

POLITICAL SCIENCE

INTERNATIONAL POLITICAL ECONOMY

※ Designed for a small (15 to 35 students) in-person undergraduate class ※

Instructor: Sujeong Shim

Office hours: Monday 12 – 2pm and through appointments

Class hours: 120 minutes

Email: sshim22@wisc.edu

Course overview

This course focuses on the forces shaping countries' foreign economic policies. Why do governments choose to protect some industries behind high tariff walls while leaving others exposed to the vagaries of international competition? Why do most countries rely on the U.S. dollar for their primary reserve currency – and will the dollar continue to serve that function? Why have many countries removed barriers to cross-border financial flows – and what are the social and political consequences of financial market openness? Have the series of economic crises over the past couple of decades– the 2007-08 financial market meltdown in the U.S., the global credit crunch that followed in 2008-10, and the 2010-2012 Eurozone crisis– shifted the distribution of global economic and political power? How has the COVID-19 changed the priorities for governments and international economic organizations?

In this course we will develop an analytical toolkit to provide insight into these and other questions. We will pay particular attention to evaluating the theoretical arguments with two types of evidence: qualitative (and historical) and quantitative (and cross-national).

The course is organized thematically. We start with an introduction to the study of International Political Economy (IPE) and explore why it is distinct from international economics. Following the introduction to the course we will discuss the problem of international cooperation when national economic policies have spillover effects. The next three topics are devoted to three of the main issue areas that concern IPE specialists: the politics of international trade, monetary and finance relations. We then turn our attention to economic development strategies pursued by low- and middle-income countries, the impact of globalization on women's lives, and the role of foreign development aid in promoting growth. The last two weeks of the course are devoted to the rise of new economic powerhouses (namely China) and to the current economic crisis caused by COVID-19 and how it creates different challenges for governments, firms and international economic organizations.

Pre-requisite

It is suggested – but not strictly required – that students in this course have POL3 221 (Introduction to International Relations) under their belts before taking this course.

Introductory courses in macroeconomics and international economics are helpful but not required. If you find the economic terminology and concepts confusing, any of the four introductory texts listed below are likely to prove useful. These texts may be of use to you, but *are not* required readings for the course.

- Peter Kennedy, *Macroeconomic Essentials (3rd Edition)* (Cambridge, MA: MIT Press, 2010).
- Richard E. Caves, Jeffrey Frankel, and Ronald Jones, *World Trade and Payments: An Introduction* (New York: HarperCollins, 1993).
- Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy* (Addison Wesley, 2002).
- Graham Bannock, R.E. Baxter, and Evan Davis. *The Penguin Dictionary of Economics*. 6th edition (New York: Penguin, 1999).

Course Requirements and Grading

Course requirements include two exams, active participation in class, and two short papers. The weighting of the course requirements is as follows:

- o Course participation: 20%
 - o Short critical response paper (1): 15%
 - o Short case-related essay (1): 15%
 - o Midterm exam: 20%
 - o Final exam: 30%
- **Participation** accounts for a significant proportion of the grade. Securing a good participation grade means: consistent attendance and a high level of engagement in the class; actively participating in the in-class discussions and activities; and keeping up with the assigned readings.
 - **The short critical response paper** (approximately 6-pages, double-spaced) involves *briefly* summarizing and (much more importantly) *critically* evaluating the main argument for one (or more, if you prefer) of the week's assigned readings.
 - **The short case-related essay** expects a short (approximately 8-pages, double-spaced) essay on one of the cases that we will discuss as a group in this course. You will write and submit the case-based essay *before* the discussion of the case study in the class meeting.
 - **The Midterm exam** has three parts. The first part will ask twenty multiple choice questions drawn from both lectures and readings. The second part (short ID questions) will ask you to identify and discuss the significance of important concepts, events, and processes covered in the course. The third part will be a short essay on a question related to the material covered in Topics 1 - 4 in the syllabus.

- **The Final exam** shares a format similar to the midterm exam with multiple choice questions and short ID questions. The final part will be a longer essay asking you to discuss broader themes and questions covered over the entire semester. We will discuss more details as the exam approaches.

Readings

The following books are required for the course and are available at the College Bookstore and via online sellers:

- Thomas Oatley. *International Political Economy: Interests and Institutions in the Global Economy*. (New York: Routledge, 2019). 6th edition. [Oatley]
- Jeffrey A. Frieden. *Global Capitalism: Its Fall and Rise in the Twentieth Century*. (New York: W.W. Norton, 2007) [Frieden]

Ground rules for class discussion

“A university is a place where the universality of the human experience manifests itself” – Albert Einstein.

In keeping with the spirit of Einstein’s viewpoint, I intend that students from all diverse backgrounds and perspectives be well served by my course, that students’ learning needs be addressed both in and out of class, and that the diversity that students bring to this class be viewed as a resource, strength and benefit. Dialogue in this course thus is expected to always be respectful. We all reserve the right to respectfully disagree with one another.

It is also my intent to present materials and activities that are respectful of diversity: gender, sexuality, disability, age, socioeconomic status, ethnicity, race and culture. Please let me know ways to improve the effectiveness of the course for you personally or for other students or student groups. In addition, if any of our class meetings conflict with your religious events, please let me know so that I can make arrangements for you.

Class policies and important notes

- The best way to reach me is via email at sshim22@wisc.edu or in office hours.
- **Academic integrity: Cheating and plagiarism** are serious offenses that will not be tolerated in the course. You will receive a failing grade for the class, and the reason for the grade will be noted in your transcript. It can constitute grounds for suspension or dismissal from the university.
- **Grading:** My policy for re-evaluating grades is the following:

- You have to wait for 24 hours after the assignment has been returned before issuing any requests for a re-grade.
- If, after 24 hours, you still wish to appeal your grade, the procedure is as follows. You have to draft a 1-2 page double-spaced memo outlining why you deserve a better grade. Please note that this memo has to be based entirely on the merit of your own work, i.e., it cannot be based on comparisons with the grades of other students.
- Your grade will then be fully re-evaluated. This means that I may revise the grade downward as well as upward. So please be certain that you have a very specific and justifiable reason before asking us to make any changes.

Course schedule

Topic 1. Introduction (One class meeting)

► Core topics/concepts: What is international political economy? How is it different from international economics? Why does it matter?

Readings:

- Jeffry Frieden, *Global Capitalism*, pp. 1-27.
- Oatley, Chapter 1 pp. 1-20.
- Dani Rodrik, “A Parable for the World Economy,” from *The Globalization Paradox*. http://rodrik.typepad.com/dani_rodriks_weblog/2011/04/a-parable-for-the-world-economy.html
- Robert Solow, “Hedging America” (review of John Cassidy’s *How Markets Fail*), *The New Republic*, January 12, 2010 (<https://newrepublic.com/article/72405/hedging-america>)

Topic 2. Obstacles to Cooperation in International Economic Relations (One class meeting)

► Core topics/concepts: Public goods and free-rider problems, Role of institutions in international political economy

Readings:

- Randall Schweller, *Maxwell’s Demon and the Golden Apple: Global Discord in*

the New Millennium (Johns Hopkins University Press, 2014), pp. 144-150.

- Vinod K. Aggarwal and Cedric Dupont, “Collaboration and Coordination in the Global Political Economy,” in John Ravenhill, ed. *Global Political Economy* (Oxford University Press, 2014), pp. 62-72.
- Robert Keohane, “International Institutions: Can Interdependence Work?” *Foreign Policy* (Spring 1998): pp. 82-94.

In-class activities

- Classic public goods game: Each student begins the game with the same amount of token and they secretly choose how many of their private tokens to put into a public pot. The tokens in the public pot are multiplied by a factor (greater than one and less than the number of players). This “public good” is then evenly divided among players. Each student also keeps the token they do not contribute. We report the result after one round of play. Then, we do “repeat-play” and compare the results from “one-time-play”.

Topic 3. Politics of International Trade (One class meeting)

► Core topics/concepts: Why do countries trade? Who are the (international and domestic) winners and losers from trade? Why do countries set up tariffs? What does the World Trade Organization (WTO) do? US-China trade wars; Global trade imbalances.

Readings:

- Oatley, Chapter 3 pp. 45-68.
- Jeffrey Frieden, *Global Capitalism*, pp. 28-79; 105-16; 220-28; 278-290
- Ha-Joon Chang, “Kicking Away the Ladder: Infant Industry Promotion in Historical Perspective,” *Oxford Development Studies* 31, 1 (2003): pp. 21-32.
- Paul Blustein, *Misadventures of the Most Favored Nations* (PublicAffairs, 2009), pp. 17-39; 88-97; 141-156
- Christina Davis, *Why Adjudicate? Enforcing Trade Rules in the WTO* (Princeton University Press, 2012), pp. 258-267
- Chad Bown, 2019 “US-China Trade Wars: The Guns of August”, <https://www.piie.com/blogs/trade-and-investment-policy-watch/us-china-trade-war-guns-august>
- Video: Jeffrey Frieden, “The Backlash Against Globalization and the Future of the International Economic Order, Munich Politics Network 2019: https://www.youtube.com/watch?v=cSmXyt_odCE&feature=youtu.be

Topic 4. International Finance and Monetary Systems (Three class meetings)

► Core topics/concepts: Choices on money; Exchange rate regimes; Mundell-Fleming

Trilemma, Currency wars

Readings:

- Oatley, portions of Chapter 10, pp.202-2012
- Jeffrey Frieden, *Global Capitalism*, pp. 111-21; 173-92; 253-60; 290-300; 339-60.
- Jeffrey Frieden, 2008. “Globalization and Exchange rate policy”
http://scholar.harvard.edu/files/jfrieden/files/globalization_and_exchange_rate_policy.pdf
- Carla Norrlof, “Dollar Hegemony: A Power Analysis,” *Review of International Political Economy* 21, 5 (2014): pp. 1042-1070
- Neil Irwin, “The Choice Facing China as Its Currency Becomes More Global,” *New York Times* (online ed.), 30 November 2015, pp. 1-4

- Core topics/concepts: Financial openness; Financial crisis; Global financial governance.

Readings:

- Oatley, Chapters 14 & 15 pp.298-345
- Jeffrey Frieden, *Global Capitalism*, pp. 383-412
- Menzie Chinn and Jeffrey Frieden. 2009. “Reflections on the Causes and Consequences of the Debt Crisis of 2008.” La Follette School Policy Report, 19(1)
https://www.ssc.wisc.edu/~mchinn/chinn_frieden_debtcrisis_2009.pdf
- Manuel Funke et. al., 2015, “The Political Aftermath of Financial Crises: Going to Extremes” (<http://voxeu.org/article/political-aftermath-financial-crises-going-extremes>).
- “Brexit in seven charts – the economic impact,” *Financial Times*, June 27, 2016.

- Core topics/concepts: International Monetary Fund; Causes and Consequences of the 2010 Eurozone crisis

Readings:

- Bessma Momani and Mark R. Hibben. *What’s Wrong with the IMF and How to Fix It*. (Polity Press 2018) Chapter 1: pp.3-29
- Dante Roscini, Jonathan Schlefer, and Konstantinos Dimitriou, “The Greek Crisis: Tragedy or Opportunity?” HBS Case 9-711-088 (12 October 2017): pp. 1-35.
- Mark Copelovitch, Jeffrey Frieden, and Stefanie Walter. “Four Lessons from the Euro Crisis – and Why the Future of the Euro Remains Uncertain.” London School of Economics EUROPP blog, October 7, 2016 (<http://bit.ly/2dVrTK3>)
- Kathleen McNamara, *Monkey Cage/Washington Post*, July 21, 2015. “This is What Economists Don’t Understand About the Euro Crisis – or the US Dollar”
<https://www.washingtonpost.com/news/monkey-cage/wp/2015/07/21/this-is-what->

economists-dont-understand-about-the-euro-crisis-or-the-u-s-dollar/?utm_term=.85e05d89f7ff).

In-class activities

- Simulation of IMF negotiations: We simulate a loan arrangement negotiation between government representatives and IMF officials. The class divides into four groups: (1) borrower government representatives, (2) IMF officials, (3) private international creditors, and (4) the national electorate in the borrower country. The government representatives and IMF officials negotiate and conclude the terms of their IMF programs, while creditors and voters observe the negotiation. The government's goal is to win politically (getting popular votes in the next election) and the IMF's goal is to win economically (making creditors lend again to the country to preserve global financial stability). After the outcome of the negotiation is announced, creditors and voters decide if they will lend to and vote for the government.
- Presentation on the Greek crisis: We investigate and present the causes of the 2010 Greek crisis. The class divides into two groups: (1) one focuses on the *domestic* political and economic causes of the Greek crisis, and (2) the other group focuses on the *international* political and economic causes. After group discussion, each group presents their thoughts to the whole class with a Q&A session.
[Students will be divided into two groups a week before the class, and they will come to class prepared to make presentations]

****** NOTE: Midterm Exam is Scheduled After Topic 4 ******

Topic 5. Economic Development (One class meeting)

► Core topics/concepts: Why are some countries richer than others? What policies have different countries adopted to promote growth?

Readings:

- Jeffrey Frieden, *Global Capitalism*, pp. 80-104; 435-56
- Oatley, Chapters 6 & 7 pp. 111-157
- William Easterly, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* (The MIT Press, 2002), pp. 25-44.
- Aldo Musacchio, Rafael di Tella, and Jonathan Schlefer, "The Korean Model of Shared Growth, 1960-1990," HBS Case 9-712-052 (18 April 2012): pp. 1-26.

Topic 6. Women and Globalization (One class meeting)

► Core topics/concepts: Solidarity; Gender; How has globalization transformed women's lives? Does economic growth promote gender equality, and conversely, does gender equality affect economic growth?

Readings:

- Mark Gray, Miki Kittilson, and Wayne Sandholtz (2006) "Women and globalization: A Study of 180 Countries, 1975 – 2000" *International Organization* 60(2): 292-333
- Roger Mörtvik and Roland Spånt, 2020 "Does Gender Equality Spur Economic Growth?" OECD Observer.
https://www.oecdobserver.org/news/archivestory.php/aid/1664/Does_gender_equality_spur_growth.html
- Terry Buss (2015) "Foreign Aid and the Failure of State Building in Haiti from 1957 to 2015" *Latin American Policy*, Vol.6(2), pp.319-339
- Documentary Film: Poto Mitan (2009)
*Through five Haitian women's compelling lives, Poto Mitan gives an insider perspective on globalization, Haiti's contemporary political/economic crisis, and the resilient women challenging this system.

Topic 7. Foreign Aid and Foreign Direct Investment (Two class meetings)

► Core topics/concepts: Who gives aid? What are the (intended and unintended) consequences of foreign aid and FDI? How do multinational corporations decide where to invest?

Readings:

- Oatley, Chapters 8 & 9 pp. 158-201
- Alberto Alesina and David Dollar. 2002 "Who Gives Foreign Aid to Whom and Why?" *Journal of Economic Growth* 5(1):33-63
- Bruce Bueno de Mesquita and George Downs. 2005. "Development and Democracy" *Foreign Affairs* 84(5) pp.77-86
- OECD. 2005. Paris Declaration on Aid Effectiveness. 1-12. William Easterly (2006) "Planners versus Searchers in Foreign Aid". *Asian Development Review* 23(3):1-35.
- Gupta and Kerry (2018) "Foreign aid makes America Safer" *Foreign Policy*
<https://foreignpolicy.com/2018/04/11/foreign-aid-makes-america-safer/>
- Ian Fisher (2001) "Can International Relief do more good than harm?"
<https://www.nytimes.com/2001/02/11/magazine/can-international-relief-do-more-good-than-harm.html>

- Christopher Payne and Binyamin Applebaum, 2017, “A Look Inside Airbus’ Epic Assembly Line,” https://www.nytimes.com/2017/05/03/magazine/a-look-inside-airbuss-epic-assembly-line.html?_r=0
- Shai Oster, “Behind the Scenes at Apple’s Controversial China iPhone Factory,” *Chicago Tribune*, April 26, 2016 <http://www.chicagotribune.com/business/ct-behind-the-scenes-apple-china-iphone-factory-20160426-story.html>

Topic 8. Rise of China (One class meeting)

- ▶ Core topics/concepts: The impact and the politics of Chinese capital

Readings:

- Jessica Chen Weiss (2017) “China and the Future of World Politics,” *Perspectives on Politics* 15(2): pp.486-494
- Denghua Zhang and Graeme Smith (2017) “China’s Foreign Aid System: Structure, Agencies, and Identities. *Third World Quarterly* 38(10): pp.2330-2346
- Roselyn Hsueh, “China’s 3 New Economic Challenges for the US,” *Monkey Cage/Washington Post*, November 13, 2017
https://www.washingtonpost.com/news/monkey-cage/wp/2017/11/13/chinas-three-new-economic-challenges-for-the-u-s/?utm_term=.ef0c12192d3d.
- Dani Rodrik, “The Inescapable Trilemma of the World Economy”
http://rodrik.typepad.com/dani_rodriks_weblog/2007/06/the-inescapable.html

In-class activities

- Aid market! We divide the class into four groups: (1) The Western donors, (2) the Chinese donors, (3) aid recipients group A and (4) aid recipients group B. Each aid recipient group makes a presentation highlighting why they need aid and what they can offer in return. Similarly, the Western and the Chinese donors each make a presentation during which they compare and contrast the two different sources of aid. After the presentations, each student makes a secret decision: recipients choose which aid they take between the Western and the Chinese aid, and donors decide how they allocate their aid between recipient group A and B.
[Students will be divided into four groups a week before the class, and they will come to class prepared to make presentations].

Topic 9. IPE in the Wake of COVID-19 (One class meeting)

- ▶ Core topics/concepts: What is (and is not) different now? What challenges do international economic institutions, governments, and firms face?

Readings:

- Video: Martin Wolf, Financial Times, “How Might the World be Different? After the Coronavirus Pandemic”: <https://www.ft.com/video/dafc3578-5c76-412a-8ba3-016495031bd1>
- Christine Qiang, Yan Liu, Monica Paganini, and Victor Steenbergen, “Foreign Direct Investment and Global Value Chain in the Wake of COVID-19”, *World Bank Blog*. <https://blogs.worldbank.org/psd/foreign-direct-investment-and-global-value-chains-wake-covid-19>
- Capucine Querenet, “The IMF, the World Bank and South Asia in the face of COVID-19”, *Atlantic Council* <https://www.atlanticcouncil.org/blogs/new-atlanticist/the-imf-the-world-bank-and-south-asia-in-the-face-of-covid-19/>
- Raffaella Meninno and Guntram Wolff, 2020 “As Coronavirus Spreads, Can the EU Afford to Close Its Borders?” *Economics in the Time of Covid-19*. Edited by Richard Baldwin and Beatrice Weder di Mauro. CEPR Press.

****** NOTE: Final Exam is Scheduled After Topic 9 ******