

# International Political Economy.

POL 380-01/ECO 380-01

The College of New Jersey, Spring 2011

TF 10:00-11:20 in SSB 225

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Office hours: TF 9:00-10:00, 11:30-12:30 or by appointment.

Today's world is characterized by rapidly increasing flows of factors across national boundaries. Any US politician worth her salt will tell you that globalization is proceeding at an unprecedented rate, presenting new challenges to our government and economy. To further economic growth, countries need to open up their markets for goods, services and finance to the whims of the global economy. Democrats and Republicans alike announce that the opportunity cost of economic growth far outweighs the loss of sovereignty in terms of regulating business, enforcing environmental laws and insuring stable and equitable growth.

This course will help students evaluate such half-truths and understand the impact of the global economy on wealth and governance of a large sample of countries. The class will focus on the workings of trade and financial flows as well as government's efforts to promote or restrict them. We will use a mix of political science and simple economics to try to explain behavior of voters and groups as well as policy choice by elected officials or countries as a whole.

Although the class has no prerequisites, students should have some knowledge of international relations and of macroeconomics. POL 230 or INT 200 offer great introductions to the subfield of international relations. ECO 102 is the introductory class for macroeconomics. If you lack such background, you can still take the course but please consult with the instructor. Students looking for a more comprehensive history of the global economy might read all of Jeffrey Frieden's *Global Capitalism*, not just the four chapters assigned below.

## **Learning objectives.**

By the end of the semester, students will be able to demonstrate progress in the following Political Science departmental learning goals:

- 1) Understanding of political science and its links to related fields;
- 4) Developing critical thinking skills;
- 5) Conducting original research;
- 6) Verbal and written communication skills.

## Requirements and grading.

Successful students will complete and give thought to the readings; attend all lectures and participate in discussions; write two exams, two reading evaluations, a paper proposal and a final research paper. It will be difficult to participate in class unless one has given time to understand and reflect on the readings. The readings frame views of international political economy and present difficult choices to be made. You may need to read some pieces (especially the articles) more than once. Please note that some weeks' assignments are lengthier than others.

The following books are required reading and are available at the campus bookstore and elsewhere:

- Rogowski, Ronald. 1990. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton: Princeton University Press;
- Ferguson, Niall. 2008. *The Ascent of Money: A Financial History of the World*. New York: Penguin;
- Eichengreen, Barry. 2008. *Globalizing Capital: A History of the International Monetary System*. Princeton: Princeton University Press. Second edition.

Other readings are available online (parenthetical notes show what database to use or if they are on SOCS). We may add reading assignments during the semester. In addition to the assignments listed above, students are required to keep up with current events through frequent reading of a major newspaper (i.e. *New York Times*, *Wall Street Journal*) or weekly news magazine (viz. *The Economist*).

Written assignments consist of weekly evaluations of the assigned reading, a paper proposal, a research paper, a midterm exam and final exam. Further instructions will be distributed in class. In the evaluations of the reading, students will be expected to write a three page (double-spaced) assessment that synthesizes, compares and contrasts the reading for that week, indicating the major questions raised by the authors and the strengths and weaknesses of each piece. Each reading evaluation should include an introductory paragraph with a thesis statement. Students write two evaluations on their choice of any weekly topic as identified below. Evaluations of the reading will be due promptly at the beginning of class on the first day of class that we approach the new topic; please note that late reading evaluations will not be accepted. You may rewrite each evaluation once and receive the higher grade.

The midterm and final will consist of one essay and several short answer questions. Candidate essay questions will be distributed prior to the exam.

Before the midterm, students should begin thinking about a research topic explaining the nature, source and impact of a particular policy or political decision regarding the global

economy. For example, one might explain why a country adopted a set of economic reforms, including what future impact the policy change might have. Keeping in mind that quality counts more than quantity, students should plan on an eight-page paper. The papers should demonstrate the use of different scholarly and journalistic sources. Students need to turn in a two-page proposal of their paper by March 15th. In addition, students are encouraged (but not required) to hand in both an outline and a rough draft to solicit comments and improve their finished paper. As I need time to read them, the last day to turn in an outline or rough draft is April 15th. The final paper is due on April 26<sup>th</sup> at the start of class.

Please turn in a hard copy and post to the SOCS dropbox you proposal and research paper. For evaluations, just turn in a hard copy. For the hard copy, the content of your work is all that matters so there is no need to include fancy folders, pictures or exotic fonts. However, data are nice. Late proposals and research papers will be penalized 1/3 of a grade per business day (i.e from a B+ to a B the first day, to a B- the second day).

Contributions to class discussions, scores on unannounced quizzes and other short assignments contribute towards the participation grade. Of course, absences hurt the participation grade.

The campus engagement grade requires that you attend five Politics Forums or other social science talks on campus and write a one page summary and commentary on each. If you are attending a talk outside of the Politics Forum, please check with me first.

Final grades will be based on the following weights:

Participation	10%
Campus engagement	5%
Two evaluations of the reading	20%
Midterm exam	15%
Paper proposal	10%
Research paper	25%
Final exam	15%

There is no curve for grading. Incompletes will only be offered in cases of extreme hardship, presented in writing before the final exam.

The distribution of grades varies greatly from class to class and thus the grades given in past semesters do not serve as good predictors of what will happen this semester. Grades are earned

by the student, not given by the instructor. The following descriptions offer expectations for how student performance will be assessed.

- Grades of A or A- are marks of excellence. To earn an A or A- a student has to complete all assignments on time and attend and participate in all, or virtually all, class sessions. In addition, a student has to rise above the basic expectations of each assignment, give greater effort to all work and display a passion for learning. An A grade is a special mark that demonstrates not only considerable time invested outside of class but also mastery of the material.
- Grades of B+, B and B- indicate work that is good but not outstanding. To earn such a grade, a student must complete all assignments well and on time as well as attend and participate in most class sessions. Students earning grades in this range occasionally, but not consistently, distinguish themselves on graded assignments.
- Grades in the C+ through F range indicate shortcomings in one or more components of the course. Merely showing up and turning in the minimum assigned work typically earns a C-range grade. Missing work and poor participation can result in lesser grades. Students earning grades in this range need to reconsider their academic strategy.

Absences, excused or not, hinder student performance. Students with frequent absences will receive a failing grade. The College's official attendance policy can be found at:  
<http://www.tcnj.edu/~recreg/policies/attendance.html>

Text messaging, phone interruptions and frequent excusals during class are rude. If you have a condition that might be disruptive to the class, please discuss it with me in advance. To avoid discouraging discussion, no recording devices are allowed in class.

### **Academic integrity.**

This course follows the requirements and penalties of the Academic Integrity Policy found in the Undergraduate Bulletin. All work turned in must be your own or otherwise cited properly. Any suspected violations will be referred to the appropriate Academic Integrity Officer. For more information, see <http://www.tcnj.edu/~academic/policy/integrity.html>. If you have questions about academic honesty, please ask me.

### **Differing abilities (ADA).**

Students with disabilities are encouraged to discuss with the professor early in the course any needed accommodations approved by the Office for Differing Abilities Services. For more information see <http://www.tcnj.edu/~affirm/ada.html>

### **Languages Across the Curriculum.**

A quarter unit (one credit) Languages Across the Curriculum independent study may be added to this course for those students who have intermediate level proficiency in another

language and who wish to complement the work in this course by utilizing their language skills. Please visit the LAC website at <http://internationalstudies.intrasun.tcnj.edu> or contact me for more information. Students must meet with me to enroll in the LAC independent study by Wednesday, Jan. 26.

### **Weekly topics and readings.**

#### **1. Early capitalist expansion (1/18, 1/21).**

- Freiden, Jeffry A. 2006. Chapters one through four in *Global Capitalism: Its Fall and Rise in the 20<sup>th</sup> Century*: 1-104. New York: Norton. (SOCS);  
Nayyar, D. 2006. "Globalisation, history and development: a tale of two centuries," *Cambridge Journal of Economics* 30, 1: 137-59 (Wilson);

#### **2. Trade and politics (1/25, 1/27)**

- Rogowski, Ronald. 1990. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton: Princeton University Press.

#### **3. Trade policy (2/1, 2/4)**

- Magee, Stephen P., William A. Brock and Leslie Young. 1989. "Three simple tests of the Stopler-Samuelson theorem," pages 101-110 and 291-294 in *Back Hole Tariffs and Endogenous Policy Theory: Political Economy in General Equilibrium*. New York: Cambridge (SOCS).  
Irwin, Douglas. 2004. "Does International Trade Kill Good American Jobs," *The American Enterprise* 15, 4: 31-33 (Wilson);  
Freeman, Richard B. 1995. "Are Your Wages Set in Beijing?" *The Journal of Economic Perspectives* 9, 3: 15-32 (JSTOR);  
Rodrik, Dani. 1998. "Why Do More Open Economies Have Bigger Governments?" *The Journal of Political Economy* 106, 5: 997-1032. (JSTOR: <http://www.jstor.org/stable/2991492>);  
Mayda, Anna Maria and Dani Rodrik. 2005. "Why are Some People (and Countries) More Protectionist than Others?" *European Economic Review* 49: 1393-1430 (ScienceDirect).

#### **4. Multinational corporations (2/8, 2/11)**

- Navaretti, Giorgio and Anthony Venables. 2004. *Multinational Firms in the World Economy*. Princeton. Chapters 1, 2 (pp.1-48) (SOCS).  
Elkins, Zachary, Andrew T. Guzman, Beth A. Simmons, 2006. "Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960-2000," *International Organization* 60, 4: 811-846 (JSTOR).  
Stopford, John. 1998. "Think Again: Multinational Corporations," *Foreign Policy* 113: 12-24. (AcademicSearch Premier);  
Ottaway, Marina. 2001. Reluctant Missionaries. *Foreign Policy* 124: 44-49, 51-54 (Wilson);

Miller, John. 2003. "Why Economists are Wrong About Sweatshops and the Anti-sweatshop Movement," *Challenge* 46, 1: 93-122 (EBSCO).

5. Forms of money and credit (2/15, 2/18, 2/22)

Ferguson, Niall. 2008. *The Ascent of Money: A Financial History of the World*. New York: Penguin.

7. LDC borrowing, liquidity and crashes (2/25, 3/1)

Summers, Lawrence H. 2000. "International Financial Crises: Causes, Prevention and Cures," *The American Economic Review* 90, 2: 1-16. (Stable JSTOR URL: <http://www.jstor.org/stable/117183>).

Willet, Thomas D., Aida Budiman, Arthur Denazu, Gab-Le Jo, Cesar Ramos and John Thomas. 2004. "The Falsification of Four Popular Hypotheses About the Asian Crisis." *World Economy* 27, 1: 25-44 (BusinessSourcePremier/EBSCO);

Pettis, Michael. 1996. "The liquidity trap: Latin America's free-market past," *Foreign Affairs* 75: 2-7 (Wilson OmniFile);

Pettis, Michael. 2001. "Emerging economies and the financial crises of the late 1990s," *Journal of Private Equity* 4, 3: 60-71 (Wilson OmniFile);

Timothy Kessler. "The Mexican Peso Crash: Causes, Consequences and Comeback," in Carol Wise and Riordan Roett (eds). *Exchange Rate Politics in Latin America*: 43-69. Washington DC: Brookings. (SOCS).

**Midterm exam** (3/4)

Spring break (3/7-3/13)

8. The international monetary system (3/15, 3/18; 3/22, 3/25).

**Paper proposal** due 3/15.

Eichengreen, Barry. 2008. *Globalizing Capital: A History of the International Monetary System*. Princeton: Princeton University Press. Second edition.

9. Monetary policy (3/30, 4/1, 4/5)

Maxfield, Sylvia. 1994. "Financial Incentives and Central Bank Authority in Industrializing Nations," *World Politics* 46, 4: 556-588. (JSTOR: <http://www.jstor.org/stable/2950718>);

Cohen, Benjamin J. and Paola Subacchi. 2008. "A One-and-a-Half Currency System," *Journal of International Affairs* 62, 1: 151-63 (AcademicSearch Premier)

Blomberg, S. Brock, Jeffry Frieden and Ernesto Stein. 2005. "Sustaining Fixed Rates: The Political Economy of Currency Pegs in Latin America." *Journal of Applied Economics* 8, 2: 203-225 (BusinessSourcePremier/EBSCO);

Edwards, Sebastian and I. Igal Magendzo. 2006. "Strict Dollarization and Economic Performance: An Empirical Investigation." *Journal of Money, Credit and Banking* 38, 1: 269-82 (BusinessSource Premier).

Rockoff, Hugh. 1990. "The Wizard of Oz' as Monetary Allegory." *The Journal of Political Economy* 98, 4: 739-760 (JSTOR).

10. (4/12, 4/15) The International Monetary Fund (No class on 4/8).

Bhagwati, Jagdish. 1998. "The Capital Myth: The Difference between Trade in Widgets and Dollars," *Foreign Affairs* 77: 7-12 (Wilson);

Bird, Graham. 1996. "The International Monetary Fund and Developing Countries: A Review of Evidence and Policy Change," *International Organization* 50, 3: 477-511 (JSTOR);

Axel Dreher and Stefanie Walter. 2010. "Does the IMF Help or Hurt? The Effect of IMF Programs on the Likelihood and Outcome of Currency Crises," *World Development* 38, 1: 1-18. (ScienceDirect stable URL: <http://www.sciencedirect.com/science/article/B6VC6-4WR0D1X-2/2/8a027a38ab20e4b3c9d8c8a2a67baa63>);

Pettis, Michael. 2003. "Reengineering the Volatility Machine: How the IMF Can Help Prevent Financial Crises," *World Policy Journal* 20, 3: 52-8 (Wilson).

11. The 2008 financial crash and aftermath (4/19, 4/22, 4/26).

Eichengreen, Barry and Kevin H. O'Rourke. 2009. "A Tale of Two Depressions," *Vox*. Available: <http://voxeu.com/index.php?q=node/3421>;

Bernanke, Ben S. 2005. "The Global Saving Glut and the U.S. Current Account Deficit." The Sandridge Lecture, Virginia Association of Economics, Richmond, March 10. Available at [www.federalreserve.gov/boarddocs/speeches/2005/200503102](http://www.federalreserve.gov/boarddocs/speeches/2005/200503102);

Barry Eichengreen, Barry. 2009. "Bad Credit History," *Current History*, Volume 108, 714: 14-19. (EBSCO stable URL: <http://ejournals.ebsco.com/direct.asp?ArticleID=490EBB4C124C7D0916CC>);

Taibbi, Matt. 2009. "AIG and the Long Con," *Rolling Stone* ([http://www.rollingstone.com/politics/story/26793903/the\\_big\\_takeover/print](http://www.rollingstone.com/politics/story/26793903/the_big_takeover/print))

Johnson, Simon. 2009. "The Quiet Coup," *Atlantic Monthly* 303, 4: 46-50, 52-4, 56 (Wilson);

Naim, Moises. 2009. "Shadowy Finance," *Foreign Policy* 175: 103-104. (Wilson).

**Research paper due:** April 26.

**Final exam:** to be announced.