

International Political Economy

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Objectives: This course provides an introduction to the field of International Political Economy. We survey the major approaches to the study of international economic relations and apply them to the fields of trade, capital mobility, and foreign direct investment. Since international and domestic political economy often intersect, taking Poli 647 (Political Economy of Development) is particularly useful for anyone interested in doing research in this field.

Prerequisites: This course is an advanced graduate seminar. First, it assumes familiarity with the major schools of IR theory and a (very) basic understanding of international economics. If you are unsure about your background knowledge, I highly recommend purchasing Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, (7th ed., New York: Pearson Addison Wesley, 2005, or any recent edition) as a reference work. Second, IPE is rapidly moving towards considerable methodological sophistication. Past seminar participants have found it useful to take the first empirical methods course before Poli 672, especially if they have not taken an introduction to statistics or econometrics at the undergraduate level. Some of the readings use advanced statistical or formal modelling techniques—DO NOT DESPAIR! We will focus on the substantive findings and general research design issues. Statistics is just another form of rhetoric.

Requirements: The course has three formal requirements: ten short summary papers, class participation, and a research design paper.

Response papers: Every week, you will write a brief 1-3 page summary of the readings. For each of the readings, you should state: What is the dependent variable? What are the independent variables? What is the theoretical argument? Or, in the case of critical readings, what are the authors ontological assumptions, what epistemology guides the analysis? Response papers are due on the day that we discuss the readings in class. You get two freebies and have to turn only ten papers. The response papers are marked on a pass/fail basis and are worth 4% each for a total of 40% of your final grade. Once you have used up your two freebies, late papers will only be accepted with a doctor's note.

Class participation: This is a seminar and as such, it depends on your and other students' contributions, insightful comments, and probing questions that help everyone learn. To prepare for the class, read the assigned articles *as theory*: is the evidence suitable to test the predictions...if there are indeed clear predictions? Do the predictions follow logically from the assumptions? Is the methodology appropriate and used properly? In short, if you received the piece for review, what constructive critique would you provide? Class participation is measured in terms of quantity and quality—don't be afraid to try out ideas—and is worth 20% of your final grade.

Research design paper: You are required to write a research design paper of about 15-20 pages in length, 12pt font, double-spaced, with 2.5 cm margins. The paper should contain all the elements of an actual research paper—except for the research. In other words, you need to write an introduction, describe the problem, review the literature, develop a model or theoretical framework, identify testable hypotheses, operationalize them, and show what data you would use and where and how to obtain it. You can propose to use any method (qualitative or quantitative analysis, formal modelling, interview or archival research, or any feasible combination) that you think is suitable, but explain why you would choose the approach. Most importantly, you should clarify what you expect to find and what would clearly prove you wrong. Previous research papers have at times formed the basis for publishable articles, so I encourage you to write with this goal in mind. **The paper is due on Monday, December 11.** The research design paper is worth 40% of your final grade. Late papers incur a half-grade penalty per day (A becomes A-, etc.), unless you have a doctor's note.

Readings: All readings will come from two sources. Recent articles are available online through JSTOR or other databases the university subscribes to (links are on these pages and accessible in the McGill network). In addition, a package of photocopies with all the readings will be made available for purchase at the Bookstore. There is only one required book, a classic well worth the money: Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 2001 [1944]).

Plagiarism: McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see <http://www.mcgill.ca/integrity> for more information). Be it further resolved that failure by an instructor to include a statement about academic integrity on a course outline shall not constitute an excuse by a student for violating the Code of Student Conduct and Disciplinary Procedures.

Policy on absence from class: You are allowed two excused absences without affecting your participation grade. Let me know if you cannot attend a class. Unexcused absences are noted as a zero grade for the session.

Note that since October 9 is Thanksgiving, we will make up that class on Tuesday, October 10.

Session 1: Introduction and Distribution of Assignments (Sept 11)

Get started on the readings for week 2.

Session 2: Wealth, Power, and the Development of Markets (Sept 18)

Avner Greif, "Reflections from Two Late Medieval Societies," in *The Frontiers of the New Institutional Economics*, John N. Drobak and John V. C. Nye (Eds.) (San Diego: Academic Press, 1997), pp. 57-94. HB99.5 F76 1997

Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1981 [1945]), pp. 3-40. HF81 H5x

Karl Polyani, *The Great Transformation* (Boston: Beacon Press, 1957), pp. 3-130. HC53 P6 1957.

David Ricardo, *Principles of Political Economy and Taxation*, (London: Dent, 1965), Chapter 7: "On Foreign Trade." HB161 R53 1965, and free online at <http://oll.libertyfund.org/>

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. Book I and Book II, Chapters 1-3 respectively (New York: Penguin Books, 1986). HB161 S6 1986, and free online at <http://oll.libertyfund.org/>

Essay questions (questions for later sessions will be provided on WebCT):

To what extent can markets operate successfully without political intervention? What types of policies and institutions have evolved to overcome market failures? The degree of international economic integration has varied considerably over the past millennium. What explains this variation? Note: These are some of the most profound questions in the field. Do not attempt to answer them comprehensively in three pages, but focus on one aspect of the problem.

Session 3: Alternative Approaches to IPE (Sept 25)

Robert Gilpin, *Global Political Economy* (Princeton: Princeton University Press, 2001), pp. 77-102. HF1359 G5516 2001

Peterson, V. Spike. *A Critical Rewriting of Global Political Economy: Integrating Reproductive, Productive and Virtual Economies*, Ripe Series in *Global Political Economy*. London: Routledge, 2003, pp. 21-43. HF1359 P484 2003.

Stephan Haggard and Beth A. Simmons, "Theories of International Regimes." *International Organization* 41, 3 (1987), pp. 491-517. ([JSTOR](#))

Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 2005 [1984]), pp. 85-109.

Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42 (1988), pp. 427-460. ([JSTOR](#))

Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28, 3 (1976), pp. 317-347. ([JSTOR](#))

David A. Lake, "Leadership, Hegemony, and the International Economy: Naked Emperor or Tattered Monarch with Potential?" *International Studies Quarterly* 37, 4 (1993), pp. 459-489. ([JSTOR](#))

Session 4 (Oct 2): Domestic Sources of Trade Policy Orientation

Review Article: James E. Alt, Jeffrey Frieden, Michael J. Gilligan, Dani Rodrik, and Ronald Rogowski, "The Political Economy of International Trade: Enduring Puzzles and an Agenda for Inquiry," *Comparative Political Studies* 29, 6 (1996), pp. 689-717. ([Sage full text](#))

Michael A. Bailey, Judith Goldstein, and Barry R. Weingast, "The Institutional Roots of American Trade Policy: Politics, Coalitions and International Trade," *World Politics* 49, 3 (1997), pp. 309-338. ([Project MUSE](#))

Michael Gilligan, "Lobbying as a Private Good with Intra-Industry Trade." *International Studies Quarterly* 41 (1997), pp. 455-74. ([JSTOR](#))

Michael J. Hiscox, "Class Versus Industry Cleavages: Inter-Industry Factor Mobility and the Politics of Trade," *International Organization* 55 (Winter 2001): 1-46. ([Cambridge Journals online](#))

Ronald Rogowski. (1987) "Political Cleavages and Changing Exposure to Trade," *American Political Science Review*, 81 (4): 1121-37. ([JSTOR](#))

Scheve, Kenneth F., and Matthew J. Slaughter. 2001. What determines individual trade-policy preferences? *Journal of International Economics* 54 (2):267-292. ([Science Direct](#))

Session 5 (Oct 10): The Multilateral Trade Regime

Overview: Judith Goldstein, "International Institutions and Domestic Politics: GATT, WTO and the Liberalization of International Trade." In *The WTO as an International Organization*. Edited by Anne O. Krueger (Chicago: University of Chicago Press, 1998), pp. 133-52. HF 1385 W78 1998

Finlayson, Jock A., and Mark W. Zacher. "The GATT and the Regulation of Trade Barriers: Regime Dynamics and Function." *International Organization* 35, no. 4 (1981): 561-602.

Gilligan, Michael J. 2004. Is There a Broader-Deeper Trade-Off in International Multilateral Agreements? *International Organization* 58 (3):459-84. ([Cambridge Journals online](#))

Özden, Çağlar, and Eric Reinhardt. "The Perversity of Preferences: GSP and Developing Country Trade Policies, 1976-2000." *Journal of Development Economics* 78, no. 1 (2005): 1-21.

Christina L. Davis, "International Institutions and Issue Linkage: Building Support for Agricultural Trade Liberalization," *American Political Science Review* 98:1 (February 2004), 153-169. ([Cambridge Journals online](#))

Piermartini, Roberta and Robert Teh. 2005. *Demystifying modeling options for trade policy*. Discussion Paper no. 10. Geneva: [World Trade Organization](#). (Not to be included in essay, but useful introduction to empirical tools)

Session 6 (Oct 16): Regionalism in the World Economy

Review Article: Edward D. Mansfield and Helen V. Milner. "The New Wave of Regionalism." *International Organization* 53, 3 (1999), pp. 589-627. ([JSTOR](#))

Kerry A. Chase, "Economic Interests and Regional Trading Arrangements: The Case of NAFTA," *International Organization* 57, 1 (2003), pp. 137-74. ([Business Source Premier](#))

Wilfried J. Ethier, "The New Regionalism," *Economic Journal* 108, 449 (1998), pp. 1149-1161. ([JSTOR](#))

Stephan Haggard. "Regionalism in Asia and the Americas." In *The Political Economy of Regionalism*, Edited by Edward D. Mansfield and Helen V. Milner (New York: Columbia University Press, 1997), pp. 20-49. HF1418.7 P65 1997

Anne O. Krueger, "Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?" *Journal of Economic Perspectives* 13 (1999), pp. 105-124. ([JSTOR](#))

Edward D. Mansfield and Eric Reinhardt. "Multilateral Determinants of Regionalism: The Effects of GATT/WTO on the Formation of Preferential Trading Arrangements," *International Organization*, 57, 4 (2003), pp. 829-62. ([JSTOR](#))

Session 7 (Oct 23): International Dispute Settlement and the Rule of Law

Overview: Hoekman, Bernard M, and M. M Kostecki. *The Political Economy of the World Trading System: The WTO and Beyond*. 2nd ed. Oxford: Oxford University Press, 2001, pp. 74-99

Robert O. Keohane, Andrew Moravcsik, and Anne-Marie Slaughter, "Legalized Dispute Resolution: Interstate and Transnational," *International Organization* 54:3 (Summer 2000), 457-488. ([Cambridge Journals Online](#))

Frederick M. Abbott, "NAFTA and the Legalization of World Politics: A Case Study," *International Organization* 54:3 (Summer 2000), 519-547. ([Cambridge Journals online](#))

Rosendorff, B. Peter. "Stability and Rigidity: Politics and Design of the WTO's Dispute Settlement Procedure." *American Political Science Review* 99, no. 03 (2005): 389-400.

James McCall Smith, "The Politics of Dispute Settlement Design: Explaining Legalism in Regional Trade Pacts," *International Organization* 54:1 (Winter 2000), 137-180. ([Cambridge Journals online](#))

Eric Reinhardt, "Adjudication without Enforcement in GATT Disputes," *Journal of Conflict Resolution* 45:2 (April 2001), 174-195. ([JSTOR](#))

Session 8 (Oct 30): International Monetary Systems

Overview: Broz, J. Lawrence, and Jeffrey A. Frieden. 2001. The Political Economy of International Monetary Relations. *Annual Review of Political Science* 4 (1):317-343. ([EBSCO](#))

Broz, J. Lawrence. 2002. Political System Transparency and Monetary Commitment Regimes. *International Organization* 56 (4):863-89.

Jeffrey A. Frieden, "Real Sources of European Currency Policy: Sectoral Interests and European Monetary Integration," *International Organization* 56:4 (Autumn 2002), 831-860. ([Cambridge Journals online](#))

Hector E. Schamis and Christopher R. Way, "[Political Cycles and Exchange Rate-Based Stabilization](#)," *World Politics* 56 (October 2003), 43-78.

Bearce, David. 2003. Societal Principals, Partisan Agents, and Monetary Policy Outcomes. *International Organization* 57 (2):373-410.

David Leblang and William Bernhard, "The Politics of Speculative Attacks in Industrial Democracies," *International Organization* 54:2 (Spring 2000), 291-324. ([Cambridge Journals online](#))

Session 9 (Nov 6): The Resurgence of Capital Mobility

Overview: Cohen, Benjamin J., "Phoenix Risen: The Resurrection of Global Finance," *World Politics* 48, 2 (1996), pp. 268-296. ([Project MUSE](#))

Stephan Haggard and Sylvia Maxfield, "The Political Economy of Financial Internationalization in the Developing World," *International Organization* 50, 1 (1996), pp. 35-68. ([JSTOR](#))

John Goodman and Louis W. Pauly, "The Obsolescence of Capital Controls? Economic Management in an Age of Global Markets," *World Politics* 46, 1 (1993), pp. 50-82. ([JSTOR](#))

Simmons, Beth A. "The International Politics of Harmonization: The Case of Capital Market Regulation." *International Organization* 55, no. 03 (2003): 589-620.

Simmons, Beth A., and Zachary Elkins. "The Globalization of Liberalization: Policy Diffusion in the International Political Economy." *American Political Science Review* 98, no. 1 (2004): 171-89.

Session 10 (Nov 13): Sovereign Debt and International Lending Institutions

Barry Eichengreen, "Historical Research on International Lending and Debt," *Journal of Economic Perspectives* 5, 2. (1991), pp. 149-169. ([JSTOR](#))

Randall W. Stone, "The Political Economy of IMF Lending in Africa," *American Political Science Review* 98:4 (November 2004), 577-591.

- Erica R. Gould, "Money Talks: Supplementary Financiers and International Monetary Fund Conditionality," *International Organization* 57 (Summer 2003), 551-586. ([Business Source Premier](#))
- Vreeland, James R. 2005. The international and domestic politics of IMF programs. Unpublished manuscript, Department of Political Science, [Yale University](#).

Session 11 (Nov 20): Foreign Direct Investment

- Overview:** Blonigen, Bruce A. 2005. *A Review of the Empirical Literature on FDI Determinants*. NBER Working Paper no. 11299. Cambridge, MA: [National Bureau of Economic Research](#).
- Resnick, Adam and Quan Li. 2003. Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries. *International Organization* 57 (1):175-211.
- Jensen, Nathan M. 2003. Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment. *International Organization* 57 (3):587-616.
- Henisz, Witold J. 2000. The Institutional Environment for Multinational Investment. *Journal of Law, Economics & Organization* 16 (2):334-64.
- Neumayer, Eric and Laura Spess. 2005. Do Bilateral Investment Treaties Increase Foreign Direct Investment to Developing Countries? *World Development* 33 (10):1567-85.
- Kobrin, Stephen J. 1987. Testing the Bargaining Hypothesis in the Manufacturing Sector in Developing Countries. *International Organization* 41 (4):609-38.

Session 12 (Nov 27): Globalization and Policy Autonomy: Developed Countries

- Jeffry A. Frieden, "Invested Interests: The Politics of National Economic Policies in a World of Global Finance," *International Organization* 45, 4 (1991), pp. 425-51. ([JSTOR](#))
- Layna Mosley, "Room to Move: International Financial Markets and National Welfare States," *International Organization* 54, No. 4 (2000), pp. 737-73. ([Cambridge Journals online](#))
- William Roberts Clark and Mark Hallerberg, "Mobile Capital, Domestic Institutions, and Electorally Induced Monetary and Fiscal Policy" *American Political Science Review* 94, 2 (2000), pp. 323-46. ([JSTOR](#))
- Basinger, Scott J. and Hallerberg, Mark. "Remodeling the Competition for Capital: How Domestic Politics Erases the Race to the Bottom." *American Political Science Review*, 2004, 98(02), pp. 261-76. ([Cambridge](#))
- Garrett, Geoffrey, and Deborah Mitchell. "Globalization, Government Spending and Taxation in the OECD." *European Journal of Political Research* 39, no. 2 (2001): 145-77.
- Tiberghien, Yves. "Navigating the Path of Least Resistance: Financial Deregulation and the Origins of the Japanese Crisis." *Journal of East Asian Studies* 5 (2005): 427-64.

Session 13 (Dec 4): Globalization and Policy Autonomy: Developing Countries

- Overview:** Prasad, Eswar, Kenneth Rogoff, Shang-Jin Wei, and M. Ayhan Kose. "Effects of Financial Globalization on Developing Countries: Some Empirical Evidence." Washington, DC: [International Monetary Fund](#), 2003.
- Mares, Isabela. "Social Protection around the World: External Insecurity, State Capacity and Domestic Political Cleavages." *Comparative Political Studies* 38, no. 6 (2005): 623-51.
- Rudra, Nita. "Globalization and the Decline of the Welfare State in Less-Developed Countries." *International Organization* 56, no. 2 (2002): 411-45.
- Wibbels, Erik, and Moisés Arce. "Globalization, Taxation, and Burden-Shifting in Latin America." *International Organization* 57, no. 1 (2003): 111-36.
- Enloe, Cynthia. "On the Beach: Sex and Tourism." In *Bananas, Beaches, and Bases: Making Feminist Sense of International Politics*, edited by Cynthia Enloe, 19-41. Berkeley and Los Angeles: University of California Press, 2000. HQ1236 E55 2000