

**POLI 144 – International Political Economy  
Spring 2018**

**MWF 3:00 - 3:50 pm  
CENTR 113**

**Instructor:** Abigail L. Vaughn, [alvaughn@ucsd.edu](mailto:alvaughn@ucsd.edu)

**Office:** SSB 352

**Office Hours:** Mondays, 1:00 pm - 2:00 pm (and by appointment)

**Online Content:** <http://TritonEd.ucsd.edu>

**Teaching Assistant:** Alexandra Woodruff, [arwoodru@ucsd.edu](mailto:arwoodru@ucsd.edu)

**Office Hours:** By appointment (SSB 343)

**Description of the Course:**

This course provides an introduction to the study of international political economy. The course will explore the following questions: Why do countries adopt the economic policies they do? Why do they manage to cooperate economically in some cases but not others? How is globalization related to the process of economic growth? What role do domestic and international institutions play in facilitating or hindering economic exchange?

We'll see that the international economy affects, and is affected, by domestic and international politics. We will make extensive use of economic theory and insights from political science to understand how international economic interactions affect the incentives faced by political actors and how the behavior of those actors under different political institutions shape political and economic outcomes. The course will cover the following topics: trade, investment, migration, monetary relations, finance, development, and the consequences of globalization.

By the end of the course, you will be expected to:

- Identify the interests and policy preferences of relevant actors using economic theory;
- Explain why states cooperate economically in some areas but not others; and
- Evaluate the extent to which domestic and international institutions impact economic outcomes.

**Prerequisites:**

This is an advanced undergraduate course and the reading load is not light. There are no course prerequisites. However, students may find it helpful to have taken the introduction to international relations course.

**Course Requirements:**

Your grade will be based on the following:

*Participation (10%):* Students are expected to participate in class discussion. Students are expected to come to class having read the assigned readings.

*Data Assignments (20%):* Students will submit two short data assignments, each worth 10% of your grade. In these assignments, you will collect and analyze data (e.g. trade or FDI data) on a country that will be assigned to you and write up a one-page analysis. The

assignments will be handed out Friday and will be due the following Wednesday at the beginning of lecture. A rubric will be provided when the assignment is handed out.

*Midterm (20%)*: An in-class midterm exam will be based on all material (readings and lectures) up to that point in the class. The midterm exam is **Wednesday, May 9<sup>th</sup>**.

*Research Proposal (20%)*: Students will write a short proposal for a research paper. The goal of the proposal is to identify a new research question that should be answered in international political economy and using your knowledge from the class, provide a brief justification for why it is important to study your research question. We will spend some class time on how to identify research questions. The research proposal is due by the beginning of class on **June 4<sup>th</sup>** (hardcopy and Turn-It-In).

*Final (30%)*: The final exam will cover material from the entire course and consist of short answers and essay questions drawn from the readings and lectures. The final exam is Wednesday, **June 13<sup>th</sup>** from 3:00 pm to 5:59 pm.

### **Academic Dishonesty:**

You are expected to do your own work. Students are not permitted to use unauthorized assistance of any kind. Students caught cheating on exams or plagiarizing their assignments will receive a failing grade for the course and will be reported to the Academic Integrity Office for administrative sanction. If you have questions about what constitutes plagiarism, please contact me or the TA.

Students agree that by taking this course the required paper will be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted essays will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. Use of the Turnitin.com service is subject to the terms of use agreement posted on the Turnitin.com site.

**Attendance:** Class attendance is not mandatory but will be important for your performance on the exams. Much of the material that we will cover in lectures is not covered in the readings.

**Late Assignments:** It is your responsibility to submit your work on time. Late papers will be penalized half a letter grade for every 24-hour period past the due date. I will waive the late penalty only under valid and documented circumstances.

**Missed Exams:** Make-up exams will only be given under valid, documented, and extreme circumstances. If you know you will miss an exam for a legitimate reason, notify me at least a week in advance. If you are not able to contact me in advance, you must do so as soon as possible. I am a reasonable person and will work with you to resolve reasonable problems. It is your responsibility to arrange with me to take a make-up exam.

**Grade Appeals:** You can expect to be graded solely on your academic performance. This includes clarity of thought, knowledge of the material, composition, spelling, and grammar. Students can appeal grades that they believe are incorrect to me. The appeal will consist of a

single typed page that identifies the problem and presents a reasoned argument that the grade fits the appeal criteria listed above.

**Disability:** If you are a student with a documented disability who will be requesting accommodations in my class, please make sure you are registered with the Office for Students with Disabilities (University Center 202; 858.534.4382) and provide me with documentation outlining your accommodations. I am happy to meet with you privately during my office hours to discuss your needs.

**Readings:** The course readings will be drawn from various textbooks, academic journals, and news articles. The following book has been ordered at the bookstore and is recommended for purchase:

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

The book is also on reserve at the library. The remaining readings will be available on the course webpage. Please note that the readings are subject to change during the course according to the needs of the class.

## **COURSE SCHEDULE**

### **WEEK 1 (4/2 – 4/6)**

#### **Monday – Introduction to IPE and Globalization Overview**

#### **Wednesday– Theoretical Framework: Interests, Interactions, and Institutions**

- Introduction (Textbook)
- Adam Posen, “The Post-American World Economy, Globalization in the Trump Era,” *Foreign Affairs*, March/April 2018

#### **Friday – NO CLASS (*Professor at conference*)**

- No Readings

### **WEEK 2 (4/9 – 4/13)**

#### **Monday – What causes economic growth? Factor growth, property rights, and technology.**

- Ch. 27 – Rodrik, “The Past, Present, and Future of Economic Growth”
- Ch. 7 – Acemoglu, “Root Causes: A Historical Approach to Assessing the Role of Institutions in Economic Development”
- Ch. 28 – Sokoloff & Engerman, “History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World”

### **Wednesday – Trade and Growth: The Case for Comparative Advantage**

- Greico and Ikenberry, pp. 20-42
- *Recommended:*
  - o Oatley, pp. 46-53

### **Friday – Political Economy of Trade: Factors of Production; Consumers & Producers; Individual Preferences**

*\*Data assignment 1 distributed*

- Oatley, pp. 70-78
- Ch. 1 – Rogowski, “Commerce and Coalitions: How Trade Affects Domestic Political Alignments”
- Ch. 20 – Baker, “Who Wants to Globalize? Consumer Tastes and Labor Markets in a Theory of Trade Policy Beliefs”
- *Recommended:*
  - o Jensen, Quinn, and Weymouth (2016). “Winners and Losers in International Trade: The Effects on U.S. Presidential Voting,” NBER Paper 21899, pp. 1-15, 22, and 32-37.

### **WEEK 3 (4/16 – 4/20)**

#### **Monday – New Trade Theory & New New Trade Theory**

- Greico and Ikenberry pp. 43- 54
- Finegold, Jonathan, “Krugman’s Alternative Theory of Trade,” *Economic Thought* <http://www.economicthought.net/blog/2014/03/krugmans-alternative-theory-on-trade>
- *Recommended:*
  - o Jensen, Quinn, and Weymouth (2016). “Winners and Losers in International Trade: The Effects on U.S. Presidential Voting,” NBER Paper 21899, pp. 1-15, 22, and 32-37.
  - o Kim, In Song (2017). “Political Cleavages within Industry: Firm-Level Lobbying for Trade Liberalization, *American Political Science Review*. 111(1): 1-20.
  - o Osgood, Iain (2017). “The Breakdown of Industrial Opposition to Trade: Firms, Product Variety and Reciprocal Liberalization.” *World Politics*. 69 (1): 184-231.

#### **Wednesday– Trade & Domestic Institutions**

*\*Data assignment 1 due at the beginning of lecture*

- Ch. 18 – Eichengreen, “The Political Economy of the Smoot-Hawley Tariff”
- Ch. 8 – Bailey et al. “The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade”
- Ch. 5 – Schonhardt-Bailey, “Free Trade: The Repeal of the Corn Laws”
- *Recommended:*

- Autor, Dorn, Hanson, and Majlesi, “Importing Political Polarization? The Electoral Consequences of Rising Exposure to Trade,” 2016.
- Autor, Dorn, Hanson, and Majlesi, “A Note on the Effect of Rising Trade Exposure on the 2016 Presidential Election,” 2016.
- Feigenbaum, James J., and Andrew Hall. “How Legislators Respond to Localized Economic Shocks: Evidence from Chinese Import Competition.” *Journal of Politics* 77, no. 4 (2015).

### **Friday – Trade & International Institutions**

- Ch. 4 – Davis, “International Institutions and Issue Linkage: Building Support for Agricultural Trade Liberalization”
- Ch. 19 – Hicks et al. “Trade Policy, Economic Interests, and Party Politics in a Developing Country: The Political Economy of CAFTA-DR”
- Ch. 22 – Baldwin, “The World Trade Organization and the Future of Multilateralism”
- *Recommended:*
  - Council on Foreign Relations (CFR) backgrounder on the WTO: <http://www.cfr.org/international-organizations-and-alliances/world-trade-organization-wto/p9386>
  - Browse in WTO homepage (<http://www.wto.org/index.htm>); look especially at the tab *Trade Topics/Dispute Resolution* for some up-to-date cases.
  - Michael Johnson, “Here is what you need to know about the risks of a US trade war,” World Economic Forum, 09 March 2018. <https://www.weforum.org/agenda/2018/03/trade-war-trump-united-states-explainer/>
  - Edward Alden, “Trump, China, and Steel Tariffs: The Day the WTO Died,” Council on Foreign Relations, 09 March 2018. <https://www.cfr.org/blog/trump-china-and-steel-tariffs-day-wto-died>

### **WEEK 4 (4/23 – 4/27)**

#### **Monday – Multinational Corporations & Foreign Direct Investment: Why do firms invest abroad?**

- Ch. 9 – Caves, “The Multinational Enterprise as an Economic Organization”
- Ch. 10 – Pandya, “Labor Markets and Demand for Foreign Direct Investment”
- *Recommended:*
  - Oatley, “Multinational Corporations in the Global Economy,” pp. 158-179

#### **Wednesday – Political Economy of Foreign Direct Investment: What is the role institutions?**

- Ch. 11 – Simmons, “Bargaining over BITS, Arbitrating Awards: The Regime for Protection and Promotion of International Investment”
- Ch. 12 – Li & Resnick, “Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries”

- Sara Schonhardt, “Freeport Put \$12 Billion Into a Giant Mine; Now Indonesia Is Squeezing It Out,” *Wall Street Journal*, March 18, 2017.

**Friday – How to develop a research proposal?**

- No readings

**WEEK 5 (4/30 – 5/4)**

**Monday – Strategies of Development: Import Substitution Industrialization & Export Oriented Industrialization**

- Oatley, pp. 121- 128
- Oatley, pp. 133 -144

**Wednesday – International Production Networks and Outsourcing**

- Justin Yifu Lin, “From Flying Geese to Leading Dragons: New Opportunities and Strategies for Structural Transformation in Developing Countries,” *Global Policy*. 3:4. November 2012. pp. 397-409.
- Pierre-Richard Agénor, Otaviano Canuto, Michael Jelenic, “Avoiding middle-income growth traps,” *Vox*, December 2012

**Friday – Immigration: Is migration another form of trade? Why and when do countries encourage it or restrict it?**

- Ch. 23 – Freeman & Kessler, “Political Economy and Migration Policy”

**WEEK 6 (5/7 – 5/11)**

**Monday – Backlash to Immigration and Outsourcing**

- Ch. 24 – Peters, “Open Trade, Closed Borders: Immigration in the Era of Globalization”
- Ch. 33 – Mansfield & Mutz, “US versus Them: Mass Attitudes toward Offshore Outsourcing”

**Wednesday – Midterm (Bring a bluebook)**

**Friday – Capital Flows & Foreign Aid**

*\*Data assignment #2 distributed*

- Greico & Ikenberry, pp. 258-270
- Radelet, Steven. (2006). “A Primer on foreign Aid.” *Center for Global Development*, Working Paper 92.
- *Recommended:*
  - o Mckenzie Global Institute (2017). Chapter 2, “Financial Globalization is not Dead” and Chapter 3 “More Stability but Risks Remain” of *The New Dynamics of Financial Globalization*.

<http://www.mckinsey.com/industries/financial-services/our-insights/the-new-dynamics-of-financial-globalization>

## WEEK 7 (5/14 – 5/18)

### Monday – Monetary Policy

- Ch. 14 – Frieden, “Globalization and Exchange Rate Policy”
- Greico and Ikenberry, pp. 59-69
- *Recommended:*
  - o A useful supplement is a Khan Academy video:  
<https://www.khanacademy.org/economics-finance-domain/core-finance/money-and-banking/currency-tutorial/v/currency-effect-on-trade>

### Wednesday – The Political Economy of Exchange Rates

*\*Data assignment #2 due at the beginning of lecture*

- Ch. 13 – Aizenman. “The Impossible Trinity”
- Ch. 17 – Broz, “Political System Transparency and Monetary Commitment Regimes”
- *Recommended:*
  - o Mankiw, N. Gregory. “The Trilemma of International Finance.” *The New York Times*. July 11, 2010.
  - o Best, Jacqueline. “Bring Politics Back to Monetary Policy. How Technocratic Exceptionalism Fuels Populism” *Foreign Affairs*. December 6, 2017.

### Friday – Balance of Payments

- Greico and Ikenberry, p. 69-75

## WEEK 8 (5/21 – 5/25)

### Monday – Financial Crises: Types and Causes

- Ch. 2 – Frieden, “The Political Economy of Adjustment and Rebalancing”

### Wednesday – Global Financial Safety Net – How is international finance governed?

- Ch. 32 – Frieden, “The Governance of International Finance”
- Daniel Drezner (2014), “The System Worked: Global Economic Governance during the Great Recession,” *World Politics*, pp. 123-164.
- Barry Eichengreen and Ngaire Woods, “The IMF’s Unmet Challenges,” *Journal of Economic Perspectives*. Winter 2015, p. 29-53.
- *Recommended:*
  - o Backgrounder on IMF (<https://www.cfr.org/backgrounder/international-monetary-fund>)

### Friday – A Brief History of Financial Crises: Latin America and Asian Financial Crisis

- Oatley, “The Latin American Debt Crisis,” p. 298- 321
- Oatley, “A Decade of Crises,” p. 324 -332

## WEEK 9 (5/28 – 6/1)

### Monday – No Class (Memorial Day)

### Wednesday – The Great Financial Crisis

- Ch. 15 – Chinn & Frieden, “Borrowing, Boom, and Bust: The Capital Flow Cycle”
- The Economist’s introduction to Minsky’s theory of financial busts:  
<http://www.economist.com/news/economics-brief/21702740-second-article-our-series-seminal-economic-ideas-looks-hyman-minskys>
- “The Origins of the Financial Crisis: Crash Course,” *The Economist*, 7 September 2013. <http://www.economist.com/news/schoolsbrief/21584534-effects-financial-crisis-are-still-being-felt-five-years-article>

### Friday – Eurozone Crisis

- Ch. 16 – Copelovitch et al. “The Political Economy of the Euro Crisis”
- Richard Baldwin et al. “Rebooting the Eurozone: Step 1 – agreeing a crisis narrative,” CEPR Policy Insight No. 85 (November 2015)
- Kathleen McNamara, “The Euro in Decline? How the Currency Could Spoil the Global Financial System.” *Foreign Affairs*. January 12, 2018.

## WEEK 10 (6/4 - 6/8)

### Monday – What are the challenges to globalization?

#### \*Research Proposal Due

- Anne Harrison, “Globalization and Poverty: An Introduction,” in *Globalization and Poverty* University of Chicago Press, 2007.
- *Recommended:*
  - o Ch. 29 – Frankel, “Globalization and the Environment”

### Wednesday – Globalization & Inequality: How does openness affect inequality in poor and rich countries?

- Ch. 26 – Milanovic “Global Income Inequality in Numbers: In History and Now”
- “Revisiting Ricardo: why globalization is not reducing inequality within developing countries,” *The Economist*, 23 August 2014

### Friday – Pushback to Globalization and the Future of Economic Global Governance

- Ch. 30 – Ehrlich, “The Fair Trade Challenge to Embedded Liberalism”



- Robert H. Wade (2011). "Emerging World Order? From Multipolarity to Multilateralism in the G20, the World Bank, and the IMF," *Politics & Society*, 39: 347-377.
- *Recommended:*
  - o Becker *et al.* (2017) "Who Voted for Brexit? A Comprehensive District-Level Analysis," *Economic Policy*, 32 (92):601-650

***\*Final Exam on Wednesday, June 13th, from 3:00 pm to 5:59 pm***