

Political Science 319: International Political Economy

[Emory University](#), Fall 2005
[White Hall](#) 103, MWF 9:35a-10:25a
Section 000, Class No. 3270
September 26, 2005

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Course Description & Objectives

This course examines the politics of international economic relations and globalization. We will ask and answer questions such as, “Why do government adopt the economic policies they do?”, “Why do states manage to cooperate economically in some cases but not others?”, and “Why do governments promote or oppose globalization under different circumstances?” More specifically, we will examine subjects from the harmonization of different governments’ measures to regulate genetically modified foods; longstanding US and European Union trade wars over aircraft subsidies; the high-unemployment policies in stabilization packages negotiated with the International Monetary Fund and World Bank; the management and role of multinational corporations in the world economy; financial meltdowns in Argentina and elsewhere; economic integration in the European Union and other regional groupings; etc. More broadly, we will study international trade policy and protectionism, foreign investment and multinational corporations, exchange rate regimes and capital mobility, financial crises and stabilization in developing countries, and regional economic integration. For each topic, we will consider theoretical explanations along with historical and contemporary examples.

Requirements

Grades in the course will be based on the following items:

- 10% **participation**, which can include in-class questions and discussion *as well as* commentary on the course’s Blackboard discussion forum (see below)
- 20% **analytical paper** (7-8 pages), on an assigned topic, due Fri, Oct 7
- 20% in-class **midterm** exam, on Wed, Oct 19
- 25% **policy memorandum** (8-10 pages), on a topic you will choose from a list we will provide, due Mon, Dec 5
- 25% in-class **final** exam, on Wed, Dec 21

We suggest that you keep up with current events by reading the main international economics stories of the day/week in either the [New York Times](#), the [Wall Street Journal](#), the [Financial Times](#), or the [Economist](#). We will frequently discuss current economic events in class and on the course Blackboard forum; details about such events could also be useful on your exams, at least as an option. The final exam will heavily emphasize the material subsequent to the midterm.

The class participation grade incorporates an option to use Blackboard as a supplement to our in-class dialogue. We will occasionally post a prompting note and solicit your responses. You can post your own

questions there as well. We encourage all students to routinely check the course Blackboard site and its discussion forum in particular. We insist, however, that your electronic communication be as civil and respectful as our in-class, face-to-face dialogue; our Emory community standards are of course in force in this online setting.

The analytical paper will require you to explicate and critique theories and debates about international political economy, drawing on examples from the readings and class sessions. We will assign the topic, perhaps with a choice among 2-3 options. That assignment will not require you to do any research or readings that are not on the syllabus. The policy memorandum, however, will require a modest amount of original research. We will provide a lengthy list of possible paper topics, all of which concern critical policy dilemmas in the international political economy. Your task will be to argue on behalf of a particular response to that problem, defending your position against potential criticisms by drawing on theories, debates, and evidence from the course and from outside research sources. We expect each student to meet with us at least once prior to submitting this policy memo. As the course proceeds, check the course Blackboard site for a sheet of guidelines and instructions for this assignment.

Course Policies

The course prerequisite is POLS 110 or ECON 231. The course does *not* satisfy the college writing requirement. Absolutely *no* excuses will be accepted for late assignments or missed exams, unless they are formally approved by the academic counselors in Student Affairs at the Emory College office in White Hall, and communicated directly to me from the College. See a College representative before you come to us with an excuse for any assignment whatsoever. There will be no exceptions. In the absence of a formal College waiver, assignments will be penalized by one half letter grade each day late, e.g., A to A-, etc. The academic counselors at the College office are your advocates and are wonderful resources for all academic-related questions during your time at Emory (e.g., choice of major, distribution requirements, resources for coping with personal problems interfering with academic progress, etc.). The Student Academic Affairs Office is located at 218 White Hall, 404-727-6048, college@emory.edu.

It is the policy of Emory University to make reasonable accommodations for qualified students with disabilities. All students with special requests or need for accommodations should consult as soon as possible with the Office of Disabilities Services (404-727-6016, 110 Administration Building) to make arrangements. All information will be held in the strictest confidence.

You are required to know and uphold the [Emory Honor Code](#). What this means, in particular, for the papers is spelled out in each assignment's handout.

Readings

There is one required textbook for the course: Thomas Oatley, *International Political Economy: Interests and Institutions in the Global Economy*, 2nd ed. (New York: Pearson, 2006). It is available at the Emory Bookstore.

A number of additional readings are also required; you can access them through [Reserves Direct](#). You may need to download the free [Acrobat Reader](#) before viewing them. Students are expected to have completed the reading by the day for which it has been assigned. Both the textbook and reserve items are equally vital, and will provide material for the exams and assignments.

Course Outline

Introduction

Sep 2 (F): **No class.** (Both professors will be presenting their research at the American Political Science Association annual meeting.)

Sep 5 (M): **No class (Labor Day).**

Part I: International Trade

Sep 7 (W): Introduction. Course administration. Perspectives on international political economy.

- Oatley, 1-16.

Sep 9 (F): Why do states trade? The principle of comparative advantage and the gains from trade.

- Oatley, 42-55.

Sep 12 (M): Why do states *restrict* trade? Forms, patterns, and costs of protectionism. Protectionism on sugar. The adjustment costs of trade liberalization.

- Oatley, 47-49 again (starting at “How large are the costs of protection...”), plus 55-60 and 72-73.
- Kimberly A. Elliott, “Big Sugar and the Political Economy of US Agricultural Policy,” Center for Global Development Brief, April 2005.
- Pietra Rivoli, “[Tangled Threads of Protectionism, Part I](#),” *YaleGlobal Online* (2005).
- “Rivals Unite Against China’s Textile Juggernaut,” *Atlanta Journal-Constitution* (October 17, 2004), A1.
- “Roots of Decline Start to Spread in the Gardens of Eden,” *Financial Times* (July 21, 2004), 8.
- “Facing the Facts: Dislocated Workers,” North Carolina Rural Center, 2004.
- **Optional:** Katherine Boo, “The Churn; Letter from South Texas,” *New Yorker* 80 (March 29, 2004), 62+.
- **Optional:** Marc Bacchetta and Marion Jansen, *Adjusting to Trade Liberalization: The Role of Policy, Institutions, and WTO Disciplines* (Geneva: WTO, April 2003), 1-41.

Sep 14 (W): Domestic distributive politics I: collective action, logrolling, and Smoot-Hawley. US steel protection.

- Oatley, 77-90.
- Robert Read, “The Political Economy of Trade Protection: The Determinants and Welfare Impact of the 2002 US Emergency Steel Safeguard Measures,” *World Economy* (2005), 1119-1137.

Sep 16 (F): Domestic distributive politics II: the “factors” model. Political parties and trade. The repeal of the Corn Laws.

- Oatley, 68-71. 73-74.
- Helen V. Milner and Benjamin Judkins, “Partisanship, Trade Policy, and Globalization: Is There a Left-Right Divide on Trade Policy?,” *International Studies Quarterly* 48 (2004), 95-103, 114-116.

Sep 19 (M): Domestic distributive politics III: the “sectors” model.

- Oatley, 74-77.

- Helen V. Milner, [*Resisting Protectionism*](#) (Princeton: Princeton University Press, 1988), 18-24.
 - “Alabama Shrimp, Soybean Growers Fear Effects on Proposed Tariff,” *Associated Press* (July 13, 2004).
 - “[Merry-Go-Row](#),” *Economist* (Sept 7, 2000).
- Sep 21 (W): Domestic distributive politics IV: applications of the factors and sectors models. Immigration politics. Congressional voting on free trade agreements.
- Michael J. Hiscox, “Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade Legislation,” *American Political Science Review* 96:3 (2002), 593-604 (skim 600-602 if necessary).
 - Michael J. Hiscox, “The Domestic Sources of Foreign Economic Policies,” 55-57.
- Sep 23 (F): Domestic institutions and trade policy I: electoral systems, executive-legislative relations, and the state.
- Oatley, 91-99.
 - Ronald Rogowski, “Trade and the Variety of Democratic Institutions,” *International Organization* 41:2 (1987), 203-233.
 - M. Chatib Basri and Hal Hill, “Ideas, Interests, and Oil Prices: The Political Economy of Trade Reform During Soeharto’s Indonesia,” *World Economy* (2004), 633-655, but skip 640-3.
- Sep 26 (M): Domestic institutions and trade policy I: democracy.
- Timothy Frye and Edward D. Mansfield, “Timing is Everything: Elections and Trade Liberalization in the Postcommunist World,” *Comparative Political Studies* 37:4 (2004), 371-377, 391-398.
 - Helen V. Milner with Keiko Kubota, “Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries,” *International Organization* 59 (2005), 107-119, 137-143.
- Sep 28 (W): Market power and trade policy.
- John A. C. Conybeare, [*Trade Wars: The Theory and Practice of International Commercial Rivalry*](#) (New York: Columbia University Press, 1987), 21-28.
 - Steve Erwin, “[WTO Panel Sides with Brazil](#),” *Toronto Star* (December 24, 2002), C3.
 - **Optional:** Kyle Bagwell and Robert W. Staiger, *The Economics of the World Trading System* (Cambridge: MIT Press, 2002), 181-185.
 - **Optional:** Douglas A. Irwin, *Against the Tide: An Intellectual History of Free Trade* (Princeton: Princeton University Press, 1996), 101-115.
- Sep 30 (F): National security and trade policy.
- Joanne Gowa and Edward D. Mansfield, “Alliances, Imperfect Markets, and Major-Power Trade,” *International Organization* 58 (2004), 775-784 only.
- Oct 3 (M): International institutions and trade I: the World Trade Organization. Regional trade agreements. The functions of international trade law.
- Oatley, 17-41, 55-67.
 - Meredith A. Crowley, “An Introduction to the WTO and GATT,” *Economic Perspectives* (2003), 42-57.
- Oct 5 (W): International institutions and trade II: WTO dispute settlement.

- Oatley, 62-65 again.
 - Bernard M. Hoekman and Michel M. Kostecki, [*The Political Economy of the World Trading System*](#), 2nd ed. (New York: Oxford University Press, 2001), 74-99.
- Oct 7 (F): International institutions and trade III: more on regional trade agreements. **Analytical paper due.**
- Raquel Fernández and Jonathan Portes, “[Returns to Regionalism: An Analysis of Nontraditional Gains from Regional Trade Agreements](#),” *World Bank Economic Review* 12 (2): 197-220.
- Oct 10 (M): **No class (Fall Break).**
- Oct 12 (W): International institutions and trade IV: Do international trade institutions matter?
- NBER Digest, “[Does the World Trade Organization Actually Promote World Trade?](#)” (May 2003), 2-3.
 - Marc L. Busch, Rafal Raciborski, and Eric Reinhardt, “[Does the Rule of Law Matter? The WTO and US Antidumping Investigations](#),” 2005 (skip the technical details about the statistical analysis if you want).
- Oct 14 (F): Development and trade I: the shift to export orientation.
- Oatley, 93-96, 111-130, 137-158.
 - Dani Rodrik, “Getting Interventions Right: How South Korea and Taiwan Grew Rich,” *Economic Policy* 20 (1995), 55-107.
 - Arvind Panagariya, “Miracles and Debacles: In Defence of Trade Openness,” *World Economy* (2004), 1149-1171.
 - **Optional:** Daron Acemoglu, Simon Johnson, and James A. Robinson, “How Botswana Did It: Comparative Development in Sub-Saharan Africa.”
- Oct 17 (M): Development and trade II: developing countries and the global trade regime.
- Oatley, 130-134, 158-163.
 - Marc L. Busch and Eric Reinhardt, “[Developing Countries and GATT/WTO Dispute Settlement](#),” *Journal of World Trade* 37:4 (2003), 719-735.
- Oct 19 (W): **Midterm exam.**
- Oct 21 (F): Development and trade III: intellectual property rights.
- Oatley, 132-133 again.
 - Alan O. Sykes, “[TRIPS, Pharmaceuticals, Developing Countries, and the Doha ‘Solution’](#),” *Chicago Journal of International Law* (2002), 47-68.
 - Jagdish Bhagwati, “[Patents and the Poor](#),” *Financial Times* (September 16, 2002).
 - Jillian Clare Cohen and Kristina M. Lybecker, “AIDS Policy and Pharmaceutical Patents: Brazil’s Strategy to Safeguard Public Health,” *World Economy* (2005), 211-230.
- Oct 24 (M): Globalization and its critics I: the WTO and the environment. The political economy of eco-labeling and genetically modified organisms (GMOs).
- Oatley, 374-383.
 - Daniel Melsner and Peter E. Robertson, “Eco-Labeling and the Trade-Environment Debate,” *World Economy* (2005), 49-62.
- Oct 26 (W): Strategic trade and competitiveness. The Airbus-Boeing case. Canada v. Brazil redux.

- Oatley, 99-108.
- [Overview: Civil Aircraft Sector](#), European Commission Directorate-General of External Trade, 2005.
- Andrea E. Goldstein and Steven M. McGuire, “The Political Economy of Strategic Trade Policy and the Brazil-Canada Export Subsidies Saga,” *World Economy* (2004), 541-566.

Part II: International Investment

- Oct 28 (F): Multinational corporations (MNCs) in theory and practice.
- Oatley, 164-182.
- Oct 31 (M): Political institutions and foreign investment.
- Anupam Basu and Krishna Srinivasan, “Foreign Direct Investment in Africa – Some Case Studies,” IMF Working Paper WP/02/61, 2002.
 - Daniel Treffer, “Offshoring: Threats and Opportunities,” in Lael Brainard and Susan M. Collins, eds., *Offshoring White-Collar Work—The Issues and Implications*, 2005.
- Nov 2 (W): International investment agreements. TRIMs, BITs, the MIA, and NAFTA’s Chapter 11.
- Oatley, 202-213.
 - Frederick M. Abbott, “NAFTA and the Legalization of World Politics: A Case Study,” *International Organization* 54:3 (Summer 2000), 519-547.
- Nov 4 (F): Multinationals and international politics I. How FDI affects development. Investment incentives.
- Oatley, 182-187, 189-202.
 - Gordon H. Hanson, “Should Countries Promote Foreign Direct Investment?,” G-24 Discussion Paper Series No. 9, 2001.
- Nov 7 (M): Multinationals and international politics II. Tax competition and regulatory convergence.
- [“Is the Dutch Advantage Unsettling Europe?”](#), *New York Times* (April 2, 2000), C4.
- Nov 9 (W): Multinationals and international politics III.
- “Giving China a Bloody Nose,” *Economist* (August 4, 2005).
- Nov 11 (F): Globalization and its critics II: MNCs and job loss. Outsourcing and offshoring. Labor standards and poverty.
- Oatley, 358-374.
 - Mary Amity and Shang-Jin Wei, “Demystifying Outsourcing,” *Finance and Development* (December 2004), 36-39.
 - Catherine L. Mann, “This is Bangalore Calling: Hang Up or Speed Dial?,” Federal Reserve Bank of Cleveland, January 15, 2005.
- Nov 14 (M): Globalization and its critics III: MNCs and the environment. Is there a “race to the bottom”?
- Oatley, 210-211.
 - Hakan Nordstrom and Scott Vaughan, *Trade and Environment*, World Trade Organization Special Report (1999), 35-46.
 - [“Chasing Mexico’s Dream into Squalor,”](#) *New York Times* (February 11, 2001).

Part III: International Finance

- Nov 16 (W): Introduction to international financial politics. The “impossible trinity.”
- Oatley, 241-242 first, then 214-222.
 - Federal Reserve Bank of New York, “[The Basics of Foreign Trade and Exchange](#)” (September 2, 2002), from “Measures of Trade” to end (bottom page 10-31).
- Nov 18 (F): Evolution of the global financial regime: Bretton Woods and “embedded liberalism.”
- Oatley, 222-236, 237-239.
 - Jeffrey Frieden, “The End of Bretton Woods,” January 2005.
 - Sam Y. Cross, [All About...the Foreign Exchange Market in the United States](#) (New York: Federal Reserve Bank of New York, 1998), 97-106.
- Nov 21 (M): International financial politics today I: pegs, boards, & floats. International exchange rate coordination. The US-China currency dispute.
- Oatley, 237-247, 250-258.
 - “China Says It Will No Longer Peg Its Currency to the US Dollar,” *New York Times* (July 21, 2005).
- Nov 23 (W): International financial politics today II: domestic and international explanations for exchange rate choices.
- Oatley, 259-282, 283-306.
 - Michael M. Phillips, “[‘Ship Those Boxes, Check the Euro!’ – How a Tiny Firm Rides Foreign-Exchange Waves](#),” *Wall Street Journal* (February 7, 2003), C1, C7.
 - J. Lawrence Broz and Jeffrey A. Frieden, “[The Political Economy of International Monetary Relations](#),” *Annual Review of Political Science* 4 (2001): 317-43.
- Nov 25 (F): **No class (Thanksgiving Break).**
- Nov 28 (M): International financial politics today III: monetary unions & the euro.
- Oatley, 247-250.
 - Jeffrey Frieden, “Real Sources of European Currency Policy: Sectoral Interests and European Monetary Integration,” *International Organization* 56:4 (2002), 831-860, skip the regression tables if you want.
- Nov 30 (W): International financial politics today IV: developing country choices. Argentina’s currency board. Capital account liberalization.
- Oatley, 345-346, 348-349.
 - Francois J. Gurtner, “Why Did Argentina’s Currency Board Collapse?,” *World Economy* (2004), 679-697.
 - Dani Rodrik, “Argentina: A Case of Globalization Gone Too Far or Not Far Enough?,” January 2, 2002.
- Dec 2 (F): International financial politics today V: the US current account deficit.
- John Quiggin, “The Unsustainability of US Trade Deficits,” *The Economists’ Voice* (2004).
- Dec 5 (M): The political economy of financial crises I: patterns and sources. Lessons learned. **Policy memorandum due.**
- Oatley, 307-313, 315-321, 334-344.

- Roberto Chang, “Understanding Recent Crises in Emerging Markets,” *Federal Reserve Bank of Atlanta Economic Review* (2nd Quarter 1999), 6-16.
- Dec 7 (W): The political economy of financial crises II: conditionality & the International Monetary Fund (IMF).
- Oatley, 314-315, 321-333, 344-350.
 - Ernest Holsendolph, “[United’s Travails Teach an Excruciating Lesson](#),” *Atlanta Journal-Constitution* (December 15, 2002), G4.
 - “[FAQ: The International Monetary Fund](#),” *Financial Times* (September 26, 2000).
 - Jeffrey Sachs, “[The IMF and the Asian Flu](#),” *American Prospect* (March-April 1998).
 - Stanley Fischer, “[A Year of Upheaval](#),” *Asiaweek* (July 17, 1998), 58+.
- Dec 9 (F): The political economy of financial crises III: more on conditionality & the IMF. Debt forgiveness and foreign aid.
- Oatley, 350-357.
 - Steven Radelet, Michael Clemens, and Rikhil Bhavnani, “Aid and Growth,” *Finance and Development* 42:3 (2005).
 - William Easterly, *The Elusive Quest for Growth* (Cambridge: MIT Press, 2001), 101-120
 - Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: W. W. Norton, 2002), 195-206.
- Dec 12 (M): Globalization and its critics IV: globalization’s other consequences. Impact on democracy, human rights, labor standards, the welfare state, corruption, and social conflict.
- Oatley, 358-383 again.
 - “[Lives Held Cheap in Bangladesh Sweatshops](#),” *New York Times* (April 15, 2001).
 - “Research Changes Ideas about Children and Work,” *New York Times* (July 14, 2005), C2.
- Dec 14 (W): **Optional review session**, 9:35a-10:45a, White Hall 103.
- Dec 21 (W): **Final exam**, 8:30a-11:00a, White Hall 103.