

Professors Stephen Golub and Raymond Hopkins

International Political Economy

General Description

This course is meant to be accessible to students with little prior training in economics or political science, with only Economics 1 and Political Science 4 as prerequisites. Economics 51, *The International Economy*, makes much more use of intermediate economic theory in presenting some of the same material. This class helps fulfill Public Policy Concentration requirements.

We attempt to construct a common orientation from our two disciplinary perspectives. This will be used to analyze issues in trade, finance and development. Economists tend to approach analysis and recommendations with deductive reasoning in order to understand fundamental mechanisms, such as the principle of comparative advantage. Economists also emphasize the role of market forces and efficiency. Political scientists, in contrast, tend to use inductive analysis, trying to understand outcomes of human volitions. Political scientists emphasize institutions and the historical evolution of regimes that affect the operation of states and markets. At an analytical level, our goal is to synthesize our two disciplines. The resulting orientation rests on a liberal philosophy shaping our perspective on IPE and our presentations. This does not preclude your consideration of other perspectives, including those of dependency and realist schools.

Both economic (market) and political (state) forces shape outcomes in international economic affairs. The interplay of these and their importance has increased as “globalization” has proceeded in recent years. Globalization refers to a wide range of issues within trade, finance and development processes: the growth and distribution of wealth, basic human security, and cultural norms, for example. Vehement and sometimes violent protests against globalization have occurred in recent years over its perceived negative effects. It has been blamed for the rise in the dangers of terrorism. Others see globalization as a force for social and economic development. This course focuses heavily on these controversies.

Texts:

Francis Fukuyama, *State-Building* (2004)

Thomas Friedman, *The Lexus and the Olive Tree* (2000)

Robert Gilpin, *The Challenge of Global Capitalism* (2000)

Philip King and Sharmila King, eds., *International Economics and International Economic Policy*, 4th ed. (2005)

Joseph Stiglitz, *Globalization and its Discontents* (2002)

Joseph M. Grieco and G. John Ikenberry, *State Power and World Markets* (2003)

Requirements:

There will be two 10 page papers (approximately 2500 words) and a final exam. Both papers will involve assigned topics from which you can choose. Both papers will be interdisciplinary, but you will have to write one paper that is more Political Science-oriented and one that is more Economics-oriented. They are due on a Monday.

Paper 1	due February 28	25 % of grade
Paper 2	due April 18	25 %
Final	TBA	40 %
Class Participation		10 %

Topics and Readings

Readings not in the text, case study materials and the syllabus are available on blackboard. Starred items are on blackboard. Your email password provides access. Copies of short current articles will occasionally be distributed in class. You are encouraged to follow topics in the course in the news: The Economist, the New York Times and the Washington Post Weekly are good sources.

Additional events

“WTO practices” by Neena Shenai, ‘97	February
“World Bank and Indonesia” by Stephen Mink, ’79	late March
Mini-conference on Africa	April 1
Lecture by Jeffrey Frankel, ‘74	April 21

Topics and Readings

I. Understanding International Political Economy (3 weeks)

A. Theory: Institutions and IPE Perspectives

*Douglass C. North, "Economic Performance Through Time," American Economic Review, 84, no. 3 (1994).

Joseph M. Grieco and G. John Ikenberry, State Power and World Markets, chs. 1, 4.

B. Globalization: State Capacity, Crises, and Economic Performance

Thomas Friedman, The Lexus and the Olive Tree, chapters 1-14.

Robert Gilpin, The Challenge of Global Capitalism, introduction and chapters 1-2, pp. 3-87.

Joseph M. Grieco and G. John Ikenberry, State Power and World Markets, ch. 7.

King and King, ed., International Economics and International Economic Policy, chs. 15-18.

C. Globalization and Global Public Goods

*Stephen Golub and Raymond Hopkins, "Who's Going to Pay for Public Goods?" (2004).

*Scott Barrett, "Creating Incentives for Cooperation" in Inge Kaul et al, eds, Providing Global Public Goods, (2002).

Joseph M. Grieco and G. John Ikenberry, State Power and World Markets, ch. 6.

Francis Fukuyama, State-Building, preface and ch. 1.

Philip King, ed., International Economics and International Economic Policy, ch. 38.

D. Global Governance, the United States, and International Institutions

Thomas Friedman, The Lexus and the Olive Tree, chs. 15-20.

Robert Gilpin, The Challenge of Global Capitalism, chs. 8, 10-11.

Joseph Stiglitz, Globalization and its Discontents, chs 1-3, 9.

Joseph M. Grieco and G. John Ikenberry, State Power and World Markets, ch. 5, 9.

E. European Versus American Systems of Political Economy

*Raghuram Rajan and Luigi Zingales, "The Decline and Fall of Relationship Capitalism", Ch. 11 of Saving Capitalism from the Capitalists, pp. 247-271.

*Jeremy Rifkin, The European Dream (2004), Chapters 2 and 3. “The New Land of Opportunity” and “The Quiet Economic Miracle,” pp. 37-88.

*Robert Gilpin, “National Systems of Political Economy,” Ch.7 of Global Political Economy, pp. 148-195.

II. International Trade Issues (4 weeks)

A. Conflict over WTO: Doha/Cancun Disputes

*Bernard K. Gordon, “A High-Risk Trade Policy,” Foreign Affairs, (July/August, 2003), pp. 105-118.

*Jagdish Bhagwati, “Don’t Cry for Cancun,” Foreign Affairs, (January-February 2004), pp. 52-63.

*News and analysis of the positions of the G-22, the US, Europe, and other country groupings during and since the collapse of trade talks at Cancun (September, 2003).

Philip King, ed., International Economics and International Economic Policy, ch. 6.

B. Classic Arguments for Free Trade and Protection

Robert Gilpin, The Challenge of Global Capitalism, ch. 3.

Joseph M. Grieco and G. John Ikenberry, State Power and World Markets, ch. 2.

Philip King, ed., International Economics and International Economic Policy, ch. 1.

C. Institutions, Ideas and Interest Groups in Trade Policy

*Robert Putnam, “Diplomacy and Domestic Politics,” International Organization, Summer 1988.

*James E. Alt and Michael Gilligan, “The Political Economy of Trading States,” Journal of Political Philosophy, (1994), pp. 165-192.

*Judith Goldstein, “International Institutions and Domestic Politics: GATT, WTO, and the Liberalization of International Trade”, in The WTO as an International Organization, edited by Anne Krueger, (1998).

D. Current Trade Issues

1. *US Protectionism and WTO Principles*

Philip King, ed., International Economics and International Economic Policy, chs. 2-5.

Joseph Stiglitz, Globalization and its Discontents, ch. 6.

*Douglas Irwin, Free Trade Under Fire, (2002), ch. 5.

2. *Intellectual Property Rights and Services*

* Klaus Stegemann, “The Integration of Intellectual Property Rights in the WTO System,” World Economy, (September 2000).

Philip King, ed., International Economics and International Economic Policy, ch. 10.

3. *Agriculture and the WTO*

*Robert Paarlberg, "Agricultural Policy, Reform and the Uruguay Round," International Organization, (Summer 1997), pp. 413-444.

*Christina L. Davis, Food Fights over Free Trade, (2003) **chs. 1, 10.**

Philip King, ed., International Economics and International Economic Policy, ch. 13.

4. *Environment, Labor and Trade*

* Douglas Irwin, Free Trade Under Fire, (2002), ch. 6.

*Theodore Moran, Beyond Sweatshops, (2002), chs. 1-3.

Philip King, ed., International Economics and International Economic Policy, chs. 7, 8.

5. *Regionalization vs. Global Trade*

Philip King, ed., International Economics and International Economic Policy, ch. 14.

*Arvind Panagariya, "The Regionalism Debate: An Overview," World Economy, (1999).

6. *Immigration*

Philip King, ed., International Economics and International Economic Policy, ch. 9.

7. *Case Study: China and the Global Textile Trade with the end of the Multi-Fiber Agreement.*

III. **International Finance: Monetary Issues** (3 weeks)

A. **Framework Principles: Balance of Payments and National Income Accounts**

Robert Gilpin, The Challenge of Global Capitalism, chs. 4-5.

Joseph M. Grieco and G. John Ikenberry, State Power and World Markets, ch. 3.

Philip King, ed., International Economics and International Economic Policy, chs. 19-20

B. **The International Monetary System**

*Benjamin J. Cohen, "The Triad and the Unholy Trinity," in Richard Higgot, et. al. Pacific Economic Relations in the 1990s, (1993), pp. 133-158.

C. Exchange Rates, Institutional and Market Forces

*John Odell, "The U.S. and the Emergence of Flexible Exchange Rates," International Organization, (Winter 1979). pp. 57-81.

Philip King, ed., International Economics and International Economic Policy, chs. 21-27.

D. The Euro

Robert Gilpin, The Challenge of Global Capitalism, ch. 7.

Philip King, ed., International Economics and International Economic Policy, chs. 28-30.

E. Global Financial Crises and Financial Market Reform

Robert Gilpin, The Challenge of Global Capitalism, ch. 9.

Philip King, ed., International Economics and International Economic Policy, chs. 31-37.

Joseph Stiglitz, Globalization and its Discontents, ch. 4.

F. Case Study: The U.S. Trade Deficit and the Plunging Dollar

IV. Development and the International Economy (3 weeks)

A. States, Institutional Performance and Development

Francis Fukuyama, State Building, pp. 43-121.

*World Bank, World Development Report 2002, (2002), ch. 5.

Thomas Friedman, The Lexus and the Olive Tree, ch. 8.

Joseph M. Grieco and G. John Ikenberry, State Power and World Markets, ch. 8.

B. Stiglitz versus the IMF

Joseph Stiglitz, Globalization and its Discontents, chs. 5-8.

*Kenneth Rogoff, "The IMF Strikes Back" Foreign Policy, (Jan-Feb 2003).

Philip King, ed., International Economics and International Economic Policy, ch. 37.

C. Development Assistance and State Building

*Raymond F. Hopkins, "Political Economy of Foreign Assistance" in Foreign Aid and Development, edited by Finn Tarp (2000), pp. 423-449.

*Steven Radelet, "Bush and Foreign Aid," Foreign Affairs, (Sept-Oct 2003).

D. Multinational Corporations

Robert Gilpin, The Challenge of Global Capitalism, ch. 6.

E. Case Study: Cotton and West Africa.