, natural resources, past colonialism. The value of political economy. "Capitalism depends upon conditions it cannot itself bring about."

Reading: Sachs and Warner, "Natural Resources and Economic Development: The curse of natural resources,"

Skim: Graziella Bertocchia & Fabio Canova, "Did colonization matter for growth?"; William Easterly & Ross Levine, "Tropics, germs, and crops: How endowments influence economic development," Engerman's "Comment on Easterly and Devine"

February 15 Th Paradigms of Development Policy: An Overview. Most economic theories of development focus more on short-term effects, especially those that can be shaped by government policy. How relevant is economic theory? Notice how little overlap exists between these long-term social science theories and short/medium term economic theories. Can they both be right?

Theories.of.development

Reading: Rapley, chapters 1&2; Charles Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries," *Wilber & Jameson*, "Paradigms of Economic Development and Beyond;"

February 20 Tu Requisites of Development: the Orthodox View. The centrality of capital accumulation in neo-classical growth theory (Solow models). Savings and investment in the Harrod-Domar equations. There are no miracles. A micro example that illustrates “gap analysis”. External finance to close the “1 gap”.

Requisite.grow

Reading: Rapley, chapter 3; **Krugman**, “The Myth of Asia's Miracle”.

BB assignment: Krugman identifies a number of ways to produce growth. Which of them are sustainable and which are not?

Krugman and sustainability. What sources of growth are sustainable/not sustainable?

February 22 Th The Role of the State and the Planning Paradigm. Seeking X-efficiency. The tension between liberal trade theory and empirical growth theory. How much state, how much market? Dirigism vs. self-regulating markets. Critiques of laissez-faire. Recalling Polanyi.

Theories.of.development

Reading: Rapley, chapters 2 & 4; Lal, “The Misconceptions of ‘Development Economics’;” Helleiner, “Conventional Foolishness and Overall Ignorance: Current Approaches to Global Transformation and Development”; Kenneth P. Jameson, “Has institutionalism won the development debate?” *Journal of Economic Issues* 40, 2 (June 2006): 369-375; Rodrigo de Rato, “Building better institutions,” *Cato Journal* 26, 2 (Spring 2006): 215-222; Dani Rodrik, “Institutions for high-quality growth: What they are and how to get them,” *Studies in Comparative International Development* 35, 3 (Fall 2000): 3-

Recommended?: Shapiro & Taylor, “The State and Industrial Strategy”; Devlin, “Privitization and Social Welfare”

Note: Make sure you understand the different labels attached by different authors to the various theories and schools of thought. For example, who is Lal criticizing? Who is Helleiner defending? Notice that Jameson criticizes the narrow view of institutions reflected in Rodrigo de Rato. Who is de Rato? What is Cato? Notice that Rodrik elaborates Jameson’s argument.

February 27 Tu Catch up and Review

March 1 Th Midterm Exam

March 3-11 Sat-Sun Spring Break. No class.

March 13 Tu Review of midterm

Reading: Read ahead.

March 15-20 Th-Tu Radical Theories of Underdevelopment. Neo-Marxist class analysis. Dependency, world-systems, and imperialist analysis of exploitation in international system structures. Baran is a classic – in many ways the foundation of all the radical thought that comes after it.

Theories.of.development

Reading: Rapley, chapter 5; Paul Baran, “On the Political Economy of Backwardness”; Ruccio & Simon, “Perspectives on Underdevelopment: Frank, the Modes of Production School, and Amin”; [Beware, parts of this are very difficult]; Review Frank, “Underdevelopment...”.

Part Three: Global Markets and National Strategies

March 22 Th North-South trade patterns. Southern countries largely export agricultural and mining products. The theory of comparative advantage encourages that specialization. But the practical effects, stemming from the unique characteristics of the markets for these products, suggest caution. Primary product markets. The Commodity Problem.
Review: IR 125 notes on the Commodity Problem.

Primary.products

March 27 Tu Food and Rural Development. Most global poverty is rural. Why? What can be done about it? Food prices. Subsidies. Famines.

Food&rur.dev

Reading: Lofchie & Commins, "Food Deficits and Agricultural Policies in Tropical Africa"; Griffin, "Growth and Impoverishment in the Rural Areas of Asia"; Andrew Dorward et. al., "A Policy Agenda for Pro-Poor Agricultural Growth"

Lofchie/Commins and Griffin What were the central points?

Email Assignment: What is the central point made by Lofchie/Commins or Griffin?

March 29 Th Industrialization Strategies. ISI vs. OOD. Most poor countries try to break out of primary product specialization through labor-intensive industrialization. What are the implications of this choice? How can it be done best? Usually via commodity chain strategies and/or FDI. Commodity chains. The policy imperatives implicit in commodity chain strategies. The easiest path to industrialization for most poor countries is to tie themselves to the global market in the most intensive way possible, through vertical integration into shared global production processes. What are the dilemmas associated with that approach? The "adding up" problem. Supply side competition and "the race to the bottom". Class and gender in industrialization.

Industry

Reading: Moon, *Dilemmas of International Trade*, chapter 7; Hamilton, "Can the Rest of Asia Emulate the NICS?"

Recommended?: Sutcliffe, "Industry and Underdevelopment Reexamined"; Standing, "Global Feminization Through Flexible Labor"

Standing. What implications of labor-intensive industrialization should be weighed by policy planners?

BB Assignment: How does Standing affect your impression of the desirability of labor-intensive industrialization?

April 3 Tu Review/catch up or religious holiday

April 5 Th Foreign direct investment and multinational corporations. The motivation of MNCs for FDI. The costs and benefits of FDI. Patterns of North-South investment. Trade meets finance: how to make it work?

MNC_FDI

Reading: Biersteker, "Distortion or Development?"

BB Assignment: What kinds of agreements would enable a nation to capture the benefits of FDI without succumbing to its costs?

MNCs and FDI. Can the benefits of MNCs/FDI be separated from the costs? How? Are these strategies compatible with the WTO?

April 10 Tu Regional integration Strategies: Mercosur, APEC, NAFTA, FTAA, ECOWAS. Safety in numbers? Security in solidarity? The challenges of regional integration

among poor countries. The historical record. Viner revisited: customs union theory.

Part Four: Global Institutions: Critiques and Reform Proposals

So many of the problems of nations seem bound up in the global system. Indeed, over the long-term, most of those problems are probably better attacked at the systemic level than the national ones. What is the current international system designed to do? Who does it help? What values does it champion? How can it be made to work better for the poor countries?

April 12 Th Designs of the International Monetary Fund and World Bank. Do they work? The missions of the IFIs. The theoretical foundations of the IMF model. Gramscian hegemony. Contagion. The power politics of stand-by arrangements. Crisis management. Success rates.

Reading: Dell, "Stabilization: The Political Economy of Overkill"; Fitzgerald, "Stabilization and Economic Justice: The Case of Nicaragua"; Robert Wade, "U.S. hegemony and the World Bank: the fight over people and ideas"; Walden Bello and Shalmali Guttal, "Programmed to Fail: The World Bank Clings to a Bankrupt development model," *Multinational Monitor* 26.7-8 (July-August 2005): p23-30.

April 17 Tu The International Monetary Fund and World Bank. International debt. Renegotiations. Is the current system meeting the design objectives? Are the design objectives wise ones?

IMF-stiglitz

Reading: Eyse Evrensel, "'Effectiveness of IMF-supported stabilization programs in developing countries"

April 19 Th Proposals for reform. Meltzer Commission. The attack from the right: global institutions should be reduced in capability and responsibility. Moral hazard.

Reading: Meltzer Commission report

April 24 Tu New International Economic Order proposals for dealing with the commodity problem: buffer stocks, International Commodity Program, STABEX Tobin Tax. The attack from the left: global institutions should be increased in capability and responsibility. Millennium development goals.

NIEO

Reading: TBA

April 26 Th Recent developments in the WTO. Structural biases. Current Negotiations. Conflicts among values: efficiency vs. development, autonomy and the environment. Conflicts among interests: developed vs. developing countries, corporations vs. workers. Conflicts among theories: trade theory vs. growth theory, neo-liberalism vs. state planning and structuralism. Reform proposals.

Reading: Robert Wade, "What strategies are viable for developing countries today? The World Trade Organization and the shrinking of 'development space'"; Roberts Center, "The Great Global Poverty Debate," entire.