

## INS 321

### GLOBAL POLITICAL ECONOMY

Spring 2007

Professor: Laura Gomez-Mera  
Office Hours: M, W, 3:00-4:00 PM

Class: M 12:20-2:50 PM  
Place: MB 307

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#### Course Objectives

This course introduces students to the study of International Political Economy (IPE). It explores the dynamic ways in which markets, states and societies interact with one another, within a context of increasing international economic interdependence. The course combines a focus on the main theoretical approaches with the analysis of historical and contemporary issues in the global political economy. The curriculum is divided into four main parts. The first part seeks to provide students with an introduction to the main methodological and theoretical debates in IPE, including recent scholarly debates on the nature and consequences of economic globalization. The three remaining parts each covers a different broad theme or topic: trade, money and finance, and development and North-South relations. Several different international and domestic level issues are studied within each theme. These include: the origins and nature of the contemporary international trading system, regional trade agreements, the role of domestic interest groups in the determination of trade policy, the relationship between multinational corporations and the state, the politics of international monetary relations, the regulation of the international financial system, alternative development strategies followed by different countries in the developing world, the ability of International Financial Institutions (IFIs) to influence policy and outcomes in the developing world through conditionality and redistribution, and the politics of foreign aid and of recent attempts to deal with the problems of global poverty and underdevelopment.

#### Course Organization

The class will follow a seminar format. The first part of each session will be held in an inter-active lecture format. I will begin by providing an overview of the material, highlighting the main conceptual issues but I will expect all students to engage actively and meaningfully in class discussions. In addition, all students will be responsible for two or three oral and written presentations, analyzing the readings and addressing a specific question on the topic of their choice. The outline below provides at least three questions for each topic covered in the course. Students must choose three questions on three different topics and write an essay and prepare a presentation. (We will distribute the questions on the first class, trying as much as possible to maximize collective happiness but ensuring that all students get different questions).

#### Course Requirements

Final grades will reflect written work as well as participation and performance in seminar discussions:

- (1) **Oral and written presentations (30%):** Essays should be 5-7 pages long (double spaced). They should be **analytical**, not purely descriptive pieces. The questions are open-ended and there is no right or wrong answer. Students must show that they can think critically and that they can successfully present and defend their arguments. Essays must be submitted on the day of the scheduled presentation. Students are highly encouraged to prepare a handout with the outline of their presentation to distribute among all seminar participants.
- (2) **In-class midterm exam (25%) and take-home final exam (25%):** Each exam will require students to write three brief essays (For the mid-term, you will get five different questions and will be able to choose three). The final will not be cumulative. The mid-term exam will be held on **March 5**. Essay questions for the final will be distributed on April 30. The completed exam is due on May 7.
- (3) **Class participation (20%):** Active and (very important) **meaningful** class participation is of critical importance. Your participation grade will take into account the quality of your contribution to discussions.

## Readings

Seminar readings will consist of a combination of books and numerous journal articles and book chapters. Required books may be purchased at the bookstore. Students are expected to complete all required readings (identified with a \*) before each class. In addition, a list of recommended readings is provided for each topic.

### *Required:*

Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton: Princeton University Press, 2001).

Thomas Oatley, *International Political Economy: Interests and Institutions in the Global Economy*, 2<sup>nd</sup> Edition (New York: Pearson Longman, 2006). (Oatley (a)).

Thomas Oatley (ed.), *The Global Economy: Contemporary Debates*, (New York: Pearson Longman, 2005). (Oatley (b)).

### *Recommended:*

Jeffrey Frieden and David Lake (eds.), *International Political Economy: Perspectives on Global Power and Wealth*, 4th Edition (New York: St. Martin's Press, 2000).

Developing some familiarity with major journals in the field is also highly recommended. These include: *International Organization*, *International Affairs*, *World Politics*, *The World Economy*, *Review of International Political Economy*, *International Studies Quarterly*, *New Political Economy*, *Journal of Economic Perspectives*, etc.

## Course Outline

### PART I. INTRODUCTION

#### 1. Jan. 22 Introduction

Introduction to the course. Introduction to IPE and the global political economy. History of IPE as a field of enquiry.

##### *Questions:*

- (1) Why did IPE emerge in the early 1970s?
- (2) What is the relationship between IPE, IR and Economics and how has this relationship changed over time?

#### 2. Jan. 29 Methodological and Theoretical Approaches to IPE

Traditional approaches: Liberalism, Mercantilism, and Marxism. International and domestic level explanations. The role of interests, institutions and ideas. Competing explanations of the construction of the post-war international economic order: hegemonic stability, regime theory and embedded liberalism.

- (1) What have been the major theoretical perspectives in IPE since 1970?
- (2) What are the relative strengths and weaknesses of alternative domestic level approaches to IPE?
- (3) How useful is hegemonic stability theory in explaining the nature of the post-1945 international economic order? How does it compete with alternative explanatory paradigms?

\*Oatley (a), ch. 1., 2.

\*Gilpin, ch. 2, 3, 4.

Frieden & Lake, Introduction, pp. 1-16 (Blackboard).

J. Ruggie, "International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization*, 36: 2 (1982).

J. Ikenberry, "A World Economy Restored: Expert Consensus and the Anglo-American Postwar Settlement," *International Organization*, 46:1 (Winter 1992).

#### 3. Feb. 5 Globalization

What is globalization? How new is it? Competing interpretations of globalization in the modern world economy. Globalization and the state. Domestic and international distributional implications of globalization.

- (1) What is new about globalization? More specifically, are the current trends in the international political economy labeled "globalization" of a qualitatively different character from a previous era?

(2) What are the alternative views on the effect of globalization on the nation-state? How are we to redefine the boundaries and forms of sovereignty in the globalization era?

(3) Is globalization good for the poor?

\*Gilpin, ch. 1 & 14.

\*Oatley (a), ch. 16.

\*Oatley (b), ch. 19.

\*The Economist, "Rich Man, Poor Man", and "In the shadow of prosperity," (Jan. 20-26<sup>th</sup>, 2007).

R. Keohane and J. Nye, "Globalization: What's New and What's Not (And So What?)," *Foreign Policy*, 118 (2000).

D. Rodrik, "Is Globalization Good for the Poor?" Commentary (May 2002).

*Foreign Policy*, Globalization: The Debate, Special Issue, Summer 1997.

D. Rodrik, "How Far will Economic Integration Go?" *Journal of Economic Perspectives*, 14: 1 (2000).

J. Stiglitz, *Globalization and its Discontents*, (W. W. & Company, Inc, 2003), chapters 1-2.

Watson, K., "Making Globalization work for the Poor" *Finance and Development*, Vol. 39 No. 1 (March 2002).

## PART II: TRADE and PRODUCTION

### 4. Feb. 12 The International Trading System

The liberal underpinnings of the world trading system. The economic case for free trade. The GATT, the Uruguay Round, and the creation of the WTO. The Doha Round.

(1) What led to the creation of the WTO? Who were the winners and losers in this development?

(2) On what grounds has the legitimacy of the WTO been questioned in the last few years?

(3) Why is the Doha Round referred to as the "Development" round? Is this term justified?

\*Gilpin, ch. 8.

\*Oatley (a), ch. 2 & 3.

\*Oatley (b), ch. 4, 5, & 6.

\*The Economist, "Global trade: Weighed in the Balance," Dec. 10<sup>th</sup>, 2005.

The Economist, "World Trade Talks: In the Rough", Nov. 5<sup>th</sup>, 2005.

T.N. Srinivasan, "Developing Countries and the Multilateral Trading System after Doha", Discussion Paper 842, Economic Growth Center, Yale University (2002).

B. Hoekman, "New Issues in the Uruguay Round and Beyond," *The Economic Journal* (Nov. 1993).

M. Finger, and P. Schuler, "Implementation of the Uruguay Round Commitments: The Development Challenge," *The World Economy*, Vol. 23 (2000).

J. Jackson, *The World Trading System* (Cambridge: MIT Press, 1997), ch. 8 & ch. 9.

### 5. Feb. 19 Regional Trade Agreements

The role of regional trade agreements (RTAs) in the multilateral trading system: Stumbling blocs or building blocs? The origins and impact of the "new regionalism." The cases of NAFTA and MERCOSUR.

- (1) Why are RTAs proliferating?
- (2) What is the relationship between regionalism and multilateralism? Under what conditions are these complementary or contradictory?
- (3) What is the case for/the case against NAFTA? How and by whom was the case for and against made at the time? And how has it evolved?

\*Gilpin, ch. 13.

\*Oatley (b), ch. 7 & 2.

\*J. Bhagwati, "Regionalism versus Multilateralism," *The World Economy*, 15 (1992).

R. Grinspun and M. Cameron, "NAFTA and the Political Economy of Mexico's External Relations," *Latin American Research Review*, 31: 3 (1996).

S. Thacker., "NAFTA Coalitions and the Political Viability of Neoliberalism in Mexico," *Journal of Inter-American Studies and World Affairs*, 41: 2 (1999).

S. Haggard, "Regionalism in Asia and the Americas", in Mansfield, E. and H. Milner (eds.), *The Political Economy of Regionalism* (New York: Columbia University Press, 1997).

## **6. Feb. 26 Domestic Politics and Trade Policy**

The economics and politics of protectionism. Winners and losers of protection. The political economy of NTBs. The rise of the "new protectionism." Interest group and statist explanations of trade policy.

- (1) What distinguished the new protectionism from the old?
- (2) Are statist or societal explanations more useful for explaining American trade policy?
- (3) Choose a newspaper article that discusses a trade policy issue. Identify the domestic losers and winners of that specific policy/measure.

\*Oatley (a), ch. 4, 5 & 6.

\*Oatley (b), ch. 1.

\*E. Mansfield and M. Busch, "The Political Economy of NTBs: A Cross-National Analysis," *International Organization*, 49: 4 (1995).

B. Cohen, "The Political Economy of International Trade," *International Organization*, 44: 2 (1990).

S. Strange, "Protectionism and World Politics," *International Organization*, 39 (1985).

D. Rodrik, "The Limits of Trade Policy Reform in Developing Countries," *Journal of Economic Perspectives*, 6: 1 (1992).

## **7. March 5 MIDTERM EXAM**

## **March 12 SPRING BREAK**

## PART III. MONEY and FINANCE

### 8. March 19 Multinational Corporations (MNCs) and Foreign Direct Investment

MNCs in the world economy. MNCs as political actors in home and host states. Debate over the MNC and the nation-state. The “race to the bottom.”

- (1) Are states and firms co-equal actors in the global political economy?
- (2) Assess the contemporary trends in the globalization of production. How different are they to the activities of MNCs in the past?
- (3) How can governments respond to the threat of a “race to the bottom” dynamic that weakens public interest regulation?
- (4) Find a newspaper/magazine article that discusses the benefits/problems associated with the expansion of MNCs. Do you agree/disagree and why?

\*Gilpin, ch. 11.

\*Oatley (a), ch. 9.

\*Oatley (b), ch. 8, 9 & 10.

Frieden & Lake, ch. 9-11.

J. Dunning, *The Globalization of Business* (London: Routledge, 1993), ch. 5.

R. Caves, *Multinational Enterprises and Economic Analysis* (Cambridge: CUP, 1996).

S. Strange, *The Retreat of the State* (Cambridge: CUP, 1996).

### 9. March 26 The International Monetary System

The postwar international monetary system. The collapse of the Bretton Woods system: competing explanations. Post- Bretton Woods arrangements. Managing exchange rates in a world of mobile capital. European Monetary Integration.

- (1) Is the collapse of Bretton Woods best explained by American decline or technical inadequacies?
- (2) Discuss the origins and objectives of European Monetary Integration. Why have other regions been less interested in establishing similar arrangements?
- (3) What political factors influence the determination of exchange rate policy?
- (4) Find a newspaper article discussing China’s exchange rate policies and its consequences for international monetary relations.

\*Gilpin, ch. 10

\*Oatley (a), ch. 10 & 11.

\*Oatley, (b), ch. 11, 12.

Oatley (a), ch. 12 & 13

B. Eichengreen, *Globalizing Capital*, ch. 4.

A. David, “Capital Mobility and State Autonomy,” *International Studies Quarterly* (1994).

B. Cohen, “Phoenix Risen: The Resurrection of Global Finance,” *World Politics*, 48 (1996).

A. Walter, *World Power and World Money* (New York: St. Martin's Press, 1993), ch. 7.

## 10. April 2 International Financial Crises

The international financial system. Financial integration and national sovereignty. International financial crises: the Latin American debt crisis, the Tequila crisis, the East Asian financial crisis and the Argentine default.

- (1) Why has international macroeconomic policy coordination been so difficult?
- (2) Choose one financial crisis in the 1990s (e.g. Mexico, Asia or Argentina). Discuss its international and domestic level causes.
- (3) Why were international financial crises so common during the 1990s?
- (4) Should developing countries use capital controls to contain capital flows? What other alternatives could be used to regulate international financial markets?

\*Oatley (a), ch. 14 & 15

\*Oatley (b), ch. 14.

\* M. Feldstein, "Argentina's Fall: Lessons from the Latest Financial Crisis", *Foreign Affairs*, 81: 2 (2002).

K. Schuler, "Fixing Argentina", *Policy Analysis*, 445, (July 2002).

J. Corrales, "The Politics of Argentina's Meltdown", *World Policy Journal*, 19: 3 (2002).

S. Haggard and S. Maxfield, "The PE of Financial Internationalization in the Developing World", in H. Milner and R. Keohane, *Internationalization and Domestic Politics*.

J. Ocampo, "A Broad Agenda for International Financial Reform," in J.A. Ocampo et al., eds. *Financial Globalization and the Emerging Economies* (Santiago: ECLAC, 2000), 41-62.

## PART IV: DEVELOPMENT AND NORTH-SOUTH RELATIONS

### 11. April 9 Developing Countries and Alternative Development Strategies

Central debates in development thinking: the role of the state in economic development and the impact of the international economy. The developmental state. Dependency theory and import-substitution industrialization in Latin America. The East Asian miracle. The politics of economic reform.

- (1) Were ISI policies responsible for the international debt crisis of the 1980s? Compare East Asia with Latin America
- (2) What were the main factors behind the trend towards economic liberalization in many developing countries in the 1980s-1990s? Discuss the political, economic and social impact of these reforms.
- (3) Discuss the relationship between the processes of economic and political liberalization in the 1990s.

\*Gilpin, ch. 12.

\*Oatley (a), ch. 6 & 7.

\*Oatley (b), ch. 15.

\*J. Williamson, "Democracy and the 'Washington Consensus,'" *World Development*, 21: 8 (1993).

The Economist, "The Latinobarometro Poll", Oct. 27, 2005

E. Cardoso and Albert Fishlow, "Latin American Economic Development: 1950-80," *Journal of Latin American Studies*, Supplementary issue, 1992 (24).

R. Wade, "Managing Trade: Taiwan and South Korea as Challenges to Economics and Political Science," *Comparative Politics*, 25: 2 (1993).

A. Amsdem, "Why Isn't the Whole World Experimenting with the East Asian Model to Develop? Review of The East Asian Miracle," *World Development*, 22: 4 (1994).

## **12. April 16      Inequalities of Power and Wealth: Conditionality and Redistribution**

The IMF and the World Bank and their lending policies. The Conditionality Bargain. The post-Washington Consensus.

(1) Do the IMF and the World Bank offer developing countries a forum in which they can exercise voice and influence?

(2) Is conditionality good? Why?

(3) Is the Washington Consensus dead? Discuss the strengths and weaknesses of post-Washington Consensus proposals.

\*Gilpin, ch. 15.

\*Oatley (a), ch. 14.

\*Oatley (b), ch. 16 & 17.

\*N. Birdsall et. al, "Washington Contentious: Economic Policies for Social Equity in Latin America" Findings of the Commission on Economic Reform in Unequal Latin American Society (2001).

A. Krueger, "Wither the World Bank and the IMF?" *Journal of Economic Literature*, 36 (1998).

D. Rodrik, "Goodbye Washington Consensus, Hello Washington Confusion," *Journal of Economic Literature* (1996).

J. Stiglitz, "The Post Washington Consensus Consensus," Initiative for Policy Dialogue Working Paper Series, Task Force on Governance of Globalization (November 2004).

UNDP, Human Development Report, 2003: Overview, The Millennium Compact, Chapter 1, Chapter 8 (Available at: <http://hdr.undp.org/reports/global/2003/>).

## **13. April 23      Emerging Powers: China and India**

Historical overview of their development record. Gradual transitions to the market. Explanations for success. Comparison of different approaches.

(1) Discuss the role of the state in the process of development and growth of China and India

(2) Do the cases of China and India suggest that globalization is in fact good for development?

(3) Can India overtake China?

- \*The Economist, "The New Titans: A Survey of the World Economy," (Sept. 2006) – Blackboard.
- \*The Economist, A Survey of China & India (2005) – Blackboard.
- \*H. Yasheng and T. Khanna, "Can India Overtake China?" *Foreign Policy* (2003).
- \*UNDP, CHINA *Human Development Report, 1999: Transition and the State* (Oxford: OUP, 1999).

O. Jean, "Two Decades of Rural Reform in China: An Overview and Assessment," *The China Quarterly*, (1999).

J. Petersen, "Explaining Economic Liberalization in India: State and Society Perspectives," *World Development*, 28:2 (2000).

K. Dutt, "Uncertain Success: The Political Economy of Indian Economic Reform," *Journal of International Affairs*, 51 (1997).

P. Krugman, "The Myth of Asia's Miracle" *Foreign Affairs*, (Nov/Dec. 1994).

#### **14. April 30      Conflict and Development**

The links between conflict and development. Economic causes of conflict: the greed vs. grievance debate. Resource wars. The political economy of the "new wars". The development impact of conflict.

(1) Discuss the links between conflict and development (or underdevelopment).

(2) What is new about the "new" wars?

(3) What is the role of natural resources in civil conflict in the developing world?

\*K. Ballentine & H. Nitzschke, "Beyond Greed and Grievance: Policy Lessons from Studies in the Political Economy of Armed Conflict," IPA Policy Report (May 2003).

\*M. Berdal, "How New are the New Wars?" *Global Governance*, 9 (2003).

\*M. Berdal, "Beyond Greed and Grievance – and not too soon," Review Essay, *Review of International Studies*, 31: 4 (2005).

P. Collier, et al. *Breaking the Conflict Trap: Civil War and Development Policy*. World Bank and Oxford University Press, 2003, ch. 1, 2 (Available on line).

F. Stewart and V. Fitzgerald, "Assessing the Economic Costs of War." (Blackboard).

P. Collier, and A. Hoeffler. "Greed and Grievance in Civil War." *Oxford Economic Papers* 56 (2000)

G. Peake et. al. "From Warlords to Peacelords" UNU-ENCORE Research Report (2005).

#### **May 7              Take Home Exam Due**