

University of Pennsylvania  
Political Science 250  
International Political Economy  
Spring 2003

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Office hours: Tuesdays/Thursdays 1:30-2:30

## **DESCRIPTION**

This is the introductory course to the study of international political economy. Its primary focus will be the reciprocal interaction between markets and political behavior in a social environment unique for the decentralization of political authority, namely the international system. We will explore such questions as why do states trade? Under what conditions do governments restrict international commerce? How does capital mobility constrain national economic policy? What is the role of international organizations such as the IMF and the World Bank in fostering development? Do extensive natural resource endowments limit long-term economic growth? The course is structured so as to create a dialogue between scholarship in political science and economics on three broad topics: the political economy of international trade, international finance, and development. At the beginning of each section, we will spend the first few classes introducing economic theories that explain the causes and consequences of international commerce, capital flows, and economic growth. The rest of each section will then explore how political interests, institutions, and ideas alter these predictions.

## **COURSE REQUIREMENTS**

There will be four requirements for this course. First, a mid-term examination will be given in class on Thursday, March 6. Second, you will write two brief argumentative essays (4 to 6 pages). The will be due at the start of class on February 11 and April 17. Late papers will be penalized by 1/3 of a letter grade for each day they are late. A list of three or four questions will be distributed one week prior to each paper's due date. Third, there will be two quizzes randomly given throughout the quarter. These quizzes will be given in the first portion of a class and cover the readings and lecture material from the previous class and the readings assigned for the date of the quiz. Finally, a comprehensive final exam will be given during the assigned exam period. A series of potential questions for the exam will be distributed on the final day of class. These four requirements will provide the following components of your final grade:

Quizzes (2 * 5%)	10%
Midterm	20%
Essays (2 * 15%)	30%
Final Exam	40%

## READING MATERIALS

The reading material for the course will be made available through three primary formats. First, we will read a number of articles that are available at the Penn library's e-journal collection (generally through JSTOR). Second, a packet of reading materials not available online will be disbursed through Wharton reprographics. Finally, the following required texts are available at the Penn bookstore. If you choose not to buy these books, they have also been placed on reserve at Lippincott.

Robert H. Bates. 2001. *Prosperity and Violence: The Political Economy of Development*. New York: Norton.

Barry Eichengreen. 1996. *Globalizing Capital: A History of the International Monetary System*. Princeton, NJ: Princeton University Press.

Jeffrey A. Frieden and David A. Lake, eds. 2000. *International Political Economy: Perspectives on Global Power and Wealth*. Belmont, CA: Wadsworth. (also labeled as F-L)

Douglas A. Irwin. 2002. *Free Trade Under Fire*. Princeton, NJ: Princeton University Press.

Joseph E. Stiglitz. 2002. *Globalization and Its Discontents*. New York: Norton.

## CLASS SCHEDULE

Tuesday, January 14

Introduction

### I. THE POLITICAL ECONOMY OF INTERNATIONAL TRADE

#### A. Economic theories of international trade

Thursday, January 16

The Ricardian Model of Trade

Irwin, *Free Trade Under Fire*, pp. 1-69

Tuesday, January 21

Specific Factors Model and the Heckscher-Ohlin framework

## **B. Why do states deviate from free trade?**

Thursday, January 23

Public goods problems, hegemonic stability theory

Stephen Krasner, State Power and the Structure of International Trade, in F-L, pp. 19-36.

David A. Lake, British and American Hegemony Compared: Lessons for the Current Era of Decline, in F-L, pp. 127-139.

Tuesday, January 28

Problems of strategic interaction, the prisoner's dilemma

Robert O. Keohane. 1982. The Demand for International Regimes. *International Organization* 36(2): 325-355. **(JSTOR)**

<http://links.jstor.org/sici?sici=0020-8183%28198221%2936%3A2%3C%3E1.0.CO%3B2-M>

Douglas Irwin, *Free Trade Under Fire*, pp. 111-137.

Thursday, January 30

The Bretton Woods Trading Order

Douglas Irwin, *Free Trade Under Fire*, pp. 138-190

Tuesday, February 4

The security externalities of trade

Joanne Gowa and Edward D. Mansfield. 1993. Power Politics and International Trade. *American Political Science Review* 87(2): 408-420. **(JSTOR)**

<http://links.jstor.org/sici?sici=0003-0554%28199306%2987%3A2%3C%3E1.0.CO%3B2-A>

Edward Mead Earle. 1986. Adam Smith, Alexander Hamilton, Friedrich List: The Economic Foundations of Military Power. In *Makers of Modern Strategy: From Machiavelli to the Nuclear Age*, ed. Peter Paret, ed. 217-261. Princeton, NJ: Princeton University Press. (reading packet)

Thursday, February 6 (8)

International cartels and problems of dependence: the case of oil

Edward L. Morse and James Richard. 2002. The Battle for Energy Dominance. *Foreign Affairs* 81(2): 16-31. (reading packet)

Shibley Telhami et al. 2002. Does Saudi Arabia Still Matter? *Foreign Affairs* 81(6): 167-178. (reading packet)

Eric Rouleau. 2002. Trouble in the Kingdom. *Foreign Affairs* 81(4): 75-89. (reading packet)

Tuesday, February 11

The domestic political economy of protection

Peter Alexis Gourevitch, International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873-1896, in F-L, pp. 90-108.

Ronald Rogowski, Commerce and Coalitions: How Trade Affects Domestic Political Alignments, in F-L, 318-326.

James E. Alt and Michael Gilligan, The Political Economy of Trading States, Collective Action Problems, and Domestic Political Institutions, in F-L, pp. 327-342.

Douglas Irwin, *Free Trade Under Fire*, pp. 70-110.

**\*\*PAPER #1 DUE\*\***

Thursday, February 13

Globalization backlash (part 1)—the displacement of labor

Richard Freeman, Are Your Wages Set in Beijing? in F-L, pp. 343-352

Douglas Irwin, *Free Trade Under Fire*, pp. 209-224.

Robert J.S. Ross and Anita Chan. From North-South to South-South: The True Face of Global Competition. *Foreign Affairs* 81(5): 8-13. (reading packet)

Dani Rodrik, Sense and Nonsense in the Globalization Debate, in F-L, pp. 461-470.

### **C. Contemporary Issues in International Trade**

#### Tuesday, February 18

Globalization backlash (part 2)—the environment

Michael M. Weinstein and Steve Charnovitz. 2001. The Greening of the WTO. *Foreign Affairs* 80(6): 147-156. (reading packet)

Douglas Irwin, *Free Trade Under Fire*, pp. 191-209.

Alison Butler, Environmental Protection and Free Trade: Are They Mutually Exclusive? in F-L, pp. 433-445.

Steven Sanderson. 2002. The Future of Conservation. *Foreign Affairs* 81(1): 162-173. (reading packet)

#### Thursday, February 20

New trade issues—intrafirm trade; strategic trade; competitiveness

Jeffrey A. Hart and Aseem Prakash, Strategic Trade and Investment Policies: Implications for the Study of International Political Economy, in F-L, pp. 180-191.

Richard E. Caves, The Multinational Enterprise as an Economic Organization, in F-L, pp.145-155.

Paul Krugman. 1994. Competitiveness: A Dangerous Obsession. *Foreign Affairs* 73(2): 28-44. (reading packet)

#### Tuesday, February 25

Economic Regionalism

Ronald W. Cox, Explaining Business Support for Regional Trade Agreements, in F-L, pp. 366-376

Fred C. Bergsten. 2001. America's Two-Front Economic Conflict. *Foreign Affairs* 80(2): 16-16-27. (reading packet)

Edward D. Mansfield and Helen V. Milner. 1999. The New Wave of Regionalism. *International Organization* 53(3): 589-627. (Available on ejournals at library website through MIT not JSTOR)

<http://rudolfo.ingentaselect.com/vl=7255116/cl=25/nw=1/rpsv/catchword/mitpress/00208183/v53n3/contp1-1.htm>

## II. THE POLITICAL ECONOMY OF INTERNATIONAL FINANCE

Thursday, February 27

Introduction to monetary policy

Barry Eichengreen, *Globalizing Capital*, pp. 3-44 (chs. 1-2)

Tuesday, March 4

The Unholy Trinity and international financial stability

Barry Eichengreen, *Globalizing Capital*, pp. 45-92.

Benjamin J. Cohen, The Triad and the Unholy Trinity: Problems of International Monetary Cooperation, in F-L, pp. 245-256.

Thursday, March 6

**\*\*MIDTERM\*\***

Tuesday, March 18

The problems of financial cooperation

Lawrence Broz, The Domestic Politics of International Monetary Order: The Gold Standard, in F-L, pp. 199-220.

Barry Eichengreen, Hegemonic Stability Theories of the International Monetary System, in F-L, pp. 220-244.

Jeffrey A. Frieden, Exchange Rate Politics, in F-L, pp. 257-269.

Thursday, March 20

The International Financial Infrastructure: The IMF and the Bretton Woods Order

Joseph E. Stiglitz, *Globalization and Its Discontents*, pp. 3-22.

Barry Eichengreen, *Globalizing Capital*, pp. 93-135 (Ch. 4)

John Gerard Ruggie. 1982. International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order. *International Organization* 36(2): 379-415. (JSTOR)

<http://links.jstor.org/sici?sici=0020-8183%28198221%2936%3A2%3C%3E1.0.CO%3B2-M>

Tuesday, March 25

The Asian Financial Crisis

Joseph E. Stiglitz, *Globalization and Its Discontents*, pp. 89-132.

Gregory W. Noble and John Ravenhill. 2000. Causes and Consequences of the Asian Financial Crisis. In *The Asian Financial Crisis and the Architecture of Global Finance*, ed., Gregory W. Noble and John Ravenhill, pp. 1-35. New York: Cambridge University Press. (reading packet)

Thursday, March 27

Globalization and the end of the state?

John B. Goodman and Louis W. Pauly, The Obsolescence of Capital Controls? Economic Management in an Age of Global Markets, in F-L, pp. 280-297.

Philip G. Cerny, Globalization and the Changing Logic of Collective Action, in F-L, pp. 446-460.

Martin Wolf. 2001. Will the Nation-State Survive Globalization? *Foreign Affairs* 80(1): 178-190. (reading packet)

Tuesday, April 1

Undermining the state from above? European monetary union

Charles Wyplosz, EMU: Why and How it Might Happen, in F-L, pp. 270-279.

Barry Eichengreen, *Globalizing Capital*, pp. 136-187 (chapter 5)

### III. THE POLITICAL ECONOMY OF DEVELOPMENT

Thursday, April 3

Introduction—the politics of economic growth

Robert H. Bates, *Prosperity and Violence*, (all).

Douglas C. North, Institutions and Economic Growth: A Historical Introduction, in F-L, pp. 47-59.

Tuesday, April 8

The politics of growth (ctd)

Jeffrey A. Frieden, International Investment and Colonial Control: A New Interpretation, in F-L, pp. 109-126.

Stephan Haggard, Inflation and Stabilization, in F-L, pp. 417-429.

Joseph E. Stiglitz and Lyn Squire, International Development: Is it Possible? in F-L, pp. 383-391.

Thursday, April 10

FDI, MNCs, and Development

Shah M. Tarzi, Third World Governments and Multinational Corporations, in F-L, pp. 156-166.

David Fieldhouse, "A New Imperial System"? The Role of the Multinational Corporations Reconsidered, in F-L, pp. 167-179.

Tuesday, April 15

Development and the Role of International Organizations

Robin Broad, John Cavanagh, and Walden Bello, Development: The Market is Not Enough, in F-L, pp. 392-404.

Joseph E. Stiglitz, *Globalization and Its Discontents*, pp. 23-88, 180-194.

Thursday, April 17

Class debate on the IMF

Joseph E. Stiglitz, *Globalization and Its Discontents*, pp. 133-179.

Barry Eichengreen. 2002. The Globalization Wars. *Foreign Affairs* 81(4): 157-164. (reading packet)

Kenneth Rogoff. 2003. The IMF Strikes Back. *Foreign Policy* (January/February 2003): 39-46. (reading packet)

**\*\*PAPER #2 DUE\*\***

Tuesday, April 22

Globalization backlash (ctd): Globalization and Inequality?

Jeffrey A. Williamson, Globalization and Inequality, Past and Present, in F-L, pp. 405-416.

Joseph E. Stiglitz, *Globalization and Its Discontents*, pp. 195-213.

David Dollar and Aart Kraay. 2002. Spreading the Wealth. *Foreign Affairs* 81(1): 120-133. (reading packet)

James K. Galbraith et al. 2002. Is Inequality Decreasing? Debating the Wealth and Poverty of Nations. *Foreign Affairs* 81(4): 178-183. (reading packet)

Bruce R. Scott. 2001. The Great Divide in the Global Village. *Foreign Affairs* 80(1): 160-177. (reading packet)

Thursday, April 24

Conclusions