

Course Syllabus

PLSC 412: International Political Economy

Spring 2016 – Monday, Wednesday & Friday 9:05 am–9:55 am at 110 Borland Building

Professor Bumba Mukherjee
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Office Hours: Monday 2:00 pm – 4:00 pm & by appointment

Course Description

International Political Economy is an undergraduate course designed to provide a conceptual and empirical background necessary to understand globalization and the changes taking place in the international economy. While concepts from international economics will be studied in this course, the focus of this course is not on economic theory *per se* but rather on analyzing critical empirical issues in the current international economic system. We will particularly analyze issues related to the politics of international economic relations and economic globalization. At a broader level, we study topics such as international trade policy and protectionism, foreign investment, the politics of international finance and financial crises, and the future of the global economic system. More specifically, we examine subjects including the politics of trade conflict at the GATT/WTO, trade reforms in the developing world, the role of multinational corporations in the world economy, the consequences of foreign direct investment, the emergence of currency unions, the role of international financial institutions such as the IMF and debates over outsourcing and financial crises. For each topic, we will analyze a variety of theoretical explanations along with some historical and contemporary examples.

Penn State Policies about Academic Dishonesty

The Department of Political Science, along with the College of the Liberal Arts and the University, takes violations of academic dishonesty seriously. Observing basic honesty in one's work, words, ideas, and actions is a principle to which all members of the community are required to subscribe.

All course work by students is to be done on an individual basis unless an instructor clearly states that an alternative is acceptable. Any reference materials used in the preparation of any assignment must be explicitly cited. Students uncertain about proper citation are responsible for checking with their instructor.

In an examination setting, unless the instructor gives explicit prior instructions to the contrary, whether the examination is in-class or take-home, violations of academic integrity shall consist but are not limited to any attempt to receive assistance from written or printed aids, or from any person or papers or electronic devices, or of any attempt to give assistance, whether the one so doing has completed his or her own work or not.

Lying to the instructor or purposely misleading any Penn State administrator shall also constitute a violation of academic integrity.

In cases of any violation of academic integrity it is the policy of the Department of Political Science to follow procedures established by the College of the Liberal Arts. More information on academic integrity and procedures followed for violation can be found at:

http://www.la.psu.edu/CLA-Academic_Integrity/integrity.shtml

Note to students with disabilities: Penn State welcomes students with disabilities into the University's educational programs. If you have a disability-related need for reasonable academic adjustments in this course, contact the Office for Disability Services. For further information regarding policies, rights and responsibilities please visit the Office for Disability Services (ODS) Web site at: www.equity.psu.edu/ods/. Instructors should be notified as early in the semester as possible regarding the need for reasonable accommodations.

Course Requirements

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

- **15% for class participation:** This includes active participation in class discussions.
- **10% for attendance.** Note: Your attendance will NOT be penalized for a maximum of three unexcused absences. Unexcused absences in addition to these three absences will adversely affect your attendance grade. Note that unexcused include classes missed for the following activities: (i) participation at THON; (ii) job interviews; (iii) participation at career fairs.
- **15% for group presentation:** There will be a total of 3 group presentations – that will be conducted in the format of a debate – this semester. Each presentation will be worth 10% of your overall grade. The format of each presentation/debate will be explained in more detail as the semester progresses. Stated briefly, for each debate, a set of students in the class will be divided into two groups of 6 students (i.e. 6 students in each group). A particular topic (say Topic I) for the presentation/debate will be distributed a week before the date in which it is held. In the first pair of groups (that is, *group A* and *group B*), each group will have to take a stand with respect to, i.e. “for” or “against” Topic I. Each group will then defend their position in class via a brief set of power-point presentation slides (6-8 slides will be more than enough) for no more than 15-20 minutes each. After each group presents their slides, the students who are *not* in the two groups – that is, the remainder of the students constitute the audience (that includes me) – will pose questions to the two groups. Presenters in each group will be expected to respond to the questions posed by the audience. This Q&A session will last for a maximum of 20 minutes. Finally, after the presentation is over, each student in their assigned group will write a maximum of one short paragraph (for e.g. three sentences or just half a page in double-space) justifying the position taken by his or her group on a particular debate. This will be due immediately after the assigned group’s presentation and will be graded by me along with the presentation. The exercise described above will be repeated with the other students in the class (who did not belong to *group A* or *group B*) for the remaining two debates.

- **20% in-class midterm exam I:** This exam will cover material from the readings, lectures, and class discussions. No make-up exams will be given.
 - **20% in-class midterm exam II:** This exam will cover material from the readings, lectures, and class discussions. No make-up exams will be given.
 - **20% final exam,** (this will be held during the final exam week of the Spring 2016 semester)
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Course Readings

There is one textbook for the course that I use as a *reference* for my lectures: Thomas Oatley, *International Political Economy: Interests and Institutions in the Global Economy*, 3rd ed. (New York: Pearson, 2007). This book is optional since I primarily rely on my lecture notes in power-point format for instruction and for the exams. Although the book is optional, you are more than welcome to buy the book at amazon.com or e-bay if you prefer.

In addition to the Thomas Oatley textbook, you are expected to read a number of articles and essays from primarily *Foreign Affairs* and other journal-length articles written by academics. You do not have to read the entire journal article unless you want to. In fact, I will provide the page numbers in the journal-length articles that you are expected to read for each class. The reading load for this course is thus fairly light. Because the reading load is less, I expect students to read the material carefully and participate constructively in class.

Readings from the newspapers, magazines and journals will be available (i) via photocopies of short articles that will be distributed in class or at (ii) Angel. Students are expected to have completed the reading by the day for which it has been assigned. Readings from the articles are vital not just for class participation but also for the exams and the memos.

Instruction Format

For each class, I will lecture for approximately 30-35 minutes. Power-Point slides that summarize my lecture will be available via e-mail and Angel to the whole class before the lecture. After the lecture, I will “open the floor” for class discussion by asking questions and provoking debates for the remaining 15 minutes of each class session. Students are expected to participate in these class discussions.

Course Outline

Jan 11 (Monday)

Overview of Course and Course Requirements.

Jan 13 (Wednesday), Jan 15 (Friday) and Jan 20 (Wednesday)

Perspectives on international political economy.

- Oatley, 1-19 (*Optional*)
- Ben S. Bernanke. August 25 2006. “Global Economic Integration: What’s New and What’s Not,” Federal Reserve Bank of Kansas City’s Thirtieth Annual Economic Symposium, Jackson Hole, Wyoming, read from the bottom of page 1 (“A short history of global economic integration”) to “Conclusion” on page 6.
- Robert O Keohane and Joseph S Nye Jr. 2000. “Globalization: What's new? What's not? (And so what?).” *Foreign Policy* Washington. Read pages 1 to 5.

Jan 18 (Monday)

Class will not be held: Jan 18th is MLK Day

Jan 22 (Friday) and Jan 25 (Monday)

Part I: Politics of International Trade

International Trade: Why do states trade?

- Oatley, 47-60 (*Optional*)
- Milton and Rose Friedman, “The Case for Free Trade,” Hoover Digest, Fall 1997. Read all 4 pages of the article.
- Brent Radcliffe. June 2011. “The Basics of Tariffs and Trade Barriers,” <http://www.investopedia.com/articles/economics/08/tariff-trade-barrier-basics.asp#axzz1US7oSDGi>

The Politics of Trade Protection

- Oatley, 95-103 (*Optional*)

- Kimberly A. Elliott. April 2005. “Big Sugar and the Political Economy of US Agricultural Policy,” *Center for Global Development Brief*. Read pages 1-2 and pages 4 -5
- Chrystia Freeland. July 2011. “Winners and Losers in the Apple Economy.” Reuters, U.S. edition. <http://blogs.reuters.com/chrystia-freeland/2011/07/01/winners-and-losers-in-the-apple-economy/>
- Center for Global Development. June 15 2006. “Global Trade, Jobs, and Labor Standards.” Read full article (3 pages)

Jan 27 (Wednesday), Jan 29 (Friday), Feb 1 (Monday), Feb 3 (Wed)

Domestic politics and trade protection

- 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. Read pages 95-103.
- Kenneth F. Scheve and Matthew J. Slaughter. July/August 2007. “A New Deal for Globalization” *Foreign Affairs*. Read pages 35-41.
- Helen V. Milner with Keiko Kubota. 2005. “Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries,” *International Organization* 59. Read pages 107-111, 115-118.

The Political Economy of Trade Reform

- Oatley, 139-160 (*Optional*)
- Wigg *et al.* 2007. “Will International Trade Reduce Poverty? A Background Note to Norad.” Read pages 18-21. These pages include the following sections: “Empirical evidence on the impact of trade on poverty”; “the importance of inequality to poverty in a trade perspective” and “trade and the environment.”

Feb 5 (Fri)

Documentary: “TBA”

Feb 8 (Mon) and Feb 10 (Wed)

National Security and Trade: Does Trade follow the Flag?

- Andrea E. Goldstein and Steven M. McGuire. 2004. “The Political Economy of Strategic Trade Policy and the Brazil-Canada Export Subsidies Saga,” *World Economy*. Read pages 541-546, Skim pages 549-554 briefly (for a background of the Embraer-Bombardier case) and read pages 554-557.
- Brink Lindsey. December 2001. “Free Trade and Our National Security.” Center for Trade Policy Studies, CATO Institute, <http://www.freetrade.org/node/244>

International institutions and trade: The WTO

- Oatley, 65-69 (*Optional*)
- Meredith A. Crowley. 2003. “An Introduction to the WTO and GATT,” *Economic Perspectives*. Read pages 42-44
- Marc Busch. 2004. “The WTO Dispute Settlement System and Developing Countries.” Trade Brief, SIDA Publication Series, Read pages 1-3, i.e. the section, “How WTO Dispute Settlement Works?”
- NBER Digest. May 2003. “Does the World Trade Organization Actually Promote World Trade? <http://www.nber.org/digest/may03/w9347.html>. Read full document (2 pages)

Feb 12 (Friday)

Review for Mid-Term Exam I

Feb 15 (Monday)

In-class mid-term Exam I

Feb 17 (Wednesday), Feb 19 (Friday), Feb 22(Monday)

Part II: Multinational Corporations and Foreign Investment

Multinational corporations, foreign investment and nationalization

- Oatley, 166-180 (*Optional*)
- Nathan Jensen. 2006. "Measuring Risk: Political Risk Insurance Premiums and Domestic Political Institutions." Read pages 2-12
- Glen Biglaiser and Karl DeRouen, Jr., "Security, Property Rights, and US Foreign Direct Investment," November 2005. Read pages 1-8.
- Daniel H. Rosen and Thilo Hanemann. 2011. "An American Open Door? Maximizing the Benefits of Chinese Foreign Direct Investment." *Asia Society Special Report*. Read pages 62-67 in chp VI: Doormen: Policy and Politics).

Note: Topics for Group Debate I will be distributed at the end of this class

MNCs and Workers in the Developing World

- Benjamin Powell and David Skarbek. 2004. "Sweatshops and Third World Living Standards: Are the Jobs Worth the Sweat?" Unpublished Manuscript. Read pages 2-12 (these pages contain several figures and tables which are quite interesting!)
- Terry Collingsworth, J. William Goold, and Pharis J. Harvey. Jan/Feb 1994. "Labor And Free Trade: Time For A Global New Deal." *Foreign Affairs*. Read page 8, 10-13

Feb 24 (Wednesday)

Group Debate I

Note: March 4 (Friday): No Class—Out of town for a presentation

Note: March 7, 9, 11: No Class—Spring Break!

Feb 26 (Fri), Feb 29 (Mon), March 2 (Wed), March 14 (Mon), March 16 (Wed)

Part III: Politics of International Finance

Introduction to international financial politics and currency disputes

- Oatley, 241-242 first (“The Unholy Trinity”). [I will distribute copies of these two pages to class].
- Sewell Chan. September 18th 2010. The U.S.-China Exchange Rate Squeeze. New York Times
- Benjamin Cohen, Global Currency Rivalry: Can the Euro Ever Challenge the Dollar? Manuscript, UC Santa Barbara, Global and International Studies; read pages 4 (from “performance) to 9.

Domestic Politics, exchange rate choice and currency unions

- Oatley, 260-281 (*Optional*). Also see Oatley, 225-236, 237-240, 247-254 (*Optional*)

- J. Lawrence Broz and Jeffrey A. Frieden. 2006. "The Political Economy of Exchange Rates," *Handbook of Political Science*, Read pages 588-594.
- Frieden, Jeffrey. "Globalization and Exchange Rate Policy." *In The Future of Globalization*, edited by Ernesto Zedillo, Read pages 344-351.
- Andrew Rose. 2006. "Currency Unions." Read pages 2-6.

March 18 (Fri), March 21 (Mon), March 23 (Wed), March 25 (Friday)

The Political Economy of Financial Crises: Currency Crises

- Oatley, 306-320 (*Optional*).
- David Leblang and Shanker Satyanath, "Institutions, Expectations, and Currency Crises," *International Organization* 60 (2006), Read pages 245-250.
- Jeffrey Sachs. March/April 1998. "The IMF and the Asian Flu," *American Prospect*. Read pages 1-5

Note: Topics for Group Debate II will be distributed at the end of class!

The Political Economy of *Domestic* Financial Crises

- Oatley, (*Optional*).
- Dominick Salvatore. March 2009. "The Financial Crisis: Causes, Effects, Policies, Reforms, and Investment Strategies." GE Asset Management Working paper, read pages 1-3.
- Paul Krugman. "Moment of Truth." *New York Times*, October 10th 2008.

March 28th (Monday)

Documentary (Won an Oscar Award in 2010): "Inside Job."

March 30 (Wednesday)

Group Debate III

April 1 (Friday)

Review for Mid-Term Exam II

April 4 (Monday)

Mid-Term Exam II

April 6 (Wed)- April 8 (Friday)

No class; will be out of town for the annual Midwest Political Science Association Conference

April 11 (Friday), April 13 (Wed) and April 15 (Friday)

Part IV: The Global Economy in the 21st Century

The BRIC economies and the emerging global economy

- Goldman Sachs. 2003. "Dreaming with BRICs: The Path to 2050" *Global Economics Paper* no. 99. [I will list the pages that you should read in class].

- *The Economist* (Print edition), April 15th 2010. “The BRICs: The trillion-dollar club.” [Read full article](#).
- Daniel W. Drezner. March/April 2007. “The New World Order,” *Foreign Affairs* Vol. 86, No.2. [Read pages 34-41](#).

The United States in the 21st Century

- Don Peck. March 2010. “How a New Jobless Era Will Transform America.” *The Atlantic*, [read pages 1-5](#).
 - Naazneen Barma, Ely Ratner and Steven Weber. (July/August 2007). "A World Without the West" in *The National Interest*. [Read pages 23-29](#).
 - Suzanne Nossel and David Shorr. 2008. “A Stake in the System: Redefining American Leadership” The Stanley Foundation Working Paper, [read pages 17-20](#)
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April 18 (Monday), April 20 (Wed) and April 22 (Fri)

The Rise of China in the International Economy

- Naazneen Barma and Ely Ratner. Fall 2006. "China's Illiberal Challenge" in *Democracy: A Journal of Ideas*. [Read pages 56-65](#).
- John Ikenberry. January/February 2008. “The Rise of China and the Future of the West: Can the Liberal System Survive?” *Foreign Affairs* [I will list the pages that you should read in class].

Note: Topics for Group Debate III will be distributed at the end of class

April 25th (Monday)

Group debate III

April 27th (Wednesday)

Documentary: “China: A Century of Revolution” + Final Exam Review Session