

POLI 144: International Political Economy

Summer Session I 2017

Instructor Lauren E. Lee
Email: llee@ucsd.edu
Office: SSB 346
Office Hours: Wednesday 12-2pm

Department of Political Science
Summer Session I, 2017
Monday, Wednesday 2-4:50pm
WLH 2209

DESCRIPTION: Why do governments adopt the economic policies they do? This course serves as an introduction to the subfield of international political economy (IPE). We will study how politics and economics interact in an increasingly globalized world and identify the causes and consequences of evolving economic relations. More specifically, this course examines economic relations in trade, investment, finance and development. We will utilize theoretical insights from both economics and political science to develop a way of thinking critically about how international economic interactions affect the incentives faced by political actors and how it explains the behavior of voters, interest groups, politicians, firms, institutions and countries.

COURSE LEARNING OBJECTIVES: By the end of the course students should be able to:

- Use economic and political theories to identify the distributional consequences of economic policy and predict the winners and losers
- Evaluate how political institutions aggregate interests and determine policy
- Synthesize competing explanations and develop unique arguments for the success or failure of global economic infrastructure

REQUIREMENTS:

Grading. Grades will be assigned as follows:

- Policy Memos (50%, 2 memos 25% each)
- Final Exam (40%)
- Participation and Professionalism (10%)

Policy Memos. You will be responsible for two 2-page policy memos over the span of the course. The first will be due on **Wednesday, July 12th** and the second will be due on **Monday, July 31st**. The memo topic and directions will be handed out **one week** before each paper is due. Each policy memo will discuss a relevant problem in today's world and following the paper's submission, we will engage in an in-class discussion to debate the problem, solutions, and consequences.

Policy memos are client based and are designed to provide information and guidance on a particular problem or issue to a decision maker. They should be well-organized and succinct analyses that make a connection between background, evidence and recommendations. A good policy memo should introduce the problem, analyze and evaluate policy options based on available evidence, and justify a recommendation. Initial sources to guide students' research will be provided with each prompt. Students will be responsible for utilizing the suggested sources and incorporating additional

information. Points will be awarded based on the clarity of the language, demonstration of knowledge, and the persuasiveness of the argument. Further information will be provided in class.

Exam. There will be one final exam incorporating information from the entire course. It will be administered in class on **Friday, August 4th** from **3:00-6:00pm**. With the exception of university excused absences, no make up exam will be offered. The exam will consist of short answer and essay questions.

Participation and Professionalism. Attendance in lecture is required and credit for attendance will be assigned each week based on participation in a check-in activity. Attending lecture will be important to your success in the course, as much of the information covered will not be in the readings. Taking notes and asking questions will help you structure the course material and develop critical thinking skills.

In addition, participation is encouraged and required. As part of each lecture, we will take time for students to ask questions, answer each other's questions, and grapple with "big" ideas that don't have a right answer. We will work both in small groups and as a class. Research suggests that being able to explain a concept out loud to someone else and in your own words is the best way to gauge your level of knowledge. My goal is to create an atmosphere in which questions, opinions and ideas are all welcomed and discussed. Respect for other class members' contributions is required and any behavior to the contrary is unacceptable.

Academic Integrity. Students are expected to do their own work without unauthorized aid of any kind. Students caught cheating or engaging in academic misconduct, including plagiarism, will receive a failing grade in the course and be reported to the Academic Integrity Office according to university policy.

Grade Appeals. Students will be graded solely on academic performance. If you feel an error was made in grading, you must follow the given procedure:

- Prepare a written statement detailing the reasons why you think the grade you received was wrong. This must be a formal request to the instructor but can be submitted via email.
- Schedule a time to meet with the instructor in person.
- The instructor will read your exam and give it a new grade – it may be higher or lower than the original grade. The instructor reserves the right to downgrade the exam.

Technology Policy. There will be no electronic devices allowed in lecture. This includes, smartphones, tablets and laptops. Research links electronic devices with lower test scores and demonstrates that electronic devices have a strong propensity to distract nearby students. Research further demonstrates that taking notes by hand triggers higher-level thinking and leads to higher recall.

TEXTS: Course readings will be drawn from a textbook and a number of secondary sources. You can purchase the following required text from the bookstore or online.

- Oatley, Thomas. 2011. *International Political Economy*. Fifth Edition. New York, NY: Longman Publishing Group.

All other material will be available online or through the course page on TritonEd.

SCHEDULE: Readings and other materials MUST be completed before attending each lecture. They will be necessary background material that will ease the transition to lecture and discussion. You will be held responsible for the material covered in the readings both in class and on exams. Pay careful attention to each assignment, as some readings only require specific sections and pages. The schedule is subject to change.

Part 1 - International Trade: Why do economists almost unanimously support free trade? Why is free trade still contentious? Who lobbies on trade policy and how are their interests filtered through political institutions? Are these institutions successful?

Learning objectives:

1. Explain comparative advantage, Heckscher-Ohlin, Stolper-Sameulson, Ricardo-Viner, collective action, and the prisoner's dilemma
2. Compute comparative advantage and predict the winners and losers of free trade.
3. Apply collective action theory to explain who should have an incentive to lobby over free trade policy.
4. Analyze the role of institutional factors in determining trade policy.
5. Evaluate competing explanations and formulate a unique argument for why or why not global free trade architecture like the World Trade Organization and NAFTA have been successful.

Lecture 1: Monday 7/3/17

1. Why do countries trade?
 - a. *Read:* Oatley pp. 46-53
 - b. *Watch:* Comparative Advantage.
<https://www.youtube.com/watch?v=4rUfoU04QJM>
2. Why is trade policy controversial?
 - a. *Read:* Oatley, pp. 69-79.

Lecture 2: Wednesday 7/5/17

1. Who has influence?
 - a. *Read:* Oatley, pp. 79-80.
 - b. *Read:* Elliot, Kimberly A. 2005. "Big Sugar and the Political Economy of US Agricultural Policy." *Center for Global Development*.
 - c. *Listen:* Planet Money: The Lollipop War. *National Public Radio*.
<http://www.npr.org/sections/money/2013/04/26/179087542/the-lollipop-war>
2. Who has the authority to change trade policy?
 - a. *Read:* Oatley, pp. 81-87.
 - b. *Read:* Bailey, Michael, Judith Goldstein and Barry Weingast. 1997. "The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade." *World Politics*. 49(3): 309-338. READ ONLY pp. 309-318 and 334-338.
 - c. *Read:* Davis, Bump, Philip. 2015. "TPP and the Trade Deals, Explained for People who Fall Asleep Hearing about Trade Deals." *Washington Post*.
https://www.washingtonpost.com/news/the-fix/wp/2015/04/22/the-trade-deal-explained-for-people-who-fall-asleep-hearing-about-trade-deals/?utm_term=.213208377587

Lecture 3: Monday 7/10/17

1. Can we govern trade? Successfully?
 - a. *Read*: Oatley, pp. 21-36 and 58-67.
 - b. *Watch*: What is the Prisoner's Dilemma?
<https://www.youtube.com/watch?v=jUTWcYXVR5w>
 - c. *Listen*: Planet Money: Why US Taxpayers are Paying Brazilian Cotton Growers.
National Public Radio.
<http://www.npr.org/sections/money/2011/01/26/131192182/cotton>
 - d. *Read*: Goldstein, Judith, Douglas Rivers and Michael Tomz. 2007. "Institutions in International Relations: Understanding the Effects of the GATT and WTO on World Trade." *International Organization* 61(1): 37-67. READ ONLY pp. 37-47 and SKIM 52-64.

Part 2 - International Investment: Why do companies invest abroad rather than export or contract locally? When companies do invest abroad who holds the power, firms or countries? What are the consequences of foreign direct investment and can it be regulated?

Learning objectives:

1. Define vertical integration, horizontal integration, locational advantage, market imperfection, intangible assets, and specific assets
2. Use the obsolescing bargain to analyze whether foreign companies or recipient states are more powerful.
3. Compare competing hypotheses about the consequences of foreign direct investment. Analyze and critique available evidence to determine if a race to the bottom is occurring.

Lecture 4: Wednesday 7/12/17

1. POLICY DEBATE: Should the US leave NAFTA?
 - a. POLICY MEMO #1 DUE
2. Why do multinational corporations exist?
 - a. *Read*: Oatley, pp. 158-172.

Lecture 5: Monday 7/17/17

1. Who holds the power?
 - a. *Read*: Oatley, pp. 173-179 and pp. 188-191.
 - b. *Read*: Schipani, Andres and Ed Crooks. 2014. "Venezuela Ordered to Pay ExxonMobil a Further \$1bn." *Financial Times*.
<https://www.ft.com/content/d790a6f2-5004-11e4-a0a4-00144feab7de>
2. Are MNCs fair?
 - a. *Read*: Oatley pp. 180-188 and 194-201.
 - b. *Read*: Drezner, Daniel. 2000. "Bottom Feeders." *Foreign Policy* 121(November/December): 64-70.
 - c. *Read*: Spar, Deborah and David Yoffie. 1999. "Multinational Enterprises and the Prospects for Justice." *Journal of International Affairs* 52 (Spring): 557-581.

Part 3 - International Finance: What are the distributional implications of exchange rate regimes and levels? What causes financial crises? How are they resolved? What is the role of international institutions in regulating international finance?

Learning Objectives:

1. Explain how a currency appreciates or depreciates and the differences between currency regimes (fixed vs. float).
2. Determine the distributional consequences of different currency regimes and levels both domestically and internationally.
3. Understand the causes of various financial crises and evaluate proposed solutions.

Lecture 6: Wednesday 7/19/17

1. What is money? How is it traded?
 - a. *Watch*: What is Money? <https://www.youtube.com/watch?v=FpMB0Qhnp7E>
 - b. *Listen*: Planet Money: The Birth of the Dollar Bill. National Public Radio. <http://www.npr.org/sections/money/2012/12/07/166747693/episode-421-the-birth-of-the-dollar-bill>
 - c. *Read*: Oatley, pp. 202-212.
2. Why are exchange rates contentious domestically?
 - a. *Read*: Frieden, Jeffrey. 2015. *Currency Politics*. Princeton, NJ: Princeton University Press. READ ONLY pp.1-13 and 19-37.

Lecture 7: Monday 7/24/17

1. Why are exchange rates contentious internationally?
 - a. *Read*: Kubota, Yoko. 2012. "Japan's Yen Offensive May Give Toyota an Edge Over Hyundai." *Reuters*. <http://www.reuters.com/article/us-japan-autos-yen-idUSBRE8BP0FZ20121226>
 - b. *Read*: Mastel, Greg. 2011. "Washington-Beijing Currency Friction." *The International Economy* 24(1): 63-66. http://www.international-economy.com/TIE_W11_Mastel.pdf
 - c. *Listen*: Planet Money: China's Giant Pool of Dollars. *National Public Radio*. <http://www.npr.org/sections/money/2012/03/15/148603681/chinas-giant-pool-of-dollars>
2. Why causes financial crises? (Part 1)
 - a. *Read*: Reinhart, Carmen and Kenneth Rogoff. 2009. *This Time is Different. Eight Centuries of Financial Folly*. Princeton, NJ: Princeton University Press. READ ONLY pp. 3-20.
 - b. *Read*: Oatley, pp. 298-309.

Lecture 8: Wednesday 7/26/17

1. Why do financial crises occur? (Part 2)
 - a. *Read*: Oatley, pp. 323-345.
 - b. *Read*: Oatley, pp. 234-241
2. What role do international institutions play? Are these institutions effective?
 - a. *Read*: "What We Do." *International Monetary Fund*. <https://www.imf.org/external/about/whatwedo.htm>
 - b. *Read*: "How We Do It." *International Monetary Fund*. <https://www.imf.org/external/about/howwedo.htm>
 - c. *Read*: Stone, Randall. 2004. "The Political Economy of IMF Lending in Africa." *American Political Science Review* 98. READ ONLY pp. 577-581, 590.

Part 4 - International Development: Does globalization benefit everyone? What have the winners done to help the losers? Is foreign aid effective? What is the future of foreign aid?

Learning Objectives:

1. Evaluate the impact that globalization has had on inequality both domestically and internationally.
2. Summarize the current state of foreign aid globally and in the United States.
3. Critique competing arguments about the effectiveness of foreign aid.
4. Recommend what the future of global and national foreign aid architecture should look like.

Lecture 9: Monday 7/31/17

1. POLICY DEBATE: Should Greece leave the Eurozone?
 - a. POLICY MEMO #2 DUE
2. Does globalization lead to inequality?
 - a. *Read:* Oatley, pp. 346-351.
 - b. *Read:* Dollar, David. 2010. "Globalization, Poverty and Inequality since 1980." In *International Political Economy: Perspectives on Global Power and Wealth*, eds. Jeffrey Frieden, David Lake and J. Lawrence Broz. New York, NY: Norton.
 - c. *Read:* Bui, Quoc Trung. 2015. "The Fall and Rise of US Inequality, In 2 Graphs." *National Public Radio*.
<http://www.npr.org/sections/money/2015/02/11/384988128/the-fall-and-rise-of-u-s-inequality-in-2-graphs>

Lecture 10: Wednesday 8/2/17

1. Who gives foreign aid? Why?
 - a. *Read:* Radelet, Steven. 2006. "A Primer on Foreign Aid." *Center of Global Development*. Working Paper #92. READ ONLY pp. 1-7.
 - b. *Explore:* <http://beta.foreignassistance.gov>
2. Is foreign aid successful?
 - a. *Read:* Easterly, William. 2006. "Why Doesn't Aid Work?" *CATO Institute*.
<https://www.cato-unbound.org/2006/04/02/william-easterly/why-doesnt-aid-work>
 - b. *Read:* Radelet, Steven. 2006. "Evidence Beats Rhetoric, Every Time." *CATO Institute*.
<https://www.cato-unbound.org/2006/04/09/steve-radelet/evidence-beats-rhetoric-every-time>
 - c. *Listen:* Planet Money: How American Aid Hurts Haitian Farmers. *National Public Radio*. <http://www.npr.org/sections/money/2010/06/10/127750586/how-foreign-aid-is-hurting-haitian-farmers>
 - d. *Read:* Harris, Bryant, Robbie Gramer and Emily Tamkin. 2017. "The End of Foreign Aid as We Know It." *Foreign Policy*. <http://foreignpolicy.com/2017/04/24/u-s-agency-for-international-development-foreign-aid-state-department-trump-slash-foreign-funding/>

Final: Friday 8/4/17, 3-6 pm