

IR/ PSC 102: Introduction to International Political Economy
Tuesday-Thursday, 9:40-10:55
Office Hours: Tuesday, 2:00-4:00
Meliora 203

Spring 2020

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Purpose of the course: This is an undergraduate course intended to introduce students to the central economic issues in international politics and some of the fundamental models that we use to understand them. The course covers a series of topics ranging from trade and development to international finance. No previous coursework is assumed.

Course Requirements: The required readings are assigned to the lectures for which they provide background, and will be discussed in the subsequent discussion section. There will be a final exam (Thursday, May 7, at 4:00 pm) and two exams during the term, on February 20 and March 26. Attendance at lectures and discussion sections is mandatory. Each student is allowed to miss up to three class sessions for personal reasons, but missing more results in a penalty, and missing more than five results in a failing grade.

Grading: 40% final exam, 25% each exam, and 10% class participation. Completing all of the written work is required to successfully complete the course.

Readings: The following books have been ordered at the bookstore and are recommended for purchase:

Mankiw, Gregory N. *Principles of Economics* (Eighth Edition). Cengage, 2017. (Also available as an electronic book for a rental fee: <https://www.cengage.com/c/principles-of-economics-8e-mankiw>)

Frieden, Jeffrey, David Lake and Lawrence Broz, eds. *International Political Economy: Perspectives on Global Power and Wealth*. (Sixth Edition). Norton, 2017.

Oatley, Thomas. *International Political Economy*. (Sixth Edition). Routledge, 2019.

Policies and Resources

College Credit Hour Policy: This course follows the College credit hour policy for a four-credit (standard) course. The course meets for lectures twice per week for 75 minutes each and once per week for a required discussion section. The required readings are assigned to the lectures for which they provide background, and will be discussed in the subsequent discussion section. Students are strongly encouraged to attend office hours, which will be held for two hours each week and by appointment at other times. The total time commitment for the course should average twelve hours per week.

Course Learning Outcomes: Students should leave the course with understanding of the central economic issues in international politics and some of the fundamental models that we use to analyze them, an appreciation of how these tools can be applied to historical and contemporary international affairs, and an ability to articulate original, critical arguments. The specific criteria for evaluating exams are attached at the end of the syllabus for reference.

Academic Honesty Policy: All assignments and activities associated with this course must be performed in accordance with the University of Rochester's Academic Honesty Policy. More information is available at: www.rochester.edu/college/honesty. Special policies for this course: students are encouraged to study collaboratively and form discussion groups. **Plagiarism** is specifically prohibited, and in the context of this course consists of presenting another's work as your own. Other forms of academic dishonesty specifically relevant to this course include using notes, communicating or referring to the internet during an exam.

Academic Support Services: Services are available from the College [Center for Excellence in Teaching and Learning](https://www.rochester.edu/college/cet/) (<https://www.rochester.edu/college/cet/>) and the [Writing, Speaking and Argument Program](https://writing.rochester.edu/) (<https://writing.rochester.edu/>).

Disability Resources: We are committed to fostering an inclusive learning environment and accommodating the needs of any student with a documented disability. Students seeking an accommodation, or simply wondering whether their circumstances warrant one, are encouraged to contact the [Office of Disability Resources](https://www.rochester.edu/college/disability/) (<https://www.rochester.edu/college/disability/>). Trained staff can evaluate your needs and offer resources and solutions that you may not be aware of. For example, students with special needs are routinely provided with appropriate venues and formats for exams, which are proctored by the Office of Disability Resources.

Incomplete Policy: Incompletes will not ordinarily be offered except in case of a medical emergency. See the College policy on incompletes [here](https://www.rochester.edu/college/CCAS/handbook/Incompletes.html) (<https://www.rochester.edu/college/CCAS/handbook/Incompletes.html>).

Satisfactory/Fail Policy: Students have the option of electing that their grade be reported on their transcript as S/F. All of the usual course requirements apply. College policies are found [here](https://www.rochester.edu/college/ccas/handbook/satisfactory-fail-option.html) (<https://www.rochester.edu/college/ccas/handbook/satisfactory-fail-option.html>).

Withdrawal Policy: The College policy on dropping/withdrawing from courses is available [here](https://www.rochester.edu/college/ccas/handbook/drop-courses.html) (<https://www.rochester.edu/college/ccas/handbook/drop-courses.html>).

Course Outline

1. Thursday, January 16: Division of labor, gains from trade and protectionism
Introduces the concepts of comparative advantage, gains from trade and opportunity cost, the Ricardian model of trade, effects of a tariff, and political-economy explanations for protection.
 - Mankiw, Principles of Economics, Chapters 3, 9
2. Tuesday, January 21: Factors of production and distributive consequences of trade
Introduces labor supply and demand, markets for factors of production, the Stolper-Samuelson Theorem, and Rogowski's argument from *Commerce and Coalitions*.
 - Mankiw, Principles of Economics, Chapter 18 (supply and demand of labor)
 - Frieden, Lake & Broz (FLB) Chapter 1 (Rogowski)
3. Thursday, January 23: Inequality
Conceptions of inequality (cross-national, within-country, global), causes of inequality, cross-national comparisons, evolution over time.
 - FLB Chapter 26 (Milanovic) and Chapter 27 (Rodrik)
4. Tuesday, January 28: What causes economic growth?
Determinants of productivity, extensive and intensive growth, the Solow-Swan model, population growth and resource constraints, institutions.
 - Mankiw, Principles of Economics, Chapter 25
 - FLB Chapter 7 (Acemoglu)
5. Thursday, January 30: Central planning
Covers the economics of central planning.
 - Mankiw, Principles of Economics, Chapter 7
6. Tuesday, February 4: Trade politics: Specific factors, firms, and global value chains
Discusses the specific-factors trade model and the Melitz (2003) model of heterogeneous firms and their implications for trade politics.
 - Oatley, Chapter 4
7. Thursday, February 6: Optimal tariffs and international cooperation
Introduces optimal tariffs, terms-of-trade externalities, repeated prisoner's dilemma, the WTO and international institutions as a solution to transaction costs of cooperation.
 - Oatley, Chapter 3
8. Tuesday, February 11: Public goods and common-pool resources
Introduces public goods and common resources.
 - Mankiw, Principles of Economics, Chapter 11

9. Thursday, February 13: The Developmental State
Introduces structuralist critiques of free trade, the infant-industry argument, monopoly, and strategic trade theory.
 - Oatley, Chapters 5 and 6
 - Mankiw, Principles of Economics, Chapter 15 (not required)
10. Tuesday, February 18: Foreign investment, commitment and property rights
Introduces the economics of FDI, commitment problems and institutional responses.
 - Oatley, Chapter 8
 - FLB Chapter 9 (Caves)

Thursday, February 20: First midterm exam

11. Tuesday, February 25: MNCs, monopolistic competition and politics
Introduces the model of monopolistic competition, describes multinational corporations, and surveys aspects of the politics of MNCs.
 - Mankiw, Principles of Economics, Chapter 16
 - Oatley, Chapter 9
 - FLB Chapter 12 (Li and Resnick)
12. Thursday, February 27: Open-economy macroeconomics
Introduces the concepts of open and closed economies, national income accounting, and the real exchange rate, and discusses application to US trade deficits and Chinese currency manipulation.
 - Mankiw, Principles of Economics, Chapter 31
13. Tuesday, March 3: Exchange rates
Introduces the model of the open economy, the market for loanable funds, and the market for foreign-currency exchange; illustrates the effects of a budget deficit, a trade restriction, and capital flight on the real exchange rate and the real interest rate; introduces fixed and flexible exchange rates.
 - Mankiw, Principles of Economics, Chapter 32
14. Thursday, March 5: The Keynesian revolution
Introduces aggregate supply and demand, long-run aggregate supply, the theory of liquidity preference, the effects of monetary and fiscal policy, and open-economy effects. Applications to the Great Depression and the Gold Standard.
 - Mankiw, Principles of Economics, Chapters 33-34.

Spring Break, March 7-15

15. Tuesday, March 17: Hegemonic stability and the Bretton Woods system
Applies open economy macroeconomics to the Bretton Woods system of fixed exchange rates.
 - Oatley, Chapter 10; Chapter 12, pp. 255-61.
 - FLB Chapter 3 (Krasner)
16. Thursday, March 19: Open economy with flexible exchange rates
Discusses the effects of the oil shocks of the 1970s, the externalities of monetary and fiscal policies in large states, and the origins of European monetary cooperation in terms of the model of open economy macroeconomics.
 - Mankiw, Principles of Economics, Chapter 32
17. Tuesday, March 24: Sovereign debt and the Latin American debt crisis
Discusses the causes and consequences of the Latin American debt crisis of the 1980s, sovereign debt, rescheduling and adjustment.
 - Mankiw, Principles of Economics, Chapter 27
 - Oatley, Chapter 14

Thursday, March 26: Second midterm exam

18. Tuesday, March 31: IMF conditionality
Discusses the macroeconomics of balance-of-payments lending, the practice of IMF conditionality, critiques of IMF conditionality, and the inference problems that arise from non-random selection of countries into IMF programs.
19. Thursday, April 2: Foreign aid
Presents development aid as a public good that is underprovided, analyzes some economic effects of foreign aid, and discusses effects of policies on aid effectiveness, effects of aid on governance, and effects of foreign policy considerations on aid.
20. Tuesday, April 7: Inflation, credibility and rational expectations
Introduces real and nominal variables, monetary neutrality, the quantity theory of money, hyperinflation, time consistency, rational explanations for inflation and international commitment mechanisms.
 - Mankiw, Principles of Economics, Chapter 30
 - Oatley, Chapter 13
21. Thursday, April 9: Banking, exchange rate and financial crises
Introduces the basics of banking, macroeconomic imbalances underlying the Asian financial crisis, international contagion, linked currency and banking crises, and the cases of Indonesia, Korea, Russia and Brazil.
 - Mankiw, Principles of Economics, Chapter 29
 - Oatley, Chapter 15

22. Tuesday, April 14: International environmental regulation
Categorizes international environmental problems in terms of externalities (public goods, transboundary concerns, common-pool resources, and local problems) and in terms of coordinating, contracting and bargaining problems. Discusses the politics and IOs of the climate change regime.
- FLB Chapter 31 (Keohane and Victor)
23. Thursday, April 16: European integration
Discusses the history of European integration up to Economic and Monetary Union (EMU), the disciplining effect of the European Monetary System (EMS) on inflationary policies, and the concept of an optimum currency area.
24. Tuesday, April 21: The Great Recession and the Euro Crisis
Covers the background and causes of the Great Recession of 2008-09 and the subsequent Euro Crisis, and policy responses to both.
- FLB Chapter 15 (Chinn and Frieden) and 16 (Copelovitch, Frieden and Walter)
 - Oatley, Chapter 11
25. Thursday, April 23: The rise of China
Discusses the causes and likely trajectory of China's economic growth and its consequences for the global economy, global security and global governance.
26. Tuesday, April 28: Ethics and international political economy
Reviews topics covered in the course and raises ethical questions about the design of international organizations.

Final Exam: Thursday, May 7, 4:00-7:00 pm

Exam Grading

Exams will consist of conceptual economics questions and essays.

- The economics questions will focus on key concepts covered in the lectures, and may take the form of drawing and interpreting graphs, defining terms, or answering multiple-choice questions.
- The essays will be open-ended questions that are not intended to have right or wrong answers, which give the student an opportunity to make original, critical arguments that draw on the readings and link them to various substantive issues. Students will write one essay on the midterm and two on the final, but there will always be a choice of questions.

Essay Grading Rubric

The essays are graded (0 to 3 points) on each of eight criteria, which are explained below. Total possible points: 24.

1. *Answering the question.* Does the essay answer the question adequately? Does it cover all of the issues requested?
2. *Readings.* Where appropriate, does the essay integrate readings that have been covered in the course? How well have the readings been understood?
3. *Argument.* Does the essay make a clear argument? How much independent thought does it demonstrate?
4. *Historical evidence.* Does the essay support the argument with appropriate historical examples?
5. *Contemporary evidence.* Does the essay support the argument with contemporary examples, or demonstrate an awareness of the contemporary implications of theoretical debates?
6. *Critical thinking.* Does the essay offer effective criticism of some author or point of view represented in the course (including, of course, the professor's)?
7. *Analysis.* Analysis is a matter of breaking things into their component parts and determining how they function. Does the essay go beyond an author's surface assertions (i.e., stable property rights promote economic growth, international institutions facilitate cooperation) to evaluate the logic that generates these conclusions?
8. *Synthesis.* Synthesis is a matter of putting things together in new ways. Does the essay show an appreciation of how the issues discussed are relevant to broader concerns of the course? Does it make creative connections between the arguments of different authors?

It is extremely difficult to do all of these things in 75 minutes, and even an A essay is bound to fall short somewhere. Think of the eight criteria as the recipe for an ideal essay. Still, it is useful to know what your essay does and does not do, so you know what to work on. If you use the outline above as a guide for writing essays in other courses, you will not be disappointed by the results.