The University of Texas at Austin Government 360N (38615) International Political Economy Fall 2010, MWF 10:00-11:00 MEZ B0.306

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DESCRIPTION

This is an introductory course to the study of international political economy. It will focus primarily on the reciprocal interaction between markets and political behavior in the international system. We will explore such questions as why do states trade? Under what conditions do governments restrict international commerce? How does capital mobility constrain national economic policy? What is the role of international organizations such as the IMF and the World Bank in fostering development? Do extensive natural resource endowments limit long-term economic growth? What are the political causes and consequences of economic crises? The course is structured so as to create a dialogue between scholarship in political science and economics on three broad topics: the political economy of international trade, international monetary relations, and development.

COURSE REQUIREMENTS

There will be two main requirements for this course. First, you will be expected to attend class, keep up with the assigned readings, participate in our discussions, and complete regular in-class quizzes. Second, you will take two in-class exams on *October 6 and November 3*. Third, you will complete a final exam given on *Wednesday, December 8* from 2 p.m. to 5 p.m. (the University scheduled time).

Attendance, participation, and quizzes	25%
Exam 1	20%
Exam 2	20%
Final Exam	35%

READING MATERIALS

The reading material for this course will be made available through two primary formats. First, our course blackboard site will contain electronic copies of our assigned article readings. Second, the following required text is available at the University Co-op bookstore.

Douglas Irwin. 2009. Free Trade Under Fire, 3d edition. Princeton: Princeton University Press.

Paul Collier. 2007. The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It. New York: Oxford University Press.

Patrick J. McDonald. 2009. The Invisible Hand of Peace: Capitalism, the War Machine, and International Relations Theory. New York: Cambridge University Press.

Simon Johnson and James Kwak. 2010. 13 Bankers: The Wall Street Takeover and the Next Financial Meltdown. New York: Pantheon.

COURSE POLICIES

You will be given repeated opportunities to engage with me and your fellow classmates over the issues we cover. I strongly believe that students take more away from this class when granted such opportunities for active learning. However, such a format necessarily creates mutual obligations among students to come prepared to discuss both the readings and the lecture materials. If only a few people in a group or the class are regularly doing the reading, our discussions will stumble as the bulk of students rely on a minority to carry them. Such a situation risks penalizing those students doing the readings as they then are pushed to shoulder more responsibility in class. To avoid this situation while fostering a stimulating and productive intellectual environment in class, I have established the following rules to ensure that all students meet these obligations to each other.

Attendance and participation...will be tracked daily throughout the semester with three mechanisms—sign-in sheets, random quizzes, and group discussion work. The quizzes will be comprised of two parts. The first part will include a small number of multiple choice questions (around five) based on the assigned readings for the day and/or the previous lecture. The second component will be your entry from that day's reading journal assignment.

Daily entries in reading journals will be checked randomly throughout the semester as part of the in-class quizzes. You will write 100-150 word summaries of each reading that is marked by an asterisk (*) in the syllabus. These summaries should identify the key question that the author is trying to answer, the primary theoretical argument by the author(s), and a sample of the most important empirical evidence the author offers for his/her claims. Your summary of the theoretical argument should include the independent (or causal) variable, what the dependent (or thing to be explained is), and the causal mechanism(s) that link the independent and dependent variables. These summaries should be typed and ready to be turned in at every class. If you do not have the assignments with you to be turned in when quizzes are collected, you will not receive credit for that portion of the quiz.

You will be expected to *participate* in class discussions and demonstrate that you have done the readings by performing such tasks as summarizing the main arguments, critiquing an author's

claims, drawing out policy implications, suggesting how an author's argument may apply to another issue area, or highlighting similarities and differences with other readings. Class participation will be monitored via regular small group work. The makeup of these groups will change regularly throughout the semester according to quiz grades. Students that regularly come to class and keep up with the assigned readings will be put into discussion groups with other students that keep up with the readings. Students that do not keep up with the assigned readings will be placed into groups with other students that do not keep up with the assigned readings.

Attendance and participation points cannot be made up under any circumstances, including excused absences. However, each student in the class will receive a one time bonus at the end of the semester of two times the average daily points for this component of your grade. For example, if there are 150 attendance and participation points for the semester and these points were checked on 25 class days, then the average daily point total is six. All students would receive a bonus of 12 points to account for excused and unexcused absences.

"Scholastic dishonesty...includes, but is not limited to, cheating, plagiarism, collusion, falsifying academic records, and any act designed to give unfair academic advantage to the student (such as, but not limited to, submission of essentially the same written assignment for two courses without prior permission of the instructor, providing false or misleading information in an effort to receive a postponement or an extension on a test, quiz, or other assignment), or the attempt to commit such an act" (Section 11-802 (b), *Institutional Rules on Student Services and Activities*).

If you have any questions about what constitutes scholastic dishonesty, you should consult with me and the following website (http://deanofstudents.utexas.edu/sjs/academicintegrity.html). Any student that violates this policy will fail this course and have the details of the violation reported to Student Judicial Services.

Grade appeals...This process must be initiated by your written explanation of why the decisions behind the assignment of your grade should be revisited. You will have one week after an assignment has been handed back to submit this written explanation. After that period, all grades will be considered final and any discussion that we might have will be restricted to how you can do better on the next assignment. Once you have submitted your written request, I will decide whether to regrade your entire assignment.

Please keep in mind that your past performance in other classes taken here at the University is not germane to any grading decisions made in my class. Consequently, if receiving a D in my class places you on academic probation, this does not constitute a viable justification for requesting the regrading of any assignment.

Grade appeals also cannot be made on the basis of being "close" to a letter grade. Cutoffs between letter grades will be strictly observed according to guidelines listed below. Note: these already include appropriate rounding:

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92.5-100 A; 89.5-92.5 A-; 86.5-89.5 B+; 82.5-86.5 B; 79.5-82.5 B-; 76.5-79.5 C+; 72.5-76.5 C; 69.5-72.5 C-; 66.5-69.5 D+; 62.5-66.5 D; 59.5-62.5 D-; 0-59.5 F
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*Changes to the syllabus...*I may make minor changes to the syllabus. These will be announced at least a week in advance.

Makeup midterm exams...will not be offered. In the advent of an extreme and verifiable medical or family emergency (to be determined in consultation with me and the Office of the Dean of

Students), you will write an extended essay on the topic of my choice that is drawn from the course material for which that exam was supposed to cover. Note however, that this option can only be used once. You must take at least two exams to receive a passing grade for the course.

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 471-6259, http://www.utexas.edu/diversity/ddce/ssd/.

CLASS SCHEDULE

I. THE POLITICAL ECONOMY OF INTERNATIONAL TRADE

Wednesday, 8/25

Introduction; thinking theoretically

Irwin, Free Trade Under Fire, pp. 1-27

Friday, 8/27

Why do states trade? Ricardian Model of Trade

Irwin, Free Trade Under Fire, pp. 28-69.

Monday, 8/30

What is globalization?

Wednesday, 9/1

Distributional Consequences of International Trade: Heckscher-Ohlin model of trade

*Alan S. Blinder. 2006. Offshoring: The Next Industrial Revolution. *Foreign Affairs* 85(2): 113-128.

Friday, 9/3

Movie: The Other Side of Outsourcing

Monday, 9/6

No class—Labor Day

Wednesday, 9/8

Distributional Consequences of International Trade (ctd): tariffs

Irwin, Free Trade Under Fire, pp. 70-145.

Friday, 9/10

The international political underpinnings of the global economy: Hegemonic Stability Theory

*David A. Lake. 1983. International Economic Structures and American Foreign Economic Policy, 1887-1934. *World Politics* 35(4): 517-543.

Monday, 9/13

The International Political Underpinnings of the global economy: International Institutions

Irwin, Free Trade Under Fire, pp. 219-269.

Wednesday, 9/15

The domestic politics of trade policy: societal interests

*Frieden, Jeff. 1988. Sectoral Conflict and Foreign Economic Policy, 1914-1940. *International Organization* 42(1): 59-90.

Friday, 9/17

The domestic politics of trade policy: domestic institutions

*Karen E. Schnietz. 2000. The Institutional Foundations of US Trade Policy: Revisiting Explanations for the 1934 Reciprocal Trade Agreements Act. *Journal of Policy History* 12(4): 417-444.

II. THE POLITICAL ECONOMY OF INTERNATIONAL MONEY

Monday, 9/20

Introduction to money: interest rates and inflation

Thomas L. Friedman. 2000. *The Lexus and the Olive Tree*. New York: Anchor Books. Pp. 44-72.

Wednesday, 9/22

Introduction to money (ctd): banks, central banks, bond markets, and sovereign wealth funds

Sebastian Mallaby. 2007. Hands Off Hedge Funds. Foreign Affairs 86(1): 91-101.

Robert M. Kimmitt. 2008. Public Footprints in Private Markets. Foreign Affairs 87(1): 119-130.

Friday, 9/24

Exchange rates, capital mobility, and the Unholy Trinity

David D. Hale and Tyric Hughes Hale. 2008. Reconsidering Revaluation. *Foreign Affairs* 87(1): 57-66.

Monday, 9/27

The domestic politics of exchange rates and exchange rate regimes

*Jeffry A. Frieden. 1991. Invested Interests: The Politics of National Economic Policies in a World of Global Finance. *International Organization* 45(4): 425-451.

Wednesday, 9/29

Capital mobility and the political consequences of the race to the bottom

Thomas Friedman. 2000. *The Lexus and the Olive Tree*. New York: Anchor Books. Pp. 112-144.

Friday, 10/1

The International Monetary Fund

Martin C. Steinwand and Randall W. Stone. 2008. The International Monetary Fund: A Review of Recent Evidence. *The Review of International Organizations* 3(2): 123-149.

III. THE POLITICAL ECONOMY OF DEVELOPMENT

Monday, 10/4

Introduction

Collier, The Bottom Billion, pp. 3-37

Wednesday, 10/6

Exam 1

Friday, 10/8

Development, the state, and public goods provision

Collier, *The Bottom Billion*, pp. 38-75

Monday, 10/11

Domestic institutions and growth I

*Joel S. Hellman. 1998. Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics* 50(2): 203-234.

Wednesday, 10/13

Domestic institutions and growth II

*Barry R. Weingast. 1995. The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development. *Journal of Law, Economics, and Organization* 11(1): 1-33.

Friday, 10/15

Trade and growth I

Irwin, Free Trade Under Fire, pp. 176-218

Monday, 10/18

Trade and growth II: the contemporary challenge posed by China and India

Collier, The Bottom Billion, pp. 79-96, 157-192.

*Geoffrey Garrett. 2004. Globalization's Missing Middle. Foreign Affairs 83(6): 84-96.

Wednesday, 10/20

Foreign Aid

Collier, The Bottom Billion, pp. 99-123

IV. NATURAL RESOURCES

Friday, 10/22

The Resource Curse: economic consequences

Michael L. Ross. 1999. The Political Economy of the Resource Curse. *World Politics* 51(2): 297-322.

Monday, 10/25

The Resource Curse: political consequences

*Michael L. Ross. 2004. How Do Natural Resources Influence Civil War? Evidence From Thirteen Cases. *International Organization* 58(1): 35-67.

Nancy Birdsall and Arvind Subramanian. 2004. Saving Iraq From Its Oil. *Foreign Affairs* 83(4): 77-89.

Wednesday, 10/27

OPEC and the global structure of oil prices

Edward L. Morse. 2009. Low and Behold. Foreign Affairs 88(5): 36-52.

David G. Victor and Linda Yueh. 2010. The New Energy Order. Foreign Affairs 89(1): 61-73.

Friday, 10/29

The political consequences of oil dependence

*Martin Feldstein. 2001. Achieving Oil Security: A Practical Proposal. *The National Interest* 65S: 60-65.

Michael T. Klare. 2004. Blood and Oil: The Dangers and Consequences of America's Growing Dependency on Imported Petroleum. New York: Owl. Pp. 1-25.

Monday, 11/1

Oil and the environment

Michael Levi. 2009. Copenhagen's Inconvenient Truth. Foreign Affairs 88(5): 92-104.

Jessica Seddon Wallach and Beerabhadran Ramanthan. 2009. The Other Climate Changers. *Foreign Affairs* 88(5): 105-113.

Joel Kurtzman. 2009. The Low-Carbon Diet. Foreign Affairs 88(5): 114-123.

Wednesday, 11/3

EXAM 2

V. THE POLITICAL ECONOMY OF NATIONAL SECURITY

Friday, 11/5

Globalization and peace I: The debate and its relationship to the democratic peace

McDonald, The Invisible Hand of Peace, pp. 1-76

Monday, 11/8

Globalization and peace II: Historical challenges—World War I and American Imperialism

McDonald, The Invisible Hand of Peace, pp. 111-130, 155-184

Wednesday, 11/10

Globalization and peace III: Contemporary challenges

*Amy Chua. 2002. World on Edge. Wilson Quarterly 26(4): 62-77.

*Daniel W. Drezner. 2009. Bad Debts: Assessing China's Financial Influence Great Power Politics. *International Security* 34(2): 7-45.

Friday, 11/12

Globalization and Peace IV: China and Taiwan

McDonald, The Invisible Hand of Peace, pp. 233-263

Monday, 11/15

Economic statecraft: leveraging trade and aid for political influence

McDonald, The Invisible Hand of Peace, pp. 284-308

VI. THE POLITICS OF ECONOMIC CRISIS

Wednesday, 11/17

Historical antecedents: The Great Depression

Jeffry Frieden. 2006. *Global Capitalism: Its Rise and Fall in the Twentieth Century*. New York: Norton, pp. 127-154.

Johnson and Kwak, 13 Bankers, pp. 3-13

Friday, 11/19

The Great Depression (ctd)

Jeffry Frieden. 2006. Global Capitalism: Its Rise and Fall in the Twentieth Century. New York: Norton, pp. 173-194.

Johnson and Kwak, 13 Bankers, pp. 14-38

Monday, 11/22

Moral hazard and the Asian financial crisis

*Andrew MacIntyre. 2001. Institutions and Investors: The Politics of the Economic Crisis in Southeast Asia. *International Organization* 55(1): 81-122.

Johnson and Kwak, 13 Bankers, pp. 39-56

Wednesday, 11/24

The origins of the Great Recession of 2008: Global financial imbalances and the housing market

Johnson and Kwak, 13 Bankers, pp. 57-87

Friday, 11/26

No class

Monday, 11/29

The Great Recession of 2008: From Bear Stearns to Morgan Stanley

Johnson and Kwak, 13 Bankers, pp. 88-119

Wednesday, 12/1

The politics of the Great Recession of 2008

Johnson and Kwak, 13 Bankers, pp. 120-188

Friday, 12/3

Discussion of implications of 2008: Where do we go from here?

Roger C. Altman. 2009. The Great Crash, 2008: A Geopolitical Setback for the West. *Foreign Affairs* 88(1): 2-14.

Johnson and Kwak, 13 Bankers, pp. 189-222