

V53.0775 Introduction to International Political Economy Spring 2011

Instructor: Thomas Brambor

Email: tbrambor@nyu.edu

Class time: MW 3:30-4:45p

Location: SILV 208

Office hours: TUES 10:00-12:00

Prerequisites: V53.0700 International Politics

Course Description:

This course seeks to provide an introduction to the questions and concepts in International Political Economy. It will present an overview of current and historical global economic relations and systematically analyze the politics that shape these outcomes. A common theoretical framework using the tools of economics will be applied to understand issues of political behavior and institutions. Particular topics of interest include production and trade, monetary and fiscal policy, development, foreign aid, multinational corporations, and the environment.

Prerequisites:

The prerequisite for taking this course is previous **completion of V53.0700 International Politics**. No background in economics is required. Nonetheless, some familiarity with economic reasoning obtained from an introduction to economics will provide a head-start.

Texts:

There are **two required books** for the class, both of which are available at the NYU Bookstore or from other online vendors of your choosing:

Balaam, David N., and Bradford Dillman. 2010. *Introduction to International Political Economy*. 5th ed. Longman.

Rivoli, Pietra. 2009. *The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power, and Politics of World Trade*. 2nd ed. Wiley.

Additional readings are listed below. A link to an online depository of the readings will be provided on the Blackboard website (and here: <http://db.tt/5IGFPz5>). Throughout the semester, additional readings, recommended material, information on current events etc. will be posted on the class website as well. You are expected to do all **reading in advance**, as assigned on the reading list and class website. Failure to do so will hamper your ability to understand the lectures, perform well on examinations, and may reflect negatively on your participation grade.

For lectures, I also at times draw on material of other well-known texts in the field. These books are not required. They are recommended if you want to get an alternative

perspective on a particular topic in which you are interested in and are generally a good read:

Frieden, Jeffrey A. 2006. *Global capitalism: Its fall and rise in the twentieth century*. WW Norton.

Frieden, Jeffrey A., and Michael Tomz. 2000. *Modern Political Economy And Latin America: Theory And Policy*. Westview Press.

Frieden, Jeffrey A., David A. Lake, and J. Lawrence Broz. 2009. *International Political Economy: Perspectives on Global Power and Wealth*. Fifth Edition. W. W. Norton & Company.

Grieco, Joseph M., and G. John Ikenberry. 2003. *State power and world markets: the international political economy*. W.W. Norton.

Oatley, Thomas H. 2009. *International Political Economy*. Pearson Longman.

For background on the economic issues discussed in class, I recommend:

Krugman, P. R., and M. Obstfeld. 2008. *International economics: theory and policy*. Addison-Wesley.

Schmitt-Grohé, Stephanie, and Martín Uribe. 2011. *International Macroeconomics*. <http://www.columbia.edu/~mu2166/UIM/notes.pdf> [Free online textbook]

In this course, I will at times use current events to motivate some topics and lectures. To benefit from these discussions, I expect you to stay abreast of the most important developments in global economic and political affairs. Good news sources to do so are, among others, The Economist (use the “The world this week” section for a quick overview), the NYTimes, Wall Street Journal, Financial Times, and NPR (podcasts: Marketplace, The World).

Course Requirements:

Participation (25%):

20% for preparation and presentation in Taking Sides Debates and general attendance and participation. 5% for taking sides policy debate questions due on the day of the discussion in class (Note: taking sides questions must be typed. Showing up to class late after the taking sides debates starts will result in your taking sides questions not being accepted.)

Midterm Exam (20%):

An in-class midterm examination. You will be asked to identify important concepts and events discussed in class and the required readings.

Book Review (20%):

A five page book review of Pietra Rivoli’s “The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power, and Politics of World Trade”.

Final Exam (35%)

The final exam has two parts. The first part is analogous to the midterm and asks you to identify and discuss a set of important concepts discussed in lecture. The second part is

composed of one or two essay questions similar to the Taking Sides debates. You will be able to choose from a set of possible questions.

Please check exam dates. If, due to exceptional circumstances, a student cannot take the midterm she/he should contact Prof. Brambor asap. The makeup format for the midterm is a 15 page research paper.

Policies:

Academic Integrity

This course is based on the principles of academic integrity established by NYU and agreed to by each student. Academic dishonesty will not be tolerated. All submitted work, including take-home exams, must be your own work and properly cited. The full guidelines on academic integrity for the College of Arts and Science can be found here: <http://cas.nyu.edu/page/ug.academichandbook.html>

If you need a review of how or what to cite, please take a look here: <http://library.duke.edu/research/plagiarism/>

Late Assignment Policy

Late assignments not excused by a doctors note or pre-arranged agreement will be docked 1/3 letter grade per 24 hour period.

Formatting of Assignments

All assignments are to be handed in typed (double spaced, typeface Times New Roman, font size 12pt, 1inch margins, pages numbered).

Writing Center

The Writing Center provides help for students who need assistance with a particular writing assignment or anyone who just wants to improve his or her writing.

Writing Center 411 Lafayette Street, 3rd and 4th Floors, 998-8866

writingcenter@nyu.edu

Other

Turn off or silence your cell phones prior to the beginning of class. I reserve the right to answer all calls (your's, not mine) received during class time and let your friends know what you are learning that day.

Feel free to use laptops in class. Respecting your classmates and myself, please refrain from using Facebook, shopping sites or other random distractions during class.

Lecture slides will not be made available on blackboard. I believe that learning and understanding is better served when you need to aggregate and structure your notes yourself.

I am most easily reached via email under tbrambor@nyu.edu. I will try to respond within 24h of the email, however, may take up to 48h. Please consider these response times when asking about assignments, exams etc.

Overview Lectures

1. Introduction to IPE	5
2. Rise of Global Capitalism	5
3. Traditional Theoretical Approaches	5
4. Traditional Theoretical Approaches contd.	5
5. Political Economy of the World Trade System	5
6. T-shirt Journey into Global Economy begins	6
7. Politics of International Trade Cooperation	6
8. T-shirt Journey into Global Economy cont/d	6
9. President's Day - No class [Mon, Feb 21]	7
10. 1st Taking Sides Debate: Labor Standards in the WTO	7
11. Society and State centered Approaches to Trade Politics	7
12. T-shirt Journey into Global Economy cont/d	7
13. 2nd Taking Sides Debate : How to deal with negative effects of trade?	7
14. Midterm Exam [Wed, Mar 9] [14]	8
15. Spring Break [Mon, Mar 14] [15]	8
16. Spring Break [Wed, Mar 16] [16]	8
17. The Political Economy of the Global Monetary System	8
18. International Monetary Relations - State vs. Society Explanations	8
19. 3rd Taking Sides Debate: US-China Exchange Rate Dispute	9
20. International Debt and Financial Crises in Rich Countries	9
21. Foreign Capital and Economic Development	9
22. 4th Taking Sides Debate: Debt Relief	10
23. Development Strategies: ISI	10
24. Development Strategies: Export-led Industrialization	10
25. Development and Foreign Aid	10
26. Multinational Corporations - Pol of MNC's in the Global Econ	11
27. 5th Taking Sides Debate : The Race to the Bottom	11
28. Democracy, Corruption, and Development	11
29. Natural Resources	11
30. Environment	12
31. Current Controversies about Globalization	12

1. Introduction to IPE

What is IPE? Why study it? Course Organization

Readings:

Balaam ch1

Recommended:

Economist Intelligence Unit, Global Forecasting Service, <http://gfs.eiu.com>

2. Rise of Global Capitalism

History of Capitalism. How did we get to a free trade equilibrium?

Readings:

Rivoli, "Preface & Prologue"

Clark, Gregory. 2008. *A Farewell to Alms: A Brief Economic History of the World*. Princeton University Press. chapter 1

Recommended:

Frieden, J. A. 2006. *Global capitalism: Its fall and rise in the twentieth century*. WW Norton.

PBS Commanding Heights <http://www.pbs.org/wgbh/commandingheights/lo/index.html>

3. Traditional Theoretical Approaches

Traditional Approaches to studying IPE, part I: Economic Liberalism

Readings:

Balaam ch 2

Reread Bueno de Mesquita, Bruce. 2009. *Principles of International Politics*. 4th ed. CQ Press. Introduction and pp.116-137

Recommended:

Stiglitz, J. E. 2007. *Making globalization work*. WW Norton & Company.

4. Traditional Theoretical Approaches contd.

Traditional Approaches to studying IPE, part II: Mercantilism, Marxism. Alternatives.

Readings:

Balaam ch.3&4

Recommended:

Lenin, V. I. 1999 [1917]. *Imperialism: The highest stage of capitalism*. Resistance Books.

Part I: Production and Trade

5. Political Economy of the World Trade System

World Trade System. WTO/GATT

Readings:

Balaam ch.6

Recommended:

Milner, Helen V. 1999. "The Political Economy of International Trade." *Annual Review of Political Science* 2(1): 91-114.

Winters, L. Alan, Neil McCulloch, and Andrew McKay. 2004. "Trade Liberalization and Poverty: The Evidence so Far." *Journal of Economic Literature* 42(1): 72-115.

BNA International Trade Daily <http://news.bna.com/tdln/>

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

Tomz, Michael, Judith L. Goldstein, and Douglas Rivers. 2007. "Do We Really Know That the WTO Increases Trade? Comment." *The American Economic Review* 97(5): 2005-2018.

6. T-shirt Journey into Global Economy begins

Rivoli, "Part 1 King Cotton". Agricultural policies.

Readings:

Rivoli, "Part 1 King Cotton" pp 1– 73

The Economist "Farm subsidies: Uncle Sam's teat. Can America's farmers be weaned from their government money?." <http://www.economist.com/node/7887994/print>

The Economist. "Cotton: A tangle of troubles. America's cotton-farmers are worried about both drought and Doha." <http://www.economist.com/node/7196830>

Recommended:

Bates, Robert H. 1981. *Markets and states in tropical Africa : the political basis of agricultural policies*. Berkeley: University of California Press.

Anderson, K., and W. Martin. 2005. "Agricultural trade reform and the Doha Development Agenda." *The World Economy* 28(9): 1301–1327.

WTO. "Agriculture - gateway." http://www.wto.org/english/tratop_e/agric_e/agric_e.htm

Environmental Working Group. "EWG Farm Subsidy Database." <http://farm.ewg.org/>

7. Politics of International Trade Cooperation

Why trade? Politics of Trade cooperation. Regional Trade Agreements

Readings:

Balaam ch.12 [selected pages: pp. 395-203; pp.306-307 CAP]

Krugman, P., R. N Cooper, and T. N. Srinivasan. 1995. "Growing world trade: causes and consequences." *Brookings Papers on Economic Activity*: 327–377.

Recommended:

Irwin, D. A. 1997. *Against the tide: An intellectual history of free trade*. Princeton Univ Press

Pruzin, Daniel. 2011. "2011 International Trade Outlook." *International Trade Daily*.

http://news.bna.com/tdln/TDLNWB/split_display.adp?fedfid=19009671&vname=itdbulallissues&fcn=6&wsn=496433500&fn=19009671&split=0

8. T-shirt Journey into Global Economy cont/d

Rivoli, "Part II Made in China"

Readings:

Rivoli, "Part II Made in China" pp 75-139

Balaam ch.13 [pp.338-348]

Recommended:

Kwan, C. H. 2002. "The rise of China and Asia's flying-geese pattern of economic development: an empirical analysis based on US import statistics." *NRI papers* 52: 1.

Freeman, Richard B. 1995. "Are Your Wages Being Set in Beijing?" *The Journal of Economic Perspectives* 9 (3): 15-32. <http://www.jstor.org/stable/2138423>

9. President's Day - No class [Mon, Feb 21]

10. 1st Taking Sides Debate: Labor Standards in the WTO

"How can labor abuses in developing countries be reduced and labor conditions improved?"

Labor standards OR Further liberalizing trade

Readings:

Krugman, P. "In Praise of Cheap Labor: Bad jobs at bad wages are better than no jobs at all." *The Accidental Theorist, and Other Dispatches from Dismal Science*.

Miller, John. 2003. "Why Economists Are Wrong about Sweatshops and the Antisweatshop Movement." *Challenge* 46(1): 93-122

Gary Burtless, 2001. "Labor Standards and Global Trade: Workers' Rights," *The Brookings Review*, Vol. 19 No 4 (Fall): 10-13.

Elliott, Kimberly Ann, and Richard Barry Freeman. 2003. Chapter 1 "Globalization versus Labor Standards" in *Can labor standards improve under globalization?* Peterson Institute.

11. Society and State centered Approaches to Trade Politics

How is trade politics determined? Who wins and who loses?

Readings:

Hiscox, M. J. 2001. "Class versus industry cleavages: inter-industry factor mobility and the politics of trade." *International Organization* 55(01): 1-46.

Recommended:

Eichengreen, Barry. 1986. "The Political Economy of the Smoot-Hawley Tariff." National Bureau of Economic Research. <http://ideas.repec.org/p/nbr/nberwo/2001.html>

Rogowski, R. 1987. "Political cleavages and changing exposure to trade." *The American Political Science Review* 81(4): 1121-1137.

Hiscox, M. J. 2002. *International trade and political conflict: commerce, coalitions, and mobility*. Princeton Univ Press

Hamilton, A. 1791. "Report on Manufactures."

Olson, M. 1965. *The Logic of Collective Action: Public Goods and the Theory of Goods*. Cambridge: Harvard University Press.

12. T-shirt Journey into Global Economy cont/d

Rivoli, " Part III Trouble at the Border"

Readings:

Rivoli, " Part III Trouble at the Border" pp 141- 211

13. 2nd Taking Sides Debate : How to deal with negative effects of trade?

"How should governments react to the economic disruptions caused by trade?"

Protectionism Or Adjustment Assistance

Readings:

Scott, R. E. 2008. "The China Trade Toll: Widespread Wage Suppression, 2 Million Jobs Lost in the US." *EPI Briefing Paper* 219.

Irwin, Douglas A. 2009. "Protectionism: Economic Costs, Political Benefits?" In *Free trade under fire*, Princeton Univ Press. [book chapter]

Rosen, H. F. 2008. "Strengthening trade adjustment assistance." *Peterson Institute for International Economics Policy Brief*. 08–2.

Scheve, K. F, and M. J Slaughter. 2007. "A New Deal for Globalization." *Foreign Affairs*.

Recommended:

Hoekman, Bernard, and Susan Prowse. 2005. "Economic Policy Responses to Preference Erosion: From Trade as Aid to Aid for Trade." *SSRN eLibrary*.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=821427

14. Midterm Exam [Wed, Mar 9] [14]

ID questions. Questions on required readings.

15. Spring Break [Mon, Mar 14] [15]

16. Spring Break [Wed, Mar 16] [16]

BOOK REVIEW DUE on Monday, Mar 21 at the beginning of class

[turn in on blackboard before class AND hard copy at beginning of class]

read Rivoti, "Part IV My T-Shirt Finally Encounters a Free Market." pp 213 - 261

Part II: International Monetary and Finance Structure

17. The Political Economy of the Global Monetary System

Exchange-Rate Systems. Bretton Woods. IMF. Currency Conflicts

Readings:

Balaam ch 7

Recommended:

Broz, J. Lawrence, and Jeffrey A. Frieden. 2001. "The Political Economy of International Monetary Relations." *Annual Review of Political Science* 4(1): 317-343.

Bernhard, William, J. Lawrence Broz, and William Roberts Clark. 2002. "The Political Economy of Monetary Institutions." *International Organization* 56(04): 693-723.

Business Insider. "Why Latin America Hates QE2."

<http://www.businessinsider.com/why-latin-america-hates-qe2-2011-1>

18. International Monetary Relations - State vs. Society Explanations

Determinants of Exchange Rate Policies

Readings:

Broz, L. J, and J. A Frieden. 2005. "The political economy of exchange rates." *The Oxford Handbook of Political Economy*: 587–597.

Bernhard, William, and David Leblang. 1999. "Democratic Institutions and Exchange-Rate Commitments." *International Organization* 53(01): 71-97.

Recommended:

The Economist. 2006. "McCurrencies." <http://www.economist.com/node/6972477/print>

19. 3rd Taking Sides Debate: US-China Exchange Rate Dispute

Does China manipulate its currency? Should US pressure China to revalue or allow a gradual realignment? What are the costs of each policy option?

China needs to revalue the Renminbi OR gradual movement to flexible currency arrangement

[Debate by US vs. China team]

Readings:

Bergsten, C. F. 2010. "Beijing Is Key to Creating More U.S. Jobs." *Foreign Policy*.

http://www.foreignpolicy.com/articles/2010/04/14/china_the_job_killer

Eichengreen, Barry. 2010. "Why China is Right on the Renminbi." *Project Syndicate*.

<http://www.project-syndicate.org/commentary/eichengreen16/English>

Recommended:

Eichengreen, Barry. 2004. "Chinese Currency Controversies." *SSRN eLibrary*.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=549261

U.S. Department of the Treasury. 2010. *Semiannual Report on International Economic and Exchange Rate Policies*.

<http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Foreign%20Exchange%20Report%20July%202010.pdf>

[Section on China only]

20. International Debt and Financial Crises in Rich Countries

Sovereign Debt. Recent financial crisis. EU debt crisis

Readings:

Balaam ch 8

Johnson, S. 2009. "The quiet coup." *The Atlantic* 19.

Recommended:

Sacasa, N. 2008. "Preventing future crises." *Finance & Development* 45(4): 11–14.

Reinhart, Carmen M., and Kenneth Rogoff. 2008. "This Time Is Different: A Panoramic View of Eight Centuries of Financial Crises." *SSRN eLibrary*.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1106608

Tomz, M. 2007. *Reputation and international cooperation: Sovereign debt across three centuries*. Princeton Univ Press

Eichengreen, Barry, and Kevin H. O'Rourke. 2010. "A tale of two depressions: What do the new data tell us?." *Voxeu.org*. <http://www.voxeu.org/index.php?q=node/3421>

21. Foreign Capital and Economic Development

Financial crises in developing countries.

Readings:

Balaam ch 8 (again)

Recommended:

Nouriel Roubini's site <http://www.roubini.com/>

Blustein, Paul. 2003. *The chastening: inside the crisis that rocked the global financial system and humbled the IMF*. PublicAffairs.

22. 4th Taking Sides Debate: Debt Relief

Should debt of poor countries be forgiven?

Readings:

Easterly, William. 2001. "Debt Relief." *Foreign Policy* (127): 20-26.

Easterly, W. 2002. "How did heavily indebted poor countries become heavily indebted? Reviewing two decades of debt relief." *World Development* 30(10): 1677–1696.

Sachs, Jeffrey. 2002. "Resolving the Debt Crisis of Low-Income Countries." *Brookings Papers on Economic Activity* 2002(1): 257-286.

Part III: Topics in International Political Economy**23. Development Strategies: ISI**

Development strategies; Import Substitution Industrialization

Readings:

Balaam, ch 11

Recommended:

Frieden, Jeffrey A, and Michael Tomz. 2000. *Modern Political Economy And Latin America: Theory And Policy*. Westview Press.

24. Development Strategies: Export-led Industrialization

Development strategies contd. Export Oriented Industrialization. Washington Cons.

Readings:

Rodrik, Dani. 1994. *King Kong Meets Godzilla: The World Bank and The East Asian Miracle*. C.E.P.R. Discussion Papers. <http://ideas.repec.org/p/cpr/ceprdp/944.html>

Williamson, J. 1990. "What Washington means by policy reform." *Latin American adjustment: how much has happened*: 7–20.

Recommended:

Williamson, J. 1994. *The political economy of policy reform*. Peterson Institute.

25. Development and Foreign Aid

Who gives and who receives foreign aid? Does foreign aid work?

Readings:

Alesina, Alberto, and David Dollar. 2000. "Who Gives Foreign Aid to Whom and Why?." *Journal of Economic Growth* 5(1): 33-63.

Tarnoff, C., and M. L Lawson. 2009. "Foreign Aid: An Introduction to US Programs and Policy."

Glennie, Jonathan. 2010. "What's driving the rise of southern aid agencies?." *Guardian*. <http://www.guardian.co.uk/global-development/poverty-matters/2011/jan/20/south-africa-aid-agency-motivation/print>

Recommended:

Easterly, W. 2006. *The white man's burden: why the West's efforts to aid the rest have done so much ill and so little good*. Penguin Press New York. [for a short version of part of the argument see Easterly, W. 2002. "The cartel of good intentions: the problem of bureaucracy in foreign aid." *Journal of Economic Policy Reform* 5(4): 223–250.]

Sachs, J. 2006. *The end of poverty: Economic possibilities for our time*. Penguin Group USA.

26. Multinational Corporations - Pol of MNC's in the Global Econ

Foreign Direct Investment. Politics of MNCs.

Readings:

Balaam ch.17

Recommended:

UNCTAD. 2010. "World Investment Report."

Caves, R. E. 2007. "Multinational enterprise and economic analysis." In *International Political Economy: Perspectives on Global Power and Wealth*, Cambridge Univ Pr.

27. 5th Taking Sides Debate : The Race to the Bottom

"How should governments respond to the threat of regulatory competition resulting in a 'race to the bottom'?"

International Regulatory Rules OR National Restrictions

Readings:

Drezner, Daniel W. 2001. "Globalization and Policy Convergence." *International Studies Review* 3(1): 53-78.

Drezner, Daniel W. 2000. "Bottom Feeders." *Foreign Policy* (121): 64-70.

Debra Spar, and David Yoffie. 1999. "Multinational enterprises and the prospects for justice." *Journal of International Affairs* 52(2): 557.

28. Democracy, Corruption, and Development

Do institutions cause growth? Can democracy reduce corruption?

Readings:

Acemoglu, D. 2003. "Root causes: A historical approach to assessing the role of institutions in economic development." *Finance & Development* 40(2): 27-43.

Shleifer, Andrei, and Robert W. Vishny. 1993. "Corruption." *The Quarterly Journal of Economics* 108(3): 599-617.

Recommended:

Mauro, Paolo. 1995. "Corruption and Growth." *The Quarterly Journal of Economics* 110(3): 681-712.

Glaeser, Edward L. et al. 2004. "Do Institutions Cause Growth?." *Journal of Economic Growth* 9(3): 271-303.

Rodrik, D., A. Subramanian, and F. Trebbi. 2004. "Institutions rule: the primacy of institutions over geography and integration in economic development." *Journal of Economic Growth* 9(2): 131-165.

Sokoloff, Kenneth L., and Stanley L. Engerman. 2000. "History Lessons: Institutions, Factors Endowments, and Paths of Development in the New World." *The Journal of Economic Perspectives* 14(3): 217-232.

29. Natural Resources

Are natural resources good or bad for growth and democracy?

Readings:

Balaam ch 19

Recommended:

Sachs, Jeffrey D., and Andrew M. Warner. 1995. "Natural Resource Abundance and Economic Growth." National Bureau of Economic Research Working Paper Series No. 5398.

Ross, M. 1999. "The Political Economy of the Resource Curse." *World Politics* 51(2): 297-322.

Haber, Stephen, and Victor Menaldo. 2010. "Do Natural Resources Fuel Authoritarianism?"

Djankov, Simeon, Jose Montalvo, and Marta Reynal-Querol. 2008. "The curse of aid." *Journal of Economic Growth* 13(3): 169-194.

Brunnschweiler, Christa N., and Erwin H. Bulte. 2008. "The resource curse revisited and revised: A tale of paradoxes and red herrings." *Journal of Environmental Economics and Management* 55(3): 248-264.

30. Environment**Readings:**

Balaam ch 20

Recommended:

Frankel, Jeffrey A., and Andrew K. Rose. 2011. "Is Trade Good or Bad for the Environment? Sorting Out the Causality." *Review of Economics and Statistics* 87(1): 85-91.

Gemmill, Barbara, and Abimbola Bamidele-Izu. "The Role of NGOs and Civil Society in Global Environmental Governance." In *Global Environmental Governance: Options and Opportunities*, New Haven, CT: Yale School of Forestry and Environmental Studies.

<http://environment.yale.edu/documents/downloads/a-g/gemmill.pdf>

31. Current Controversies about Globalization**Readings:**

TBA

FINAL EXAM, Wed 05/11/2011 4:00-5:50pm