

International Political Economy

POLS 459, Spring 2014
Oldfather Hall 208, TTh 12:30–1:45 PM

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Office Hours: TTh 3:00 – 4:00 pm
and by appointment

Course Description

This course examines the politics of international economic relations and globalization. We will ask and answer questions such as, “Why do governments adopt the economic policies they do?”, “Why do states manage to cooperate economically in some cases but not others?”, and “Why do governments promote or oppose globalization under different circumstances?” Broadly, we will study international trade policy and protectionism, foreign investment and multinational corporations, exchange rate regimes and capital mobility, financial crises and stabilization in developing countries, and regional economic integration. For each topic, we will consider theoretical explanations along with historical and contemporary examples.

Requirements

The final grade will be composed as follows:

Attendance and Participation (20%) Attendance is mandatory. This means that I expect you to be present at every seminar over the course of the term. You have **three** unexcused absences before your grade will be affected. Each additional absence will result in your attendance grade being lowered by one third for each absence (e.g. A to A- or C+ to C). Additional absences due to illness or personal emergency will require documentation, such as a note from a doctor. Chronic tardiness will also be noted. I also expect every student to contribute to discussion regularly and actively. Please remember that good participation does not simply mean stating your opinions, but rather making claims that can be substantiated with evidence from the readings or real world events. At the same time, do not be afraid to speak up. This is new material for everyone, and we will make a few mistake. There is no such thing as a dumb question. Your participation grade will reflect the level of your effort, not the number of “right” answers you provide.

Four in-class quizzes (10%) Over the course of the semester I will administer 6 short quizzes at the beginning of class that cover the day's reading assignment. Each quiz will have 3 questions on the readings. These quizzes are designed to be easy. No trick questions. If you have done the assigned reading you should be able to get a 100% on the quiz most of the time. I will give 6 quizzes and only count the highest 4. There is no make-up quiz.

Group Presentations (10%) In order to foster cooperative learning and an in-depth study of a particular topic of interest, students will be responsible for participating in a group presentation on an issue in IPE. Each group will consist of 3-4 students and the presentation should last about 20-25 minutes. Presentation topics and guidelines will be announced during the course.

Two Midterm (40%) and Final Exams (20%) The midterm and final exams will be closed book exams featuring a combination of multiple choice, short answer and a short essay. These exams will require you to know the assigned readings and the concepts covered as well as be able to synthesize the material. The exam schedule is set. Clear your schedules now. There will be no make-up examinations unless you can provide proper documentation that your absence is due to a) a genuine family emergency, b) illness or injury, or c) travel away from Lincoln for university-related (!) obligations. More information on the exams will be made available during the course.

Additional Information

Learning Assistance Students with disabilities are encouraged to contact the instructor for a confidential discussion of their individual needs for academic accommodation. It is the policy of the University of Nebraska–Lincoln to provide flexible and individualized accommodation to students with documented disabilities that may affect their ability to fully participate in course activities or to meet course requirements. To receive accommodation services, students must be registered with the Services for Students with Disabilities (SSD) office, 132 Canfield Administration, 472-3787 voice or TTY.

Academic Honesty Cheating is very serious offense that will not be tolerated in the course. You will receive a failing grade for the class. The examinations are closed book; you are not allowed to use any notes or books when taking them. You should bring several pens to the exams in case one fails. You may write the examinations in pencil, but if you do so you forfeit your right to contest your grade. Please refer to the Student Handbook, the University's Code of Conduct and the Office of Undergraduate Studies' document on academic integrity for the University's policies on plagiarism, cheating and other forms of academic dishonesty.

Grade Appeal If you wish to contest a grade, send me a written appeal no sooner than 24 hours and no later than one week after receiving your grade. Note that when I re-evaluate a grade, I may take off points for other omissions, weaknesses, or errors.

Required Readings

There is one required textbook for the course: Thomas Oatley, *International Political Economy: Interests and Institutions in the Global Economy*, 5th ed. (New York: Longman, 2012). It is available for purchase at the University Bookstore or online. A number of additional readings are also required; you can access them here (<http://goo.gl/RgNXJU>). Students are expected to have completed the reading by the day for which it has been assigned. Both the textbook and remaining items are equally vital, and will provide material for the exams.

I suggest that you keep up with current events by reading the main international economics stories of the day/week in either [the New York Times](#), [the Financial Times](#), or [the Economist](#). We will frequently discuss current economic events in class; details about such events could also be useful on your exams, at least as an option.

Important Dates

Midterm Exam 1	February 20
Midterm Exam 2	March 20
Final Exam	May 9

Course Outline

January 14. Introduction to the course

- No assigned readings.

Part I: International Trade

January 16. Economies of Trade

- Oatley 46–53.
- “The Battle of Smoot–Hawley” in *The Economist* (December 20th, 2008).

January 21. Domestic Distributive Politics of Trade I

- Oatley, 69–79.

- Hiscox, Michael J. 2001. "Class versus industry cleavages: inter-industry factor mobility and the politics of trade." *International Organization* 55 (1): 1–46.
- In-class reading: "Trouble With Trade" *The New York Times* (December 28, 2007).

January 23. Domestic Distributive Politics of Trade II

- Milner, Helen V. and Benjamin Judkins. 2004. "Partisanship, Trade Policy, and Globalization: Is There a Left–Right Divide on Trade Policy?," *International Studies Quarterly* 48, 95–103, 114–116.
- Scheve, Kenneth F. and Matthew J. Slaughter. 2001. "What Determines Individual Trade-Policy Preferences?" *Journal of International Economics* 54 (3):267-92.
- Mansfield, Edward D. and Diana C. Mutz. 2009. "Support for Free Trade: Self–Interest, Sociotropic Politics, and Out–Group Anxiety." *International Organization*. 63(3): 425–457.
- "Partisan Tangle Over Trade Pact with Colombia," *The New York Times* (April 10, 2008).

January 28. Trade and Protectionism

- Oatley, 58–62, 79–80
- Elliott, Kimberly A. 2005. "Big Sugar and the Political Economy of US Agricultural Policy," *Center for Global Development Brief*.

January 30. Domestic institutions, political regimes and trade policy.

- Oatley, 81–87.
- Hiscox, Michael J. "The Domestic Sources of Foreign Economic Policies," 65– 72.
- Nielson, Daniel L. 2003. "Supplying Trade Reform: Political Institutions and Liberalization in Middle–Income Presidential Democracies," *American Journal of Political Science* 47: 470–475 (skim remaining pages if you wish).
- Helen V. Milner with Keiko Kubota. 2005. "Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries," *International Organization* 59.

February 4. "Strategic trade" and competitiveness.

- Oatley, Chp 5.
- Goldstein, Andrea E. and Steven M. McGuire. 2004. "The Political Economy of Strategic Trade Policy and the Brazil–Canada Export Subsidies Saga," *World Economy*. 541–566.

February 6. National security and trade policy.

- Joanne Gowa, *Allies, Adversaries, and International Trade* (Princeton: Princeton University Press, 1994), 3–10.
- Rodney D. Ludema, “Allies and Friends: The Trade Policy Review of the United States, 2006,” *World Economy* (2007), 1209–1221.
- “Merci, Y’all,” *The Economist* (February 24, 2005).

February 11. International institutions and trade.

- Oatley, 53–67.
- “China’s Economic Power Unsettles the Neighbors,” *The New York Times* (December 10, 2009)

February 13. WTO and Regional trade agreements.

- Oatley, Chp. 2.
- Crowley, Meredith A. 2003. “An Introduction to the WTO and GATT,” *Economic Perspectives* 42–57.
- Gowa, Joanne S. and Soo Yeon Kim. 2005. “An Exclusive Country Club: The Effects of the GATT on Trade,” *World Politics* 57 (2005), 453–478.

February 18. In-class Review for Midterm Examination

February 20. Midterm Examination 1

Part II: International Investment

February 25. Multinational corporations (MNCs).

- Oatley, Chp. 8.

February 27. Politics of FDI

- Oatley, Chp. 9.
- “When an Investment Becomes an Argument,” *Financial Times* (February 12, 2006), 12.

March 4. Attracting investment

- Jensen, Nathan M. 2008. "Political Regimes and Political Risk: Democratic Institutions and Expropriation Risk for Multinational Investors." *Journal of Politics* 70(4): 1040–1052.
- Yeung, Bernard et al. 2007. "Does 'Good Government' Draw Foreign Capital? Explaining China's Exceptional Foreign Direct Investment Inflow," *World Bank Policy Research Working Paper* 4206.
- Oatley, 199–200.
- "Europe Competes for Investment with Lower Corporate Tax Rates," *Wall Street Journal* (April 17, 2007), A12.
- "Least Favoured Nation" in *The Economist* August 3rd, 2006

Part III: International Monetary Systems

March 6. Introduction to the International Monetary Systems

- Oatley, 202 –241

March 11. The political economy of exchange rate choices. Domestic and international determinants.

- Oatley, Chp. 12.
- Broz, J. Lawrence and Jeffrey A. Frieden. 2006. "The Political Economy of Exchange Rates," *Handbook of Political Science*, 587–597.
- "Caterpillar's Profit Climbs on Strength of Foreign Sales," *The New York Times* (April 19, 2008).
- Michael Phillips, "'Ship Those Boxes, Check the Euro!' – How a Tiny Firm Rides Foreign-Exchange Waves," *Wall Street Journal* (February 7, 2003).
- Phillips, Michael. "Dollar Bind: Gulf Rethinks Currency Ties," *Wall Street Journal* (May 19, 2008).

March 13. A State Centered Approach to the Monetary System and Exchange Rates

- Oatley Chp. 13

March 18. In-class Review for Midterm Examination

March 20. Midterm Examination II

March 25. Monetary Union and the Euro

- Oatley, 241–247.
- Eichengreen, Barry. 2005. “Europe, the euro and the ECB: Monetary success, fiscal failure.” *Journal of Policy Modeling* 27(4): 427–439.
- Paul Krugman, “The Euro Trap,” *New York Times*, April 30, 2010

March 27. The Financial Crisis of 2008

- Frontline: The Warning or
- Frontline: Inside the Meltdown

March 29. Latin American Debt Crisis & Asian crisis

- Oatley, Chp. 14 & Chp. 15

April 3. Midwest Political Science Association Conference: No class

April 8. The political economy of financial crises: Conditionality & the International Monetary Fund (IMF).

- Stone, Randall W. 2004. “The Political Economy of IMF Lending in Africa,” *American Political Science Review* 98
- Sachs, Jeffrey. 1998. “The IMF and the Asian Flu,” *American Prospect* (March–April 1998).
- Goodman, Peter S. “The Dollar: Shrinkable but (So Far) Unsinkable,” *The New York Times* (May 11, 2008).

Part IV: Topics in International Political Economy

April 10. Trade and developing nations (ISI)

- Oatley, Chp. 6

April 15. Trade and economic reform

- Oatley, Chp. 7

April 17. Development and Foreign Aid

- Alesina, Alberto, and David Dollar. 2000. “Who Gives Foreign Aid to Whom and Why?.” *Journal of Economic Growth* 5(1): 33–63.
- Easterly, William. 2002. “The Cartel of Good Intentions,” *Foreign Policy*, July–August, pp. 40–49.

- Glennie, Jonathan. 2010. "What's driving the rise of southern aid agencies?." *Guardian*.

April 22. Globalization and Inequality

- Oatley, Chp. 16.
- Freeman, Richard. "Are Your Wages Set in Beijing?" *Journal of Economic Perspectives*, 9(3) (1995): 15-31.

April 25. Presentations 1

April 29. Presentations 2

May 1. Presentations 3 & In-class Review for Final Examination

May 9. Final Exam 10 AM

This syllabus is subject to modification by the instructor should alternative measures appear more appropriate and efficient.