

International Political Economy (PO8013)

Course Convenor

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Office hours: Thursdays 11am-1pm (or by appointment)

Seminars

Weeks 8–12

Mondays, 11am–1pm, IIIS Seminar Room

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The aim of this short course is to provide an introduction to the political science sub-field of *international political economy* (IPE). As we only have five weeks, the topics covered are necessarily rather selective. In each week, we cover aspects of either or both of the political underpinnings and the political implications of international economic relations.

Recommended Text: Thomas Oatley (2008). *International Political Economy: Interests and Institutions in the Global Economy*. Fourth. Pearson

You may find it interesting and/or helpful to read an introductory overview of the sub-field of IPE. To that end, I suggest:

- Thomas Oatley (2008). *International Political Economy: Interests and Institutions in the Global Economy*. Fourth. Pearson, Chapter 1
- David A. Lake (2006). “International Political Economy: A Maturing Interdiscipline”. In: *The Oxford Handbook of Political Economy*. Ed. by Barry R. Weingast and Donald A. Wittman. Oxford, UK: Oxford University Press. Chap. 42, pp. 757–777. URL: <http://dss.ucsd.edu/~dlake/documents/LakeOxfordHandbookofPEproofs.pdf>

Assessment

10% — Class participation

Class participation requires contributing to class discussion, including listening to others, and having questions for discussion, demonstrating that contributions are based on a thorough understanding and detailed knowledge of all the required readings for the week.

20% — Response papers

Students are required to write **two response papers** over the course. Response papers are not summaries, but demonstrate an understanding and provide a critique of, or response to, the week's readings. They can be written about either one or several of the week's required readings (and, if desired, additional readings, but not to the exclusion of the required readings). Response papers should be at least one but no more than three double-spaced pages long and must be submitted through turnitin.com by midday (Irish Time) on the Sunday preceding the Monday class. Get your act together to submit well in advance of Sunday midday as late submissions will not be accepted. It is a deadline, not a target. When you submit a response paper, you are also particularly expected to actively participate in the discussion that week and the grade for the response paper will take this into account. You should come to the seminar expecting to talk about the views expressed in the response paper of your own volition, or as a result of explicit questioning from me.

70% — Critical Literature Review, due Friday April 13th (Week 13)

Students should choose one theme from the course and write a paper offering a critical review of the literature. This should be based on required and additional readings, with additional readings if desired. Beyond a summary of the state of the literature, this should also include analysis of contradictions both within and between papers, methodological shortcomings, and conceptual discrepancies. In developing such critiques, you will likely find some arguments or evidence more persuasive than others. Outlining your reasoning for such conclusions will tend to raise your grade. Should you wish, you may also use the essay to develop suggestions for possible research designs that may help to rectify any of the shortcomings that you perceive in the literature. Note that while the course is divided into five distinct weeks, several of the topics have considerable overlap with each other and, while you are not required to draw from the readings of multiple weeks, you are certainly not constrained not to. Indeed, you are welcome to draw from readings you have covered in other courses on the programme, as well.

The literature review should be double-spaced and 3000 words in length, not including the bibliography but including all other words (e.g. footnotes etc). Please include a word count on your submitted essay. It is **due by 5pm Irish time, Friday April 13th**. Late essays are penalized at a rate of 5 points per day late. Late submissions will only be excused if backed by a medical certificate.

Plagiarism

You are reminded of your obligations as a student at Trinity College to avoid plagiarism and respect the highest standards of academic honesty. This is particularly important in terms of reviewing academic literature where it is important that the review is based on your own reading and assessment of any literature discussed.

Turnitin

Response papers and the critical literature review must be submitted via <http://www.turnitin.com/>. This makes it easier to manage submissions, as well as taking advantage of a plagiarism detector. In order to submit your essay on <http://www.turnitin.com/>, you need to register yourself with <http://www.turnitin.com/> registration for the IPE module.

Class Name: International Political Economy (P08013 - 2012)

Course ID: 4900927

Enrollment Password: whatsipe

WebCT

We will be using the TCD WebCT service for this course. See <http://webct.tcd.ie/webct/logon/89051751001> for access to the most up-to-date version of this syllabus, as well as for PDF files of more difficult to find readings.

Acknowledgements

I am extremely grateful to the following for their help in preparing this course: Justin Leinaweaver and Will Phelan.

Week 8 (Mar 5): The Domestic Politics of Trade

In this first week, we will focus on how and why the issue of international trade (in goods) can be important in terms of domestic politics. In order to do this, a little economic theory is necessary, which comes from Oatley (2008, Chapter 3). For some relatively non-technical views on the implications of this theory, we turn to Krugman (1997a) and AFL-CIO (No Date). Rogowski (1987a) and Hiscox (2001) provide most of the intellectual meat in a political science sense. Hertel, Keeney, and Winters (2007) and Baldwin and Magee (2000) then pick up the logic of the arguments associated with the other authors to a more applied, politics-of-policy-making level.

Required Readings

- Thomas Oatley (2008). *International Political Economy: Interests and Institutions in the Global Economy*. Fourth. Pearson, Chapters 3 and 4
- Paul Krugman (Nov. 1997a). “A Raspberry for Free Trade: Protectionists serve up tainted fruit and red herrings”. *Slate*. Thursday, Nov. 20. URL: <http://web.mit.edu/krugman/www/berries.html>
- Ronald Rogowski (1987a). “Political Cleavages and Changing Exposure to Trade”. *American Political Science Review* 81.4, 1121–1137
- Michael J. Hiscox (2001). “Class Versus Industry Cleavages: Inter-Industry Factor Mobility and the Politics of Trade”. *International Organization* 55.1, pp. 1–45. DOI: 10.1162/002081801551405
- Thomas Hertel, Roman Keeney, and L. Alan Winters (Oct. 2007). *Why WTO agricultural reforms are such a good idea — but such a hard sell*. URL: <http://www.voxeu.org/index.php?q=node/665>
- Robert E. Baldwin and Christopher S. Magee (2000). “Is Trade Policy for Sale?: Congressional Voting on Recent Trade Bills”. *Public Choice* 105.1, pp. 79–101. DOI: 10.1023/A:1005121716315

Recommended Readings

- Paul Krugman (Mar. 1996). “Ricardo’s Difficult Idea”. Paper for Manchester conference on free trade. URL: <http://www.pkarchive.org/trade/ricardo.html>
- Michael J. Hiscox (1999). “The Magic Bullet? The RTAA, Institutional Reform, and Trade Liberalization”. *International Organization* 53.04, pp. 669–698. DOI: 10.1162/

002081899551039. URL: <http://www.people.fas.harvard.edu/~hiscox/HiscoxI099.pdf>

- Kenneth F. Scheve and Matthew J. Slaughter (2001). “What determines individual trade-policy preferences?” *Journal of International Economics* 54.2, pp. 267–292
- Helen V. Milner and Benjamin Judkins (2004). “Partisanship, Trade Policy, and Globalization: Is There a Left-Right Divide on Trade Policy?” *International Studies Quarterly* 48.1, 95–120. DOI: 10.1111/j.0020-8833.2004.00293.x
- Anna Maria Mayda and Dani Rodrik (2005). “Why are some people (and countries) more protectionist than others?” *European Economic Review* 49.6, pp. 1393–1430
- Kevin H. O’Rourke and Alan M. Taylor (2006). “Democracy and Protectionism”. NBER Working Paper no. 12250. URL: <http://www.nber.org/papers/w12250>
- Jeffrey W. Ladewig (2006). “Domestic Influences on International Trade Policy: Factor Mobility in the United States, 1963 to 1992”. *International Organization* 60.01, pp. 69–103. DOI: 10.1017/S0020818306060036
- Peter A. Gourevitch (1986). *Politics in Hard Times*. Ithaca: Cornell University Press

Week 9 (Mar 12): The International Politics of Trade

This week, we build on our understanding of the politics of trade by studying how it impinges on the interactions *between* countries, rather than within them. Oatley (2008) provides background on the international trade system. Krugman (1993) offers a somewhat polemical account of the motivations for NAFTA. The remaining readings discuss how and why various trade agreements and systems have been created.

Required Readings

- Thomas Oatley (2008). *International Political Economy: Interests and Institutions in the Global Economy*. Fourth. Pearson, chapter 2
- Paul Krugman (1993). “The Uncomfortable Truth about NAFTA: It’s Foreign Policy, Stupid”. *Foreign Affairs* November/December. URL: <http://www.pkarchive.org/trade/ForeignPolicyStupid.html>
- Stephen D. Krasner (1976). “State Power and the Structure of International Trade”. *World Politics* 28.3, 317–347
- Robert E. Baldwin and Richard E. Baldwin (1996). “Alternate approaches to the political economy of endogenous trade liberalization”. *European Economic Review* 40.3-5, pp. 775–782
- Helen V. Milner (1999). “The Political Economy of International Trade”. *Annual Review of Political Science* 2, pp. 91–114. DOI: 10.1146/annurev.polisci.2.1.91
- Edward D. Mansfield, Helen V. Milner, and Peter B. Rosendorff (2000). “Free to Trade: Democracies, Autocracies, and International Trade”. *American Political Science Review* 94.2, 305–321

Recommended Readings

- Robert D. Putnam (1988). “Diplomacy and Domestic Politics: The Logic of Two-Level Games”. *International Organization* 42.3, 427–460
- Judith L. Goldstein, Douglas Rivers, and Michael Tomz (2007). “Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade”. *International Organization* 61.01, pp. 37–67. DOI: 10.1017/S0020818307070014
- Thomas Sattler and Thomas Bernauer (2011). “Gravitation or discrimination? Determinants of litigation in the World Trade Organisation”. *European Journal of Political Research* 50.2, pp. 143–167. DOI: 10.1111/j.1475-6765.2010.01924.x

Week 10 (Mar 19): Foreign Direct Investment

FDI is when foreign actors purchase, construct, or otherwise invest in productive assets in a country. Oatley (2008) provides an overview of the relationships between “the state and the multinationals”. Krugman (1997b) provides a justification for embracing low wages abroad. Drezner (2000) and Cavanagh and Anderson (2002) question some of the perceived ‘facts’ regarding globalization in this sphere, albeit from different viewpoints. The remaining readings present quantitative empirical evidence as to the factors affecting flows of FDI from and to countries.

Required Readings

- Thomas Oatley (2008). *International Political Economy: Interests and Institutions in the Global Economy*. Fourth. Pearson, chapter 9 (also, chapter 8 may be of interest)
- Paul Krugman (1997b). “In Praise of Cheap Labor: Bad jobs at bad wages are better than no jobs at all”. *Slate*. March 20th. URL: <http://web.mit.edu/krugman/www/smokey.html>
- Daniel W. Drezner (Nov. 2000). “Bottom Feeders”. *Foreign Policy* 121, pp. 64–70
- John Cavanagh and Sarah Anderson (Sept. 2002). “Happily Ever NAFTA?” *Foreign Policy* 132, pp. 58–60
- Nathan M. Jensen (2003). “Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment”. *International Organization* 57.3, 587–616
- Eric Neumayer and Laura Spess (2005). “Do bilateral investment treaties increase foreign direct investment to developing countries?” *World Development* 33.10, pp. 1567–1585
- Tim Büthe and Helen V. Milner (2008). “The Politics of Foreign Direct Investment into Developing Countries: Increasing FDI through International Trade Agreements?” *American Journal of Political Science* 52.4, pp. 741–762. DOI: 10.1111/j.1540-5907.2008.00340.x

Recommended Readings

- Susan Strange (1992). “States, Firms and Diplomacy”. *International Affairs* 68.1, 1–15. DOI: 10.2307/2620458

- Avik Chakrabarti (2001). “The Determinants of Foreign Direct Investments: Sensitivity Analyses of Cross-Country Regressions”. *Kyklos* 54.1, pp. 89–114. DOI: 10.1111/1467-6435.00142
- Matthias Busse and Carsten Hefeker (2007). “Political risk, institutions and foreign direct investment”. *European Journal of Political Economy* 23.2, pp. 397–415

Week 11 (Mar 26): From Globalization to Domestic Politics

Gourevitch (1978) provides a conceptual link between some of the IR literature from last term and this week's topic. The readings from Katzenstein (1985) and Rogowski (1987b) provide core theoretical claims for this week on how trade patterns can fundamentally alter the political structures in operation in a country. Garrett (1998a) and Walter (2010) discuss how the process of globalization may lead to welfare state expansion. Rodrik (2011) offers a more fundamental understanding on the interaction between globalization, states, democracy itself.

Required Readings

- Peter J. Katzenstein (1985). *Small States in World Markets: Industrial Policy in Europe*. Cornell University Press, pp.30–37 (defining “corporatism”) and chapter 4
- Ronald Rogowski (1987b). “Trade and the Variety of Democratic Institutions”. *International Organization* 41.2, 203–223
- Geoffrey Garrett (1998a). “Global Markets and National Politics: Collision Course or Virtuous Circle?” *International Organization* 52.4, pp. 787–824. DOI: 10.1162/002081898550752. URL: http://www.wiso.uni-hamburg.de/uploads/media/10_Garrett_1998_01.pdf
- Stefanie Walter (2010). “Globalization and the Welfare State: Testing the Microfoundations of the Compensation Hypothesis”. *International Studies Quarterly* 54.2, pp. 403–426. DOI: 10.1111/j.1468-2478.2010.00593.x
- Dani Rodrik (2011). *The Globalization Paradox: Why Global Markets, States, and Democracy Can't Coexist*. Oxford, UK: Oxford University Press, Chapter 9

Recommended Readings

- Peter Gourevitch (1978). “The Second Image Reversed: The International Sources of Domestic Politics”. *International Organization* 32.4, 881–912
- Suzanne Berger (2000). “Globalization and Politics”. *Annual Review of Political Science* 3.1, 43–62. DOI: 10.1146/annurev.polisci.3.1.43
- Geoffrey Garrett (1998b). *Partisan Politics in the Global Economy*. Cambridge, UK: Cambridge University Press

- Dani Rodrik (1998). “Why Do More Open Economies Have Bigger Governments?” *Journal of Political Economy* 106.5, pp. 997–1032. DOI: 10.1086/250038. URL: <http://www.grips.ac.jp/teacher/oono/hp/docu01/paper09.pdf>
- William Roberts Clark and Mark Hallerberg (July 2000). “Mobile Capital, Domestic Institutions, and Electorally Induced Monetary and Fiscal Policy”. *American Political Science Review* 94.2, pp. 323–346. DOI: 10.2307/2586015
- Philipp Genschel (2002). “Globalization, Tax Competition, and the Welfare State”. *Politics & Society* 30.2, pp. 245–275. DOI: 10.1177/0032329202030002003
- Philipp Genschel (2004). “Globalization and the welfare state: a retrospective”. *Journal of European Public Policy* 11.4, 613–636. DOI: 10.1080/1350176042000248052
- Han-Werner Sinn (2007). “The Welfare State and the Forces of Globalization”. CESIFO Working Paper no. 1925. URL: http://www.cesifo-group.de/DocCIDL/cesifo1_wp1925.pdf
- Herman Schwartz (1994). “Small States in Big Trouble: State Reorganization in Australia, Denmark, New Zealand, and Sweden in the 1980s”. *World Politics* 46.4, pp. 527–555. URL: <http://people.virginia.edu/~hms2f/small.pdf>
- Layna Mosley (2000). “Room to Move: International Financial Markets and National Welfare States”. *International Organization* 54.4, pp. 737–773. DOI: 10.1162/002081800551352. URL: <http://www.unc.edu/~lmosley/mosleyI02000.pdf>
- Duane Swank (2003). “Withering Welfare? Globalization, Political Economic Institutions, and the Foundations of Contemporary Welfare States”. In: *States in the Global Economy: Bringing Domestic Institutions Back In*. Ed. by Linda Weiss. Cambridge, UK: Cambridge University Press. Chap. 3, pp. 58–82
- Mark Andreas Kayser (2007). “How Domestic Is Domestic Politics? Globalization and Elections”. *Annual Review of Political Science* 10.1, pp. 341–362. DOI: 10.1146/annurev.polisci.10.080605.135728
- Mark Andreas Kayser (2009). “Partisan Waves: International Business Cycles and Electoral Choice”. *American Journal of Political Science* 53.4, pp. 950–970. DOI: 10.1111/j.1540-5907.2009.00410.x

Week 12 (Apr 2): Money, Finance, and the Politics of the Euro

There is much that I could assign to read this week, without getting very far into the substance of issues that could reasonably fall under the subject of ‘the international political economy of money or finance’. Given the time restrictions, I have opted for a focus on the topical issue of the politics of the Euro, which will form the core of the class discussion. Nonetheless, for those without an academic background in international economics, I recommend two introductory readings. The first provides a reasonably accessible introduction to the economic issues of currency exchange. The second provides a historical account of the international financial system over the past half century, or so. For those who are interested in IPE more generally, both books have plenty to offer beyond the particular chapters that I point to here.

- Joseph M. Grieco and G. John Ikenberry (2003). *State Power and World Markets: The International Political Economy*. New York, NY: W.W. Norton, Chapter 3
- Barry Eichengreen (2008). *Globalizing Capital: A History of the International Monetary System*. Second. Princeton, NJ: Princeton University Press, Chapter 5

The main readings that we will discuss in class are below. McKay (1999) provides a political science approach to the politics of the Euro. Krugman (2011) offers an accessible, journalistic essay on the economic woes in Europe. O’Rourke (2011) picks up on a theme developed by Rodrik (2011) (discussed for the previous topic) and applies it to the EU and the Euro more particularly. Rajan (2010) is more focused on the US financial/sub-prime crisis. His is a prominent book, though, and we will discuss whether his arguments have relevance to the recent European experience.

N.B. I have reduced the ‘required’ reading load for this week as I have listed the Grieco and Ikenberry (2003) and Eichengreen (2008) chapters, as well. I strongly recommend that you look at these to provide some important context for the other readings.

Required Readings

- David C. McKay (1999). “The Political Sustainability of European Monetary Union”. *British Journal of Political Science* 29.03, pp. 463–485. DOI: 10.1017/S0007123499000216
- Paul Krugman (Jan. 2011). “Can Europe Be Saved?” *The New York Times*. Published 2011/01/12. URL: <http://www.nytimes.com/2011/01/16/magazine/16Europe-t.html>
- Kevin H. O’Rourke (Mar. 2011). “A Tale of Two Trilemmas”. URL: http://ineteconomics.org/sites/inet.civicaactions.net/files/BWpaper_OROURKE_040811.pdf

- Raghuram G. Rajan (2010). *Fault Lines: How Hidden Fractures Still Threaten the World Economy*. Princeton, NJ: Princeton University Press, Introduction and Chapters 6 and 7

Recommended Readings

- David C. McKay (2005). “Economic logic or political logic? Economic theory, federal theory and EMU”. *Journal of European Public Policy* 12.3, pp. 528–544. DOI: 10.1080/13501760500091810
- Layna Mosley and David Andrew Singer (Nov. 2009). “The Global Financial Crisis: Lessons and Opportunities for International Political Economy”. *International Interactions* 35.4, pp. 420–429. DOI: 10.1080/03050620903328993
- Elliot Posner and Nicolas Véron (2010). “The EU and financial regulation: power without purpose?” *Journal of European Public Policy* 17.3, pp. 400–415. DOI: 10.1080/13501761003661950
- Kevin Featherstone (2011). “The Greek Sovereign Debt Crisis and EMU: A Failing State in a Skewed Regime”. *Journal of Common Market Studies* 49.2. The JCMS Annual Lecture, pp. 193–217. DOI: 10.1111/j.1468-5965.2010.02139.x. URL: http://www.uni-leipzig.de/~sozio/mitarbeiter/m70/content/dokumente/584/featherstone_2010_euro.pdf
- Eric Helleiner (May 2011). “Understanding the 2007–2008 Global Financial Crisis: Lessons for Scholars of International Political Economy”. *Annual Review of Political Science* 14.1, pp. 67–87. DOI: 10.1146/annurev-polisci-050409-112539
- Eugenia Andreassen, Guido Sandleris, and Alejandro Van der Gote (July 2011). “The Political Economy of Sovereign Default”. Universidad Torcuato Di Tella Documento de Trabajo 07/2011. URL: <http://d.repec.org/n?u=RePEc:udt:wpbsdt:2011-07&r=pol>
- Jean Pisani-Ferry and André Sapir (2010). “Banking crisis management in the EU: an early assessment”. *Economic Policy* 25.62, pp. 341–373. DOI: 10.1111/j.1468-0327.2010.00243.x
- David Marsh (2011). *The Euro: The Battle for the New Global Currency*. New Haven, CT: Yale University Press