

IR 229: International Political Economy
Wednesdays 2:00-4:40PM
Gavett 208

Instructor: Youngchae Lee (youngchae.lee@rochester.edu)
Office: 335 Harkness Hall
Office hours: Wednesdays 12-2PM

Course Introduction

This course examines issues in international political economy to gain understanding into how domestic and international political factors shape patterns of interaction in areas of trade, finance, and investment. We will also attempt to gain a balanced perspective on some of the more contentious issues in IPE, such as: who are the winners and losers of globalization? Does the global economy provide a level playing field for all countries? Why are some countries persistently mired in underdevelopment?

To this end, the first half of this course is devoted to trade issues, in particular how they are influenced by individual preferences, domestic institutions, and international institutions such as the WTO. While the focus here is on trade, much of the logic and reasoning behind the arguments transfer to other issue areas as well. The second half of the course looks at various other issues such as finance, foreign direct investment, and economic development.

All of the required readings are available as articles via the university library's website.

Course Requirements

For students taking the course without a writing credit, grades will be based on the following:

Midterm I: 35%
Midterm II: 35%
Attendance and participation: 15%
Weekly discussion points: 15%

For students registered with a "W", grades will be based on the following:

Midterm I: 20%
Midterm II: 20%
Research paper: 30%
Attendance and participation: 15%
Weekly discussion points: 15%

Exams

There will be two midterm exams given in class. The first midterm exam is scheduled for October 16th, and the second midterm exam is scheduled for December 11th. Both exams are non-cumulative. Each exam will contain short-answer questions and long essay questions. The questions will be based on material from the readings, lectures and class discussions. If you have a legitimate reason for not being able to take an exam on a scheduled date, please let me know as soon as possible. Make-up exams will be given only under exceptional circumstances. Missed exams due to illness require a doctor's note. Also, please keep returned exams in your possession until you receive your final course grade. I will not consider questions or protests about grades unless you do so.

Attendance and participation

This course will incorporate both lectures and in-class discussion of the assigned readings. Therefore, it is important that you attend class regularly and participate in the discussions. Before coming to class, please read the assigned material and think about the general discussion points listed in the syllabus. Outside knowledge of politics and economics, while welcome, is not necessary. Careful and critical readings of the assigned material are most important for effective participation. I will be making note of your attendance and participation in every class. That being said, I will not penalize your grade if you need to miss class for a legitimate reason (such as religious observance or medical emergency), so if you cannot attend a lecture please let me know in advance unless this is physically impossible.

Weekly discussion points

In order to ensure that you are keeping up with the readings, I ask that every week, you think of one discussion point for each reading. You may either hand in a hard copy at the beginning of class, or e-mail them to me prior to the beginning of class. Late submissions will not be accepted. No more than 1-3 sentences per discussion point are necessary (though you are of course welcome to expand on your thoughts). These discussion points can be questions about the reading, criticisms of the author's logic, or objections regarding the argument's real-world validity; they should not be a simple summary of the reading.

Research paper (for students registered with a "W")

Each student will write a 10-15 page research paper on a topic of their choice. Students should hand in a 1-2 paragraph description of their topic on October 9th. Bibliographies must be handed in by November 6th. A draft is required by November 20th. Final papers are due on December 4th. A late paper will be penalized by 1/3 of a letter grade for each day that it is late (including weekends). No papers will be accepted after December 11th.

Course Schedule

September 4th: Course Introduction

September 11th: Theories of Trade (Liberalism vs. Mercantilism)

Krugman, Paul. 1993. "What Do Undergrads Need to Know About Trade?" *American Economic Review* 83(2): 23-26

Rodrik, Dani. "The New Mercantilist Challenge." *Project Syndicate*. January 9th, 2013. <<http://www.project-syndicate.org/commentary/the-return-of-mercantilism-by-dani-rodrik>>

Acemoglu, Daron and James Robinson. "Is State Capitalism Winning?" *Project Syndicate*. December 31, 2012. <<http://www.project-syndicate.org/commentary/why-china-s-growth-model-will-fail-by-daron-acemoglu-and-james-a-robinson>>

Cohen, Stephen S. and John Zysman. 1983. "The Mercantilist Challenge to the Liberal International Trade Order." *International Tax & Business Lawyer* 1: 1-46

Most economists are committed to the idea of economic liberalism. Do you think mercantilist policies still have some value in the current global economy? Can liberalist and mercantilist policies co-exist?

September 18th: Trade Policy Preferences of Individuals

Mayda, Anna Maria and Dani Rodrik. 2005. "Why Are Some People (and Countries) More Protectionist Than Others?" *European Economic Review* 49:1393-1430.

Hainmueller, Jens and Michael J. Hiscox. 2006. "Learning to Love Globalization: Education on Individual Attitudes Toward International Trade." *International Organization* 60(2): 469-498.

Margalit, Yotam. 2011. "Costly Jobs: Trade-related Layoffs, Government Compensation, and Voting in U.S. Elections." *American Political Science Review* 105(1): 169-188.

Hays, Jude S., Sean D. Ehrlich, and Clint Peinhardt. 2005. "Government Spending and Public Support for Trade in the OECD: An Empirical Test of the Embedded Liberalism Thesis." *International Organization* 59(2): 473-494.

What are some of the determinants of the trade policy preferences of individuals? Do you think these are always "rational"? What can be done to mitigate opposition to trade, and do you think the government should expend more effort in this area?

September 25th: Trade and Domestic Institutions

Nielson, Daniel L. 2003. "Supplying Trade Reform: Political Institutions and Liberalization in Middle-Income Presidential Democracies." *American Journal of Political Science* 47(3):470-491.

Bailey, Michael A., Judith Goldstein, and Barry R. Weingast. 1997. "The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade." *World Politics* 49 (3): 309-338.

Mansfield, Edward D., and Marc L. Busch. 1995. "The Political Economy of Nontariff Barriers: A Cross-National Analysis." *International Organization* 49(4): 723-749.

Lohmann, Susanne and Sharyn O'Halloran. 1994. "Divided Government and U.S. Trade Policy: Theory and Evidence." *International Organization* 48(4): 595-632.

What domestic institutional design seems effective for liberalization of trade? What does this imply for trade liberalization in the United States?

October 2nd: Trade and the World Trade Organization

Rose, Andrew K. 2004. "Do We Really Know That the WTO Increases Trade?" *American Economic Review* 94(1): 98-114.

Gowa, Joanne and Soo Yeon Kim. 2005. "An Exclusive Country Club. The Effects of the GATT on Trade, 1950-94." *World Politics* 57(4): 453-478.

Goldstein, Judith L., Douglas Rivers, and Michael Tomz. 2007. "Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade." *International Organization* 61 (1): 37-67.

Rosendorff, B. Peter, and Helen V. Milner. 2001. "The Optimal Design of International Trade Institutions: Uncertainty and Escape." *International Organization* 55 (4):829-57.

Kucik, Jeffrey, and Eric Reinhardt. 2008. "Does Flexibility Promote Cooperation? An Application to the Global Trade Regime." *International Organization* 62: 477-505.

Does the WTO increase trade flows? What is the role of flexible provisions in promoting trade liberalization? Can too much flexibility undermine the original purpose of trade cooperation and liberalization?

October 9th: Trade and Democracy

Mansfield, Edward, Helen V. Milner, and Eric Reinhardt. 2002. "Why Democracies Cooperate More: Electoral Control and International Trade Agreements." *International Organization* 56(3): 477-513.

Milner, Helen and Keiko Kubota. 2005. "Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries." *International Organization* 59(1): 107-143.

Milner, Helen V. and B. Peter Rosendorff. 1997. "Democratic Politics and International Trade Negotiations: Elections and Divided Government as Constraints on Trade Liberalization." *Journal of Conflict Resolution* 41(1): 117-146.

Kono, Daniel Y. 2006. "Optimal Obfuscation: Democracy and Trade Policy Transparency." *American Political Science Review* 100(3): 369-384.

In general, is a democracy more likely than a non-democracy to liberalize trade? If so, what are the mechanisms by which this might occur? What conditions might constrain a democracy from liberalizing?

October 16th: Midterm I

October 23rd: Foreign Direct Investment

Jensen, Nathan. 2003. "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment." *International Organization* 57(3): 587-616.

Li, Quan and Adam Resnick. 2003. "Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries." *International Organization* 57(1): 175-211.

Li, Quan. 2009. "Democracy, Autocracy, and the Expropriation of Foreign Direct Investment." *Comparative Political Studies* 42(8): 1098-1127.

Ramamurti, Ravi. 2001. "The Obsolescing 'Bargaining Model'? MNC-Host Developing Country Relations Revisited." *Journal of International Business Studies* 32(1): 23-39.

Görg, Holger and David Greenaway. "Much Ado about Nothing? Do Domestic Firms Really Benefit from Foreign Direct Investment?" *The World Bank Research Observer* 19(2): 171-197.

What are the concerns of foreign investors in choosing investment locations? What domestic political institutions are conducive to attracting foreign direct investment? How does the balance of power between a (potential) investor and the host government change (if at all) after an actual investment is made? What are the effects of FDI in host countries?

October 30th: Financial Liberalization and Financial Crises

Quinn, Dennis and Carla Inclan, "The Origins of Financial Openness: A Study of Current and Capital Account Liberalization." *American Journal of Political Science* 41(3): 771-813.

Bhagwati, Jagdish. 1998. "The Capital Myth: The Difference Between Trade in Widgets and Dollars." *Foreign Affairs* 77(3): 7-12.

Goodman, John B. and Louis W. Pauly. 1993. "The Obsolescence of Capital Controls? Economic Management in an Age of Global Markets." *World Politics* 46(1): 50-82.

Radelet, Steven, Jeffrey D. Sachs, Richard N. Cooper, Barry P. Bosworth. 1998. "East Asian Financial Crisis: Diagnosis, Remedies, Prospects." *Brookings Papers on Economic Activity*, 1998(1): 1-90.

Was financial liberalization an inevitable development as many people argue? Do you think there will be an expansion of financial liberalization in the future, or a reversal? How are financial crises precipitated, and do you think that enough is being done to guard against them?

November 6th: International Organizations

Steinberg, Richard H. 2002. "In the Shadow of Law or Power? Consensus-Based Bargaining and Outcomes in the GATT/WTO." *International Organization* 56(2): 339-374.

Reinhardt, Eric and Marc Busch. 2003. "Developing Countries and GATT/WTO Dispute Settlement." *Journal of World Trade* 37(4): 719-735.

Stone, Randall. 2004. "The Political Economy of IMF Lending in Africa." *American Political Science Review* 98(4): 577-591.

Smith, Alastair. "Why International Organizations Will Continue to Fail Their Development Goals." *Perspective on Politics* 3(3): 565-567.

Do you think international organizations are effective in promoting cooperation, economic development, and trade/financial liberalization between countries? Do you think they promote a fair and level playing field, or systematically advantage some countries over others? Do you think it is possible to improve the performance of international organizations? How might this be done?

November 13th: Political Economy of Development

Acemoglu, Daron, Simon Johnson, and James Robinson. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income." *Quarterly Journal of Economics* 117 (4): 1231-1294.

Easterly, William and Ross Levine. 2002. "Tropics, Germs and Crops: How Endowments Influence Economic Development." NBER Working Paper 9106.

Sachs, Jeffrey. 2001. "Tropical Underdevelopment." NBER Working Paper 8119.

Sachs, Jeffrey and Andrew Warner. 2001. "The Curse of Natural Resources." *European Economic Review* 45: 827-838.

Easterly, William. 2003. "Can Foreign Aid Buy Growth?" *Journal of Economic Perspectives* 17(3): 23-48.

One of the ongoing arguments in the IPE literature is whether underdevelopment in certain regions of the world is due to geography and natural resource endowments, or suboptimal institutions. Which perspective do you find more persuasive? Do you think foreign aid can be effective in promoting economic growth in developing countries?

November 20th: Globalization - Phenomenon and Causes

Rodrik, Dani. 1997. "Sense and Nonsense in the Globalization Debate." *Foreign Policy* 107: 19-37.

Keohane, Robert and Joseph Nye. 2000. "Globalization: What's New? What's Not? (And So What?)" *Foreign Policy* 118: 104-119.

Bordo, Michael, Barry Eichengreen, and Douglas Irwin. 1999. "Is Globalization Today Really Different than Globalization a Hundred Years Ago?" NBER Working Paper 7195.

Garrett, Geoffrey. 2000. "The Causes of Globalization." *Comparative Political Studies*. 33(6/7): 941-991.

Globalization has its proponents and detractors. Which side do you find more persuasive, if at all? How integrated do you think the world is today? Do you think globalization should be continued at its current pace?

November 27th: Thanksgiving break

December 4th: Globalization – Effects

Kaplinsky, Raphael. 2001. "Is Globalization All It Is Cracked Up to Be?" *Review of International Political Economy* 8(1): 45-65.

Dollar, David. "Globalization, Poverty, and Inequality since 1980 ." *The World Bank Research Observer* 20(2): 145-175.

Williamson, Jeffrey G. 1997. "Globalization and Inequality, Past and Present." *World Bank Research Observer* 12(2): 117-135.

Kentor, J. 2001. "The Long Term Effects of Globalization on Income Inequality, Population Growth, and Economic Development." *Social Problems* 48(4): 435-455.

Scheve, Kenneth and Matthew J. Slaughter. 2004. "Economic Insecurity and the Globalization of Production." *American Journal of Political Science* 48(4): 662-674.

Brown, Drusilla, Alan V. Deardorff, Robert M. Stern. 2003. "The Effects of Multinational Production on Wages and Working Conditions in Developing Countries." NBER Working Paper 9669.

Do you think globalization has had a positive effect, in terms of income inequality, labor standards, and environmental issues? Do you think worries over the effects of globalization are justified?

December 11th: Midterm II