

## International Political Economy

[last updated on Jan 26, 2022, subject to change until the course start date]

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Class meets from 8:50 – 10:10 AM Tues, Thurs @ANTH6

Office hours: Mon/Wed 1-2 PM

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Who are the winners and losers of free trade? Why do some governments impose tariffs despite the consumer benefits of free trade? Why do countries protect certain industries and why do they use different policies to do so? Does trade expansion hurt the environment and labor rights? Why does the bargaining power of multinational companies vis-à-vis host countries decline over time? Does FDI promote labor rights in industrializing countries? How could countries that were not among the original industrializers attempt to replicate their success?

This course is an introduction to international political economy for students of international relations. Students who seek to develop a critical perspective on economic foreign policies are highly encouraged to take this course. Students will adopt analytical approaches that emphasize actors' interests, their strategic interactions, and institutional structures in evaluating international economic policies in select issue areas of trade, money, development & migration, and the environment. The course begins with an overview of the rise of the modern world economy. It then presents several perspectives on the international political economy. The course then applies the theories to four important issue areas: i) trade, ii) money, iii) development & migration, iv) environmental protection. Emphasis throughout the course is at the intersection of politics and economic policies.

This course accomplishes three goals. First, students will be able to apply academic perspectives in understanding international economic policies and develop their own arguments based on those perspectives. (For instance, why did the Trump administration protect steel and aluminum industries at the expense of cherry growers? Is it because those industries are more important for national security, or does the president's re-election motive better explain the policy?) Second, students will be trained to adjudicate credible evidence in evaluating academic and policy claims. A major portion of the required readings use qualitative and quantitative analyses as supporting evidence. We will learn to evaluate the credibility of the evidence presented in the readings. Lastly, students will learn to devise solutions to pressing policy problems through course discussions. Students are required to use relevant academic lenses in devising multiple short solutions, weigh their costs and benefits based on credible evidence, and support a final policy solution.

A special effort is made to relate the course material to important historical cases and recent policy events. Most of the required readings are by political scientists who are

grappling with international economic policies from political science perspectives. Most of the optional readings touch on relevant policy events drawn from the popular press (e.g., Financial Times, The Economist). These policy readings will be covered in lectures.

### Readings

All readings on this list are required. Almost all are contained in the following book: Jeffrey Frieden, David Lake, and Lawrence Broz. "International Political Economy: Perspectives on Global Power and Wealth, 6<sup>th</sup> Edition (New York: W. W. Norton, 2017)

### Grading & Requirements

Mid-term essay ..... 30% (released March 1 – due March 11)  
Group Interview and Presentation.....20% (April 12 or 14)  
Final exam ..... 35% (date TBD)  
In class assignments (participation) ..... 15%(dates below)

- A mid-term take-home essay This is a paper of 2,500 – 3,000 words, in which you are asked to evaluate the validity of multiple major theories. Your essay must draw from examples and reasonings discussed in relevant readings.

- Late submission Any essay submitted after the due date and within 7 days since the due date will get a -3 points reduction, unless there is a medical note or class dean's email. I will not accept any essay submitted after 7 days since the due date, unless there is a medical note or class dean's email.

- Group Interview Project This is a group project, in which a group of 2-3 students will conduct interviews with 5-7 people, outside of class. The interview topic must be relevant to class discussions. For example, one or two groups can interview their friends and families about whether they support trade liberalization/capital liberalization/attachment of gender equity or environmental provisions in trade deals. Each interview will take approximately 20-30 minutes. Based on the interviews, each group will present their findings on who supports or opposes trade. In the presentation, students are expected to apply the theories of international trade covered in class, and conclude how certain theories do a better job explaining your findings.

- A final exam The exam will have four components: 1) multiple-choice questions, 2) term identification questions, 3) short answer questions, and 4) a long answer question.

- In class assignments (ICAs) This course has activities that require active student participation. Participation will be evaluated holistically, participation in course simulations and debates. The ICAs are also a great way to get an idea on the types of questions that will be on the final exam.

a) Every Tuesday course meeting will begin with a 5-minute discussion of current affairs on IPE. Students are expected to share news relevant to course discussions. Students who contributed consistently over the course of the semester will do well (5%).

b) This course has several participation assignments. Participation will be evaluated based on the quantity AND quality of participation (8%).

- \* History-based debate on metal tariffs (Feb 3)
- \* Should the US preserve the fast-track procedure? (Feb 17)
- \* The German Problem simulation (Mar 24)
- \* Evaluating the democracy hypothesis (April 7)
- \* NAFTA 3.0 simulation – Linking environmental protection to trade (April 28)

c) Miscellaneous participation. Students who actively participated in other forms by answering questions and asking questions (2%).

- Missed ICA(s): If you missed class on one of the ICA dates/weeks, you can make up by submitting a less than one-page reflections on the course materials of the week and their connection to the question(s) posed in the ICA. Make-up submissions will NOT be accepted after 3 days since the ICA date.

- Absence: I do not take attendance. You do not need to alert me to the fact that you will be absent. Students are responsible for catching up on missed materials by getting notes from peers. I am available to discuss missed materials only during my office hours (not by appointment for this purpose).

### **Office Hours**

My office is #115 at 37 Broad Street, Middletown CT (the building adjacent to Red & Black coffee). I will be in my Zoom meeting room (<https://wesleyan.zoom.us/my/blee03>) during office hours.

If you absolutely cannot meet during office hours, you can schedule a meeting by appointment by sending me an e-mail. I have more availability on Mondays and Wednesdays. I do not meet students on Fridays and weekends.

### **Special Accommodations**

Any student needing academic adjustments or accommodations is requested to present their letter from Wesleyan and speak with me by the end of the second week of the term. Failure to make these arrangements may result in my inability to respond in a timely manner. All discussions will remain confidential, although the university may be consulted to discuss appropriate implementation.

### **Course Outline & Readings**

#### Week 1. Introduction – Why IPE? (Jan 27, virtual)

Key questions:

- What are some international economic events that affected you? How did these events shape your experience?
- Why should we study economic policies through the lens of political science? What is its added value that economics does not address?

Required Readings (read before class):

- Syllabus
- Frieden Lake Broz, "Introduction: International Politics and International Economics," pp. 1-17.
- (Short popular press reading) Jim Tankersley, "Trump's metal tariffs added some jobs and raised consumer prices," May 30, 2019. *The New York Times*.
- (Short popular press reading) Alexandra Guisinger, "American Views of Trade Aren't Just about Economics," May 30, 2019. *The New York Times*.

Week 2. The Rise of the Modern World Economy, 1500-1914 (Feb 1/3, in-person meetings start)

Key questions:

In this course, we explain IPE questions using three factors: interests, interactions, and institutions. What are some examples of how these factors help explain the economic policies discussed in the readings?

Required Readings (read before class):

- Frieden Lake Broz, "Historical Perspectives," pp. 77-80.
- Peter Gourevitch (in FLB), "International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873 – 1896," pp. 92-112.
- Cheryl Schonhardt-Bailey (in FLB) "Free Trade: Repeal of the Corn Laws," pp. 81-91.
- (Short popular press reading for the in-class debate on Feb 3, repeat reading from Week 1) Jim Tankersley, "Trump's metal tariffs added some jobs and raised consumer prices," May 30, 2019. *The New York Times*.

**[ICA 1] Course activity on Feb 3**

**History-based debate:** We are trade policy advisors in the Biden administration. The Trump administration began imposing metal tariffs and the Biden administration is deciding whether to continue to impose the tariffs. Students will be randomly divided into pro-tariffs and anti-tariffs groups before class. Draw from historical examples discussed in Gourevitch and Schonhardt-Bailey, justify why the Biden administration should or shouldn't impose the tariffs. Alternatively, students can also rebut their counterpart's argument by closely examining whether the historical cases remain relevant.

Week 3. Perspectives on the International Political Economy (Feb 8/10)

Key questions:

The three chapters we read this week represent distinct sets of explanatory factors (interests, interactions, and institutions) relevant to studying IPE. Which chapters belong to which perspective? Is it possible for some of them to belong to more than one category? Do these approaches complement or contradict each other?

Required Readings (read before class):

- FLB, "Contending Perspectives," pp. 18-19.
- Stephen Krasner (in FLB), "State Power and the Structure of International Trade," pp. 43-61.

- Christina Davis (in FLB), "International Institutions and Issue Linkage: Building Support for Agricultural Trade Liberalization," pp. 62-76.
- Ron Rogowski (in FLB), "Commerce and Coalitions: How Trade Affects Domestic Political Alignments," pp 20-29.

#### Week 4. Origins and Overview of Contemporary International Economic Order (Feb 15/17)

Key questions:

- What characteristics do the readings assign to "good institutions" that support either economic development or trade liberalization?
- Do democracies and autocracies develop different economic policies in the areas of trade and development?

Required Readings (read before class):

- Daron Acemoglu (in FLB), "Root Causes: A Historical Approach to Assessing the Role of Institutions in Economic Development," pp. 113-118.
- Michael Bailey, Judith Goldstein, and Barry Weingast (in FLB), "The Institutional Roots of American Trade Policy," pp. 119-139.

**[ICA 2] Course activity on Feb 17**

**Debate: Do fast track procedures really promote trade liberalization?**

Should the US retain the fast-track procedure? Does it help promote trade liberalization? Students will be divided into pro- and anti-fast track camps and debate the merit of the institution.

#### Week 5. International Trade and Developed Economies (Feb 22/24)

Key questions:

- What explains individual attitudes on trade liberalization? Do you prefer trade liberalization? How does tariff reduction affect your incomes?
- Do politicians in democracies and autocracies develop different preferences for trade liberalization?

Required Readings (read before class):

- FLB, "Trade," pp. 282-285.
- Barry Eichengreen (in FLB), "The Political Economy of the Smoot-Hawley Tariff," pp. 286-296.
- Andy Baker (in FLB), "Who Wants to Globalize? Consumer Tastes and Labor Markets in a Theory of Trade Policy Beliefs," pp. 315-327.
- Paola Conconi, Giovanni Facchini, Maurizio Zanardi (in FLB), "Policymakers' Horizon and Trade Reforms: The Protectionist Effect of Elections," pp. 328-338.
- (Short popular press reading) Stephanie J. Rickard, "Why did Trump agree to a temporary hold on further China tariffs?" December 10, 2018. *The Washington Post*.

**[Mid-term essay prompts will be released on March 1, 9:00 AM ET.]**

#### Week 6. International Trade and the Developing Economies (Mar 1/3)

Key questions:

- Can we apply the same theoretical frameworks from the previous week to explain developing countries' trade policies (e.g., Stolper-Samuelson theorem)?
- Is trade liberalization good for developing countries? Are rules codified in preferential trade agreements and the WTO conducive for economic development for them?

Required Readings (read before class):

- FLB, pp. 297-314.
- Raymond Hicks, Helen Milner and Dustin Tingley (in FLB), "Trade Policy, Economic Interests, and Party Politics in a Developing Country: The Political Economy of CAFTA-DR," pp. 297-314.
- Mlada Bukovansky (in FLB), "Institutionalized Hypocrisy and the Politics of Agricultural Trade," pp. 68-90.
- (Short popular press reading) Heather Stewart, "Tariffs: WTO talks collapse after India and China clash with America over farm products," 29 July 2008. *The Guardian*.

**[Mid-term essays are due before March 11, 11:59 PM ET.]**

Week 7. Multinational Corporations and the Internationalization of Production (Mar 8/10)

Key questions:

- What are some possible explanations for the existence of multinational corporations (MNCs)?
- What institutional factors affect bargaining between MNCs and host country governments? (i.e., obsolescing bargaining dynamics)
- What roles do interests, institutions, interactions play in this bargaining relationship?

March 8<sup>TH</sup> In-class – 10<sup>rd</sup>: (THIS IS **NOT** GRADED as AN IN-CLASS ASSIGNMENT) We will watch "American Factory," a 2019 documentary film on Fuyao's factory in Ohio (110 minutes). → We will discuss the implications of the documentary based on Pandya reading in class on March 3<sup>rd</sup>

Required Readings (read before class):

- Sonal Pandya (in FLB), "Labor Markets and Demand for Foreign Direct Investment," pp. 156-166.
- Beth Simmons (in FLB), "Bargaining over BITs, Arbitrating Awards: The Regime for Protection and Promotion of International Investment," pp. 167-183.
- Quan Li and Adam Resnick (in FLB), "Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries," pp. 184-205.

**Spring break: March 12-20**

Week 8. International Financial and Monetary Relations (Mar 22/24)

Key questions:

- What does it mean to have a balance of payments surplus or deficit? Explain why investors, consumers, and governments may like or dislike a balance of payments deficit.

- Who benefits from weak or strong currencies? Exporters? Import-competing domestic industries?

Required Readings (read before class):

- FLB, "Money and Finance," pp. 206-210.

- Menzie Chinn and Jeffrey Frieden (in FLB), "Borrowing, Boom, and Bust: The Capital Flow Cycle," pp. 232-251.

- (Reading 1 for the debate): "The German Problem: Why Germany's current-account surplus is bad for the world economy," July 8th 2017, The Economist.

- (Reading 2 for the debate): "Vorsprung durch Angst: The good and bad in Germany's economic model are strongly linked," July 8<sup>th</sup> 2017 The Economist.

**[ICA 3]** In-class debate on the March 24th: The German Problem

Germany has long been accused of unfairly benefitting from the weak euro. For example, Trump threatened to impose a 35% tariff on BMWs imported to the US to level the playing field for American car manufacturers. France, while sharing similar concerns as the US, was reluctant to pressure Germany during the Eurozone crisis as it was critical to keep Germany interested in providing bailout packages for crisis-hit members. Should the U.S. hit Germany with punitive tariffs to "correct" Germany's current account surpluses?; Should France ally with the U.S. to pressure Germany into spending more?; Should the European Central Bank tighten its monetary policy to placate the US and other countries?

You will be assigned to one of the following roles: a) the US government, b) the European Central Bank, c) the German government, d) the French government, and e) the Spanish government. You will receive your role bio documents and have several private meetings with relevant actors. At the end of the simulation, we will see if Germany will end up in a trade war or secure a peaceful agreement that makes everyone (relatively) happy.

Week 9-1. Group Interview Project Work Day: No Class (Mar 29)

Students are encouraged to meet with their group members and work on organizing the interview logs and practice presentation.

Week 9-2. Guest lecture (Mar 31)

Professor Yoon Jin Lee @ Wellesley College, "Who Supports the Huawei 5G Ban? Advancing two-level ideational approach in International Relations."

Week 10. International Finance and Development (April 5/7)

Key question:

- What are some advantages of a fixed exchange vs. flexible exchange rate regime?

How may these institutions affect your own incomes?

- How do political systems affect monetary policies, central bank independence, and exchange rate regimes?

Required Readings (read before class):

- Lawrence Broz (in FLB), "Political System Transparency and Monetary Commitment Regimes," pp. 267-281.
- Wesley Widmaier (in FLB), "Trade-offs and Trinities: Social Forces and Monetary Cooperation," pp. 151-172.

**[ICA 4] Evaluating the democracy hypothesis (April 7):**

Pick two countries, one democracy and one autocracy. Explore what kind of exchange rate regime the chosen country has based on the IMF's ARREAR database here: <https://www.elibrary-areaer.imf.org/Pages/Reports.aspx>

- Do the countries you chose float or peg its currency?
- Do you think those countries have independent central banks?
- Do you think autocracies are more likely to use pegging to signal credibility?

Week 12. Group Interview Project Presentation Week (April 12/14)

Students will present their group interview findings in class. Each group will entertain questions from the instructor and peers. Grading rubrics will be provided before the spring break. The presentations will be video recorded.

Week 13. Immigration & Development (April 19/21)

Key questions:

- Migration) How does the use of a Heckscher-Ohlin framework versus a specific factors framework lead to different predicted outcomes about immigration?
- Migration) Give examples of when trade and immigration can be substitutes or complements.
- Development) How does integration into the global economy relate to poverty reduction for developing countries? How generalizable are the examples of integration "success stories" like China, India, Korea, and Vietnam?
- Development) What is meant by the "global middle class"? Where on the global income distribution do Milanovic and Rodrik place this group? How does it compare to the middle class in developed countries like the U.S.?

Required readings (Read before class – we will discuss migration on the 19<sup>th</sup> and development on the 21<sup>st</sup>):

- Frieden and Lake (in FLB), "Migration," pp. 357-358.
- Margaret Peters (in FLB), "Open Trade, Closed Borders: Immigration in the Era of Globalization," pp. 378-393.
- Giovanni Facchini, Anna Maria Mayda, and Prachi Mishra (in FLB), "Do Interest Groups Affect U.S. Immigration Policy?" pp. 394-412.
- Frieden and Lake, "Economies in Development," pp. 413-415.
- Branko Milanovic (in FLB), "Global Income Inequality in Numbers: In History and Now," pp. 416-427.
- "Where are you in the income distribution?" World Inequality Database. Available: <https://wid.world/simulator/>

## Week 14. Environment (April 26/28)

### Key questions:

- Does globalization (i.e. trade liberalization) enhance or deteriorate environmental outcomes?
- Do individuals with strong pro-environmental preferences support or oppose trade liberalization?
- What are some unique challenges in implementing international cooperation on climate change?
- In what ways would the development of the environmental global regime take different or similar paths compared to the global trade regime? Compare Keohane & Victor's discussions on the UNFCCC with GATT/WTO.

### Required Readings:

- Sean Ehrlich (in FLB), "The Fair Trade Challenge to Embedded Liberalism," pp. 489-505.
- Robert O. Keohane and David G. Victor (in FLB), "Cooperation and Discord in Global Climate Policy," pp. 506-517.
- Martin Arnold, "Christine Lagarde wants key role for climate change in ECB review—Initiative likely to set up clash with German central banker Jens Weidman," November 27, 2019. Financial Times.

### **[ICA 5] In-class simulation of NAFTA 3.0 on April 28:**

Would you still support or oppose a trade deal if there is a 300-page long environmental chapter?

Students will evaluate three different versions of trade agreements: a) one with ambitious climate goals, b) one with a narrow focus on conservation of endangered species, c) one without any language on environmental protection. Which one would you support? How would you change the language in the trade agreement?

## Week 15. Topics in IPE (May 3)

### Key questions:

- What are the most important challenges in the international political economy?
- Do you think the current problems in IPE can be better explained through an "us versus them" framework than some of the standard frameworks covered in the previous weeks (e.g., Stolper-Samuelson framework)? If so, why?

### Required Readings (read before class):

- Frieden Lake Broz, "Current Problems in International Political Economy," pp. 459-460.
- Edward Mansfield and Diana Mutz, "US versus Them: Mass Attitudes toward Offshore Outsourcing," pp. 535-563.

### Reading period. Review Session (TBD)

This review session is student-driven. Students will submit questions or topics that need to be covered in the session 4 days prior to the session.

**Final exam TBD**