

## **Political Science 2321: Politics of the World Economy**

Prof. Mark A. Pollack

E-mail: [mark.pollack@temple.edu](mailto:mark.pollack@temple.edu)

Office hours: M 2:00 – 4:00 p.m., 461 Gladfelter Hall

**Course description:** This course examines the politics of international economic relations. As a field of study, international political economy (IPE) examines the interactions of states and markets, focusing on the role of politics in explaining the origins and operations of regimes for international trade, international finance and monetary affairs, and development. The course is arranged in four parts. In the first part, we begin with a basic introduction to IPE as a field of study, review the various theoretical approaches to the field, and provide a brief, panoramic introduction to international economic history focusing on the “rise and fall” of the Bretton Woods system of international trade and monetary relations. In the second part, we examine the issue of international trade, including the domestic and international politics of trade policy, the operation of the World Trade Organization (WTO), and the growth of economic regionalism and preferential trading agreements. Third, we survey the political economy of the international monetary and financial system, including the evolution of the exchange-rate regime, the creation of a single currency in the European Union, the issue of capital market liberalization, and the financial crises of the 1990s and of 2008-2009. The fourth and longest section of the course, finally, examines various issues related to economic globalization, economic development, the efficacy of foreign aid, and the political economy of climate change.

**Course requirements:** The requirements for this course are:

- (1) four 1-2 page response papers on the weekly readings, in response to the study questions for Weeks 1-12 below. These papers should be based primarily and explicitly on the *readings* for the course, demonstrating knowledge of those readings and answering the questions in light of the knowledge gained from them. These essays are due at the start of class on the *first day* of the week for which they are assigned, and late papers will not be accepted (40% of the grade);
- (2) three in-class mid-term exams, on February 25<sup>th</sup>, March 30<sup>th</sup>, and May 2<sup>nd</sup> (45%);
- (3) a library assignment to be handed out during the semester, due on April 25<sup>th</sup> (5%);
- (4) attendance and informed participation in class discussion (10%).

**Required readings:** The following book, marked with an asterisk in the weekly readings, is on order at the Temple University Bookstore:

- Thomas Oatley, *International Political Economy*, 4<sup>th</sup> edition (New York: Longman, 2010).

The book has also been ordered for a four-hour borrowing period at the Paley Reserve Desk. Please be sure to read the fourth edition, since the third edition (not to mention earlier editions) will out of date, and the pagination will not match that given in the syllabus.

All other *required* readings will be made available via electronic reserve.

In addition to these required readings, the syllabus lists a small number of *recommended* readings on various topics. These readings will generally not be discussed in class, but are included for students with an interest in doing extra reading in one of these areas.

Finally, please note that all readings are subject to revision as new and more up-to-date sources are published. In addition to these readings, students are strongly encouraged to read a daily newspaper such as the *Financial Times* (<http://www.ft.com>), The *New York Times* (<http://www.nytimes.com>) or the *Wall Street Journal* (<http://www.wsj.com>), all of which have excellent web sites.

**Disability policy:** Any student who has a need for accommodation based on the impact of a disability should contact the Student Disabilities Service to make any necessary arrangements.

**Note on Academic Misconduct.** All students in this class are expected to adhere to the Temple University standards on academic conduct. In recent years, I have had increasing experience with students plagiarizing work from either printed sources or internet web sites, and I therefore consider it important to clarify the course policy regarding plagiarism and other types of academic misconduct. All students should, in all assignments, fully and unambiguously cite sources from which they are drawing important ideas and/or sizable quotations (for example, more than eight consecutive words or more than 50% of a given sentence or paragraph). Failure to do so constitutes plagiarism, which is a serious act of academic misconduct and *will result in a failing grade for the course*, as well as the possibility of notification of the infraction to the Dean of Students and academic dismissal. Similarly, cheating during exams, copying written assignments from other students, or providing answers to others during exams are considered acts of academic misconduct. Given the seriousness of these infractions, there will be no second chances and no leniency. Please avoid them at any cost. If you are unfamiliar with policies about plagiarism or other types of academic misconduct, you may wish to consult the Temple Writing Center's on-line guide to APA style, which includes an explicit discussion of plagiarism and how to avoid it, at <http://www.temple.edu/writingctr/handouts/citationguides/APAGuideColor.pdf>; or if you still have remaining doubts or specific questions, raise them directly with me.

## Part I: Introduction to International Political Economy

**Introduction** (Jan 19)

**Week 1: What is IPE?** (Jan 21, 24, 26; no class Jan 28)

A. Introduction: What is IPE?

B. Theoretical Approaches

### Required Readings

\* Oatley, *International Political Economy*, Chapter 1, pp. 1-14; and Chapter 16, pp. 356-361.

Peter A. Hall, "The Role of Institutions, Interests, and Ideas in the Comparative Political Economy of the Industrialized Nations," in Mark Irving Lichbach and Alan S. Zuckerman, eds., *Comparative Politics: Rationality, Culture, and Structure* (New York: Cambridge University Press), pp. 174-88 only.

David A. Lake, "International Political Economy," in Barry R. Weingast and Donald Wittman, eds., *The Oxford Handbook of Political Economy* (New York: Oxford University Press, 2008), pp. 757-777.

Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle for the World Economy* (New York: Free Press, 2002), "Introduction: At the Frontier," pp. ix-xvii.

*The Commanding Heights*, PBS documentary series, Episode 1: The Battle of Ideas, accessible at: <http://www.pbs.org/wgbh/commandingheights/hi/story/index.html>.

Total pages: 61 plus film

### Study Questions (Answer only one, not both! Due in class on January 24<sup>th</sup>)

This week's introductory readings feature different authors' takes on a number of overlapping concepts, including (a) the definition of political economy, comparative political economy, and IPE; (b) the three "traditional" theoretical approaches to IPE, and a new approach, constructivism; and (c) the two-stage "interests and institutions" approach taken in Oatley's textbook. We will discuss these questions in class, but for the moment, consider the following questions for a first essay:

1. International political economy is relatively young as a field of study, and our understanding of what it is have changed somewhat over time. What *is* international political economy, according to your readings? What empirical phenomena does it study, and what theoretical and methodological tools does it use to do so?

2. Oatley cites mercantilism, liberalism, and Marxism as the three “classical” theories of IPE (see also Gilpin and Balaam and Veseth in recommended readings), yet he also suggests that these traditional approaches have been largely supplanted in contemporary IPE by a two-stage approach focusing on interests and institutions. What role do each of these two concepts play in contemporary IPE theory? Note also that Lake and Hall each add one additional core concept to Oatley’s two-part formulation: Which concept does each of them add, and why do they do so?

### **Recommended Readings**

Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), Chapter 2, “Three Ideologies of Political Economy,” pp. 25-54.

David M. Balaam and Michael Veseth, *Introduction to International Political Economy* (Upper Saddle River, NJ: Prentice Hall, 1996), chapters 2, 3 and 4 on mercantilism, liberalism, and Marxism, pp. 21-76.

Rawi Abdelai, Mark Blyth, and Craig Parsons, “Introduction, Constructing the International Economy,” in Abdelai, Blyth and Parsons, eds., *Constructing the International Economy* (Ithaca: Cornell University Press), pp. 1-20.

**Week 2: International Economic History in a Nutshell** (Jan 31, Feb 2, Feb 4)

- A. Introduction, and the Rise and Fall of Pax Britannica
- B. Bretton Woods and Beyond: A History in Three Acts

**Required Readings**

\* Thomas Oatley, *International Political Economy*, Chapter 1, pp. 14-20.

Thomas Lairson and David Skidmore, *International Political Economy*, 3<sup>rd</sup> edition, Chapters 2 (“The Origins of a World Economy”) and 3 (“The Political Economy of American Hegemony, 1938-1973”), pp. 43-96.

Total pages: 59

**Study Question**

1. One of the core hypotheses of modern IPE is the concept of hegemonic stability theory. What are the key tenets of this theory? When, and under what conditions, does it predict an open, liberal world economy? How, according to your readings, has this theory performed in explaining global economic outcomes over the past two centuries?

**Recommended Readings**

Jeffrey A. Frieden, *Global Capitalism: Its Rise and Fall in the Twentieth Century* (New York: Norton, 2006).

Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle for the World Economy* (New York: Free Press, 2002).

John G. Ruggie, “International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization*, Vol. 36, No. 2 (1982), pp. 397-415.

## Part II: International Trade

### Week 3: Theory and History, from GATT to WTO (Feb 7, 9, 11)

- A. The International Politics of Free Trade, from GATT to WTO
- B. The Domestic Politics of Free Trade: Interests and Institutions

### Required Readings

\* Oatley, *International Political Economy*, Chapters 2-5, pp. 21-113.

Richard H. Steinberg, "In the Shadow of Law or Power? Consensus-Based Bargaining and Outcomes in the GATT/WTO," *International Organization*, Vol. 56 (2002), pp. 339-374.

Total pages: 127

### Study Question

1. Traditional liberal economic theory predicts that free trade should be mutually beneficial to states, yet in practice we observe that a reduction in protectionist tariffs has been historically elusive. Why, according to international relations theorists, do states find it difficult to cooperate over free trade? Given these difficulties, how might international institutions like the GATT or the WTO help states to cooperate?
2. The World Trade Organization is often said to promote the rule of law rather than the rule of the powerful, both in the negotiation stage (where decision is by consensus with each state getting a single vote and a potential veto) and in dispute resolution (where all states are bound by WTO legal rulings). Does power play any role in such a system? If so, how so?
3. A growing number of "societal" or domestic theories of political economy look at the challenges of "resisting protectionism" in domestic politics, identifying potential "winners" and "losers" from free trade, and seeking to understand the domestic bases of support and opposition to free trade accordingly. What roles do "interests" and "institutions" play in explaining when and why the United States government embraces or rejects free trade at various times in its history?

### Recommended Readings

I.M. Destler, *American Trade Politics*, 4<sup>th</sup> edition (Washington, DC: Institute for International Economics, 2005).

Douglas A. Irwin, *Free Trade Under Fire*, 3<sup>rd</sup> edition (Princeton: Princeton University Press, 2009).

#### **Week 4: Economic Regionalism, PTAs, and the European Union (Feb 14, 16, 18)**

- A. Economic Regionalism, PTAs and their Effects
- B. Making an Internal Market: The European Union

#### **Required Readings**

\* Thomas Oatley, *International Political Economy*, Chapter 2, pp. 38-43.

Dan T. Griswold, "Free Trade Agreements: Steppingstones to a More Open World," and Jagdish Bhagwati, "Why PTAs are a Pox on the World Trading System," in Thomas Oatley, ed., *Debates in International Political Economy* (New York: Longman, 2010), pp. 65-88.

Alasdair R. Young, "The Single Market," Chapter 5 in Wallace, Pollack and Young, *Policy-Making in the European Union* (New York: Oxford University Press, 2010).

Total pages: 58

#### **Study Questions (please answer just one, not both)**

1. It has become commonplace to note that preferential trading agreements have proliferated in recent years, although scholars differ on whether this is a good thing. In a brief essay, discuss (a) why states have been motivated to adopt increasing numbers of PTAs, and (b) whether this development is likely to have positive or negative consequences for multilateral trade liberalization at the WTO.
2. One of the longest-running and certainly the most ambitious of contemporary PTAs is the European Union. What are the core activities and functions of the EU today, and how has the Union gone about producing not just "free trade" but a purported "internal market" among 27 different member states?

#### **Recommended Readings**

Edward D. Mansfield and Helen V. Milner, eds., *The Political Economy of Regionalism* (New York: Columbia University Press, 1997).

Edward D. Mansfield and Eric Reinhardt, "Multilateral Determinants of Regionalism: The Effects of GATT/WTO on the Formation of Preferential Trading Arrangements," *International Organization*, Vol. 57, No. 4 (2003), pp. 829-862.

Walter Mattli, *The Logic of Regional Integration: Europe and Beyond* (New York: Cambridge University Press, 1999).

Young Jong Choi and James A. Caporaso, "Comparative Regional Integration," in Walter Carlsnaes, Thomas Risse, and Beth A. Simmons, eds., *Handbook of International Relations* (New York: SAGE Publications, 2002), pp. 480-499.

Edward D. Mansfield, Helen V. Milner, and Jon C. Pevehouse, "Vetoing Co-operation: The Impact of Veto Players on Preferential Trading Arrangements," *British Journal of Political Science*, Vol. 37, No. 3 (2007), pp. 403-432.

Elizabeth Bomberg, John Peterson, and Andrew Stubb, eds., *The European Union: How Does it Work?*, 2<sup>nd</sup> edition (New York: Oxford University Press, 2008), chapters 1-3, pp. 3-70.

Simon Hix, *The Political System of the European Union*, 2<sup>nd</sup> edition (New York: Palgrave, 2005).

Michelle Cini, ed., *European Union Politics*, 2<sup>nd</sup> edition (Oxford: Oxford University Press, 2007).



## **Week 5: The WTO at Work (Feb 21, 23, 25)**

- A. WTO Dispute Resolution
- B. The Doha Development Agenda
- C. Mid-Term on Feb 25

### **Required Readings**

Judith L. Goldstein and Richard H. Steinberg, "Regulatory Shift: The Rise of Judicial Liberalization at the WTO," in Walter Mattli and Ngaire Woods, *The Politics of Global Regulation* (Princeton: Princeton University Press, 2009), pp. 211-241.

Joseph E. Stiglitz, *Making Globalization Work* (New York: W.W. Norton, 2007), Chapter 3, "Making Trade Fair," pp. 61-101.

Wikipedia contributors, "Doha Development Round," *Wikipedia, The Free Encyclopedia*, [http://en.wikipedia.org/w/index.php?title=Doha\\_Development\\_Round&oldid=334439332](http://en.wikipedia.org/w/index.php?title=Doha_Development_Round&oldid=334439332) (accessed January 8, 2010).

Anu Bradford, Daniel Abebe, Gregory Shaffer and Richard Steinberg, "Discussion: The Future of the WTO," *The Faculty Blog*, University of Chicago Law School, February 23, 2009, <http://uchicagolaw.typepad.com/faculty/2009/02/discussion-future-of-the-wto.html>, accessed on 11 January 2010.

Pages: 82

### **Study Questions**

1. Why, according to Goldstein and Steinberg, Stiglitz, and the authors of the University of Chicago Law School Faculty Blog, have multilateral negotiations at the WTO become so difficult in recent years? Under these circumstances, does it seem as though the Doha Development Round is likely to produce an agreement to further liberalize world trade? Why or why not?
2. How does WTO dispute resolution work? Who can bring cases, how are those cases decided, and why should any state comply with the decision of an international court? Finally, how and why do Goldstein and Steinberg believe that WTO dispute settlement has helped to promote free trade?

### **Recommended Readings**

Jeffrey L. Dunoff, Steven R. Ratner, David Wippman, *International Law: Norms, Actors, Process: A Problem-Oriented Approach*, second edition (Aspen Law and Business Publishers, 2006), Chapter 12, "International Economic Law," read pp. 827-859.

Ernst-Ulrich Petersmann and Mark A. Pollack, eds., *Transatlantic Trade Disputes: The EU, the US, and the WTO* (New York: Oxford University Press, 2003).

Davey, W. 2005. "The WTO Dispute Settlement System: The First Ten Years." *Journal of International Economic Law* 8: 17-51.

Christina Davis and Sarah Blodgett Bermeo, "Who Files? Developing Country Participation in GATT/WTO Adjudication," *The Journal of Politics*, Vol. 71 (2009), pp. 1033-1049.

Claus-Dieter Ehlermann, "Experiences from the WTO Appellate Body," *Texas International Law Journal*, Vol. 38 (2003), pp. 469-488.

## **Part III: International Finance and Monetary Affairs**

**Week 6: Theory and History: From the Gold Standard to Bretton Woods** (Feb 28, March 2; no class March 4)

- A. Monetary Theory and Exchange-Rate Regimes
- B. Domestic Politics, Monetary Policy, and Exchange-Rate Regimes

### **Required Readings**

\* Thomas Oatley, *International Political Economy*, Chapters 10-13, pp. 214-305.

Pages: 91

### **Study Question**

1. It is Oatley's claim that the "interests and institutions" approach can illuminate the domestic politics of monetary and exchange-rate policy. Summarizing as clearly as you can, what are the basic interest groups in society, according to Oatley, and what kinds of monetary and exchange-rate policies do they want?
2. Following the collapse of the Gold Standard, negotiators at the Bretton Woods conference sought to establish a new regime that would stabilize exchange rates yet retain greater flexibility than the 19<sup>th</sup>-century Gold Standard regime. How did the Bretton Woods exchange-rate regime work in practice, and why did that regime, too, collapse within three decades?

### **Recommended Readings**

Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton: Princeton University Press, 2008), chapters 1-5.

Joanne Gowa, *Closing the Gold Window: Domestic Politics and the End of Bretton Woods* (Ithaca: Cornell University Press, 1983).

**Week 7: Beyond Bretton Woods: Financial Crises and Global Governance** (March 14, 16; no class March 18th)

- A. Beyond Bretton Woods: Floating Rates and the Euro
- B. The Debt Crisis of the 1980s and the Asian Financial Crisis
- C. Understanding the IFIs: In section

**Required Readings**

Dermot Hodson, “Economic and Monetary Union,” chapter 7 in Helen Wallace, Mark A. Pollack, and Alasdair R. Young, eds., *Policy-Making in the European Union*, 6<sup>th</sup> edition (Oxford: Oxford University Press, 2010).

\* Thomas Oatley, *International Political Economy*, Chapters 14 (“Developing Countries and International Finance I: The Latin American Debt Crisis”) and 15 (“Developing Countries and International Finance II: A Decade of Crises”), pp. 306-355.

Ngairé Woods, *The Globalizers: The IMF, the World Bank, and their Borrowers* (Ithaca: Cornell University Press, 2006), Introduction, pp. 1-14.

Pages: 84

**Study Questions**

1. In the decades since the collapse of the Bretton Woods currency system, the member states of the European Union have struggled to restore stable exchange rates within the EU’s internal market. In 1999, many (though not all) of the European Union’s member states a single currency, the euro. Who does “Economic and Monetary Union” work in practice? How, basically, does it work, and why have many of the EU’s member states have been willing to give up their national currencies in favor of the Euro?
2. During the last third of the 20<sup>th</sup> century, a growing number of developing countries moved to liberalize capital movements, producing sharp debates over the purported advantages of liberalization, the causes of the financial crises of the 1990s, and the wisdom (or lack thereof) of international responses to those crises. What went wrong in the Asian Financial Crisis of the late 1990s, and what policy lessons should we learn from those crises?
3. Much of postwar international political economy has been shaped by the International Financial Institutions (IFIs) established at Bretton Woods. For this reason, explaining the preferences of these IFIs, their influence over states, and their successes and failures has been one of the primary questions in the study of contemporary IPE, and there is a large and growing literature on the subject. How does Ngairé Woods explain the preferences, influence, and successes and failures of the IMF and the World Bank in their “globalizing” mission?

## Recommended Readings

\* Thomas Oatley, *International Political Economy*, Chapter 8 (“Multinational Corporations in the Global Economy”), pp. 164-73 only, and 9 (“The Politics of Multinational Corporations”), pp. 189-213.

Jagdish Bhagwati, “A Capital Myth,” and Sebastian Edwards, “A Capital Idea,” in Thomas Oatley, ed., *Debates in International Political Economy* (New York: Longman, 2010), pp. 285-299.

Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton: Princeton University Press, 2008), chapter 6, pp. 185-227.

Stephan Haggard, *The Political Economy of the Asian Financial Crisis* (Washington, DC: Institute for International Economics, 2000).

Nielsen, Daniel L., and Michael J. Tierney, “Delegation to International Organizations: Agency Theory and World Bank Environmental Reform,” *International Organization*, Vol. 57, No. 2 (2003), pp. 241-76.

Gutner, Tamar, “World Bank Environmental Reform: Revisiting Lessons from Agency Theory,” *International Organization*, Vol. 59 (Summer 2005), pp. 773-83.

Nielsen, Daniel L., and Michael J. Tierney, “Theory, Data and Hypothesis Testing: World Bank Environmental Reform Redux,” *International Organization*, Vol. 59 (Summer 2005), pp. 785-800.

Nielsen, Daniel L., Michael J. Tierney, and Catherine W. Weaver (2006). “Bridging the Rationalist-Constructivist Divide: Re-Engineering the Culture of the World Bank,” *Journal of International Relations and Development*, Vol. 9, pp. 107-39.

Weaver, Catherine (2008). *The Hypocrisy Trap: The World Bank and the Poverty of Reform* (Princeton: Princeton University Press), chapters 1-2.

Gould, Erica R., 2006. “Delegating IMF conditionality: understanding variations in control and conformity,” in Darren G. Hawkins et al. (eds.), *Delegation and Agency in International Organizations*, Cambridge, MA: Cambridge University Press, 281-311.

Randall W. Stone, “The Scope of IMF Conditionality,” *International Organization*, Vol. 62, No. 4 (2008), pp. 589-620.

Kenneth W. Abbott and Duncan Snidal, “The Governance Triangle: Regulatory Standards Institutions and the Shadow of the State,” in Walter Mattli and Ngaire Woods, *The Politics of Global Regulation* (Princeton: Princeton University Press, 2009), pp. 44-88.

David Vogel, "The Private Regulation of Global Corporate Conduct," in Walter Mattli and Ngaire Woods, *The Politics of Global Regulation* (Princeton: Princeton University Press, 2009), pp. 151-188.

Miles Kahler and David A. Lake, "Economic Integration and Global Governance: Why So Little Supranationalism?" in Walter Mattli and Ngaire Woods, *The Politics of Global Regulation* (Princeton: Princeton University Press, 2009), pp. 242-275.

## **Week 8: The Global Financial Crisis and Global Governance (March 21, 23, 25)**

- A. Origins of the Global Financial Crisis
- B. Global Governance after the Crisis: the G20 and the Sovereign Debt Crisis

This week, we only sample some of the huge literature on the causes and consequences of the global financial crisis of 2008 to the present, starting with its origins in the US housing and credit markets and spreading to the rest of the world. Much of the coverage focuses on the response of US government institutions like the Treasury and the Federal Reserve to the crisis, although we will also be interested in the responses of foreign governments, international financial institutions like the IMF and the European Union, and a relatively new international organization, the G20. We will also focus briefly on the sovereign debt crisis in Europe and beyond.

### **Required Readings**

Frontline, *Inside the Meltdown*,

<http://www.pbs.org/wgbh/pages/frontline/meltdown/view/>. An excellent documentary depicting the origins of the crisis in the United States and the response by the US Treasury Department and the Federal Reserve.

The New York Times, *The Credit Crisis – the Essentials*,

[http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit\\_crisis/index.html](http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit_crisis/index.html). An excellent brief and updated summary of the crisis, with links to hundreds of relevant *Times* stories and other sources. Read the summary, and click around on other stories according to your interests.

Joseph E. Stiglitz, *Freefall: America, Free Markets, and the Sinking of the World Economy* (New York: W.W. Norton, 2010), preface, Chapter 1, and Chapter 8. An analysis and critique of the crisis and the US and global response from a leading Keynesian economist and former chief economist of the World Bank. Note, for our purposes, Stiglitz's case for international cooperation: What should the world's states seek to cooperate about, and why?

The New York Times, G20 page,

[http://topics.nytimes.com/top/reference/timestopics/organizations/g/group\\_of\\_20/index.html?scp=1&sq=G20%20financial%20crisis&st=cse](http://topics.nytimes.com/top/reference/timestopics/organizations/g/group_of_20/index.html?scp=1&sq=G20%20financial%20crisis&st=cse). The G20 has been the primary forum within which states have sought to coordinate their responses to the crisis, with summits held in Washington in November 2008, in London in March 2009, and in Pittsburgh in November 2009. Read the overview, and click on some of the subsequent articles, looking in particular for articles that help you answer question 2, below.

Wikipedia contributors, 2008-2009 Keynesian Resurgence,

[http://en.wikipedia.org/wiki/2008-2009\\_Keynesian\\_resurgence](http://en.wikipedia.org/wiki/2008-2009_Keynesian_resurgence). Provocative short entry assessing the evidence of a general revival of Keynesian thinking, not only among scholars like Paul Krugman and Joseph Stiglitz, but by policy-makers from the US and Europe to China. Is Keynesianism back?

Wikipedia contributors, *2010 European Sovereign Debt Crisis*, [http://en.wikipedia.org/wiki/2010\\_European\\_sovereign\\_debt\\_crisis](http://en.wikipedia.org/wiki/2010_European_sovereign_debt_crisis). Decent summary of the EU's sovereign debt crisis (about which I will also lecture), including both its causes and consequences. What does *this* entry suggest about the Keynesian resurgence?

### Study Question

1. What happened in the United States to bring on a severe financial crisis? And how, specifically, did this US crisis translate into a global financial and economic crisis?
2. When the financial crisis hit in 2007, different countries were affected to different extents and in different ways, and each country responded somewhat differently in terms of its own macroeconomic policies. Why, according to Stiglitz, should the United States and other countries *coordinate* their policy responses to the crisis? What specifically might these countries do together that could be helpful? What are the key policy issues that have been taken up in the G20 and other international cooperation forums, and how successful have they been in promoting such cooperation?

### Recommended Readings

This American Life, Episode 355, *The Giant Pool of Money*, available at: <http://www.thisamericanlife.org/radio-archives/episode/355/The-Giant-Pool-of-Money>. A terrific radio introduction to the subprime mortgage and securitization of the 2000s and the bursting of the housing and credit bubbles, from the local mortgage originator to Wall Street, emphasizing the human costs of the bust.

Andrew Ross Sorkin, *Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System---and Themselves* (New York: Viking, 2009). One of several excellent laymen's accounts – see also McLean and Nocera, Wessel, and Tett below – of the origins of the financial crisis in the United States. Sorkin's book is the most comprehensive; Wessel focuses on the actions of the Fed both before and during the crisis; and Tett looks back at how investment banks laid the seeds of the crisis through financial innovations like collateralized debt obligations and credit default swaps.

Bethany McLean and Joe Nocera, *All the Devils are Here: The Hidden History of the Financial Crisis* (New York: Portfolio Hardcover, 2010).

David Wessel, *In Fed We Trust: Ben Bernanke's War on the Great Panic* (New York: Crown Business, 2009).



Gillian Tett, *Fool's Gold: How the Bold Dream of a Small Tribe at J.P. Morgan Was Corrupted by Wall Street Greed and Unleashed a Catastrophe* (New York: Free Press, 2009).

Wikipedia contributors, *The Financial Crisis of 2007-2010*, [http://en.wikipedia.org/wiki/Financial\\_crisis\\_of\\_2007-2010](http://en.wikipedia.org/wiki/Financial_crisis_of_2007-2010). This entry provides a good overview of the crisis, emphasizing US causes but also with some good discussion of global contagion and policy responses.

Wikipedia contributors, *Late 2000s Recession*, [http://en.wikipedia.org/wiki/Late\\_2000s\\_recession](http://en.wikipedia.org/wiki/Late_2000s_recession). Not as good as the previous entry, and heavily overlapping, so read only the following very short sections: “Credit creation as a cause” (interesting invocation of Hayek!); and “Asia-Pacific policy responses” and “European policy responses” (decent review, with links, of responses by Asian and European governments as well as the G20).

The Financial Times, *In Depth: The Global Financial Crisis*, available at: <http://www.ft.com/indepth/global-financial-crisis>. Another very good collection of articles, these from the premier European financial newspaper with more coverage of the crisis outside the United States, although it lacks an introductory section, and allows only 16 article views for free (paywall after that).

## Part IV: Globalization and Development

**Week 9: Globalization 101** (March 30, April 1; optional speaker March 28th)

- A. Mid-Term 2 (March 30<sup>th</sup>)
- B. The Globalization Debate

### Required Readings

Jagdish Bhagwati, *In Defense of Globalization* (New York: Oxford University Press, 2004), Chapter 1, pp. 1-13 only; Chapters 2 and 3, pp. 28-35; Chapter 5, pp. 51-67; Chapter 16, 228-239.

Joseph E. Stiglitz, *Making Globalization Work* (New York: W.W. Norton, 2007), Chapter 1, “Another World is Possible,” pp. 3-24.

Rodrik, Dani, 2007. “How to Save Globalization from Its Cheerleaders,” Working Paper Series rwp07-038, Harvard University, John F. Kennedy School of Government.

Pages: 90

### Study Question

1. In the readings for this week, Jagdish Bhagwati offers a defense of globalization, arguing that it is both economically and socially beneficial. What does he mean by this claim, and how does he justify this claim? By contrast, Joseph Stiglitz is critical of globalization as it has unfolded in the past several decades, and argues that “another world” is possible, while Dani Rodrik argues that globalization must be “saved” from its “cheerleaders” (like Bhagwati?). What do Stiglitz and Rodrik think is wrong with globalization today, and what kind of policies do they propose to improve it? Which author makes the strongest arguments, in your view, and why?

### Recommended Readings

Thomas Friedman, *The World is Flat* (New York: Picador, 2007).

Martin Wolf, *Why Globalization Works* (New Haven: Yale University Press).

Rawi Abdelal and Adam Segal. 2007. “Has Globalization Passed Its Peak?” *Foreign Affairs* 86 (1): 103-114.

\* Thomas Oatley, *International Political Economy*, pp. 356-380.

**Week 10: Development in a Neoliberal Age** (April 4, 6; no class April 8<sup>th</sup>)

- A. Development, ISI, and Reform
- B. The Triumph of Neoliberalism, or of State Capitalism?

**Required Readings**

\* Oatley, *International Political Economy*, Chapters 6-7, pp. 114-163.

*The Commanding Heights*, PBS documentary, Episode 2: The Agony of Reform, accessible at: <http://www.pbs.org/wgbh/commandingheights/hi/story/index.html>.

Stefan Halper, *The Beijing Consensus: How China's Authoritarian Model Will Dominate the 21<sup>st</sup> Century* (New York: Basic Books, 2010), pages TBA.

Ian Bremmer, *The End of the Free Market: Who Wins the War between States and Corporations?* (New York: Portfolio Hardcover, 2010), pages TBA.

**Study Question**

1. What was "ISI," and why did so many developing countries first turn towards it during the middle of the 20<sup>th</sup> century? Why did so many countries then turn away from ISI and embrace the global economy in the final decades of the century, according to your readings?
2. The embrace of the global marketplace by emerging economies like China and India have caused many to declare the arrival of a global neoliberal consensus, while others question whether the free market really has won out. How do your readings (and viewing) this week come down on this question? Which position do you find most convincing, and why?

**Recommended Readings**

Jeffrey A. Frieden, *Global Capitalism: Its Rise and Fall in the Twentieth Century* (New York: Norton, 2006), Chapters 13 ("Decolonization and Development"), 18 ("Countries Catch Up") and 19 ("Countries Fall Behind"), pp. 301-320, 413-456.

Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle for the World Economy* (New York: Free Press, 2002), chapters 6-10.

Beth A. Simmons, Frank Dobbin, and Geoffrey Garrett, "Introduction: The International Diffusion of Liberalism," *International Organization*, Vol. 60 (Fall 2006), pp. 781-810.

David Dollar and Aart Kraay, "Spreading the Wealth," and Dani Rodrik, "Trading in Illusions," in Thomas Oatley, ed., *Debates in International Political Economy* (New York: Longman, 2010), pp. 245-65.

**Week 11: The End of Poverty?** (April 13, 15, 18; optional speaker April 11)

- A. The Foreign Aid Debate
- B. Global Public Health

**Required Readings**

Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin Press, 2005), pp. 1-4, 20-25, 188-220, and 288-308.

William Easterly, "A Modest Proposal," *The Washington Post Book World*, March 13, 2005, p. T3.

William Easterly, "The Ideology of Development," *Foreign Policy*, July/August 2007, pp. 31-37.

Jeffrey D. Sachs, *Common Wealth: Economics for a Crowded Planet* (New York: The Penguin Press, 2008), excerpt entitled "Reinvigorating Global Cooperation," pp. 46-49.

Peter Singer, "The Singer Solution to World Poverty," *New York Times Magazine*, September 5, 1999.

Laurie Garrett, "The Challenge of Global Health," *Foreign Affairs*, January/February 2007, available on-line at: <http://www.foreignaffairs.org/20070101faessay86103/laurie-garrett/the-challenge-of-global-health.html>.

"How to Promote Global Health: A Foreign Affairs Roundtable," available on-line at: [http://www.foreignaffairs.org/special/global\\_health/](http://www.foreignaffairs.org/special/global_health/) -- read essays by Sachs, Farmer, and Garrett *only*.

Pages: 80

**Study Questions.** Please answer **one** of the following questions:

1. Why, according to Jeffrey Sachs, have the countries of Africa lagged so far behind much of the rest of the world economically, and what can the advanced industrialized world do to alleviate poverty and promote growth in Africa? Why does William Easterly believe that his analyses and proposals are flawed, and what do they suggest should be done? Which view do you find more convincing, and why?
2. In a famous 1971 essay, the utilitarian philosopher Peter Singer controversially argued that each of us has a significant moral obligation to relieve human suffering throughout the world, and Singer takes up that argument, and responds to his many critics, in this week's reading. What is Singer's core argument? Do you find it convincing? Why or why not? (Either way, please give reasons for your position – don't simply say that Singer's arguments are absurd or stupid.)

Just as importantly: If Singer is right, kinds of policies should advanced industrialized countries pursue?

3. Spending on global public health aid has increased dramatically in recent years, although (as is the case for development aid generally) the effectiveness of such aid is disputed. Is global public health a good investment in general? If so, what problems might nevertheless decrease the effectiveness of public health aid, and what is the best way for donors to contribute?

### **Recommended Readings**

Bjorn Lomborg, *How to Spend \$50 Billion to Make the World a Better Place* (New York: Cambridge University Press, 2006), pp. xi-xxi.

Joshua S. Goldstein and Jon C. Pevehouse, *International Relations*, 8<sup>th</sup> edition (New York: Pierson Longman, 2007), Chapter 13, "International Development," pp. 463-502.

Peter Katel, "Ending Poverty in Africa," *CQ Researcher*, Vol. 15, No. 31 (September 2005).

Joseph E. Stiglitz, *Making Globalization Work* (New York: W.W. Norton, 2007), Chapter 2, "The Promise of Development," pp. 25-59.

William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin Press), Chapter 1, pp. 3-30.

Peter Singer, *One World: The Ethics of Globalization* (New Haven: Yale University Press 2002), Chapter 5: "One Community?" pp. 150-195.

Andrew Kuper, "More than Charity: Cosmopolitan Alternatives to the 'Singer Solution'," *Ethics & International Affairs*, Vol. 16, No. 2, pp. 107-120; and the subsequent debate between Singer and Kuper, pp. 121-128.

Anne Mills and Sam Shillcut, "Communicable Diseases," in Bjorn Lomborg, ed., *How to Spend \$50 Billion to Make the World a Better Place* (New York: Cambridge University Press, 2006), pp. 19-37.

Michael Specter, "What Money Can Buy," *The New Yorker*, 24 October 2005, pp. 57-71.

## Week 12: The Political Economy of Climate Change (April 20, 22)

- A. The Domestic Politics of Climate Change
- B. Climate Change and Global Governance

In this final substantive week of the term, we focus on a slightly unusual topic for an IPE course: the problem of climate change and states' responses to it. By and large, existing approaches to climate change have taken *either* a political-science perspective *or* an economic perspective, but a truly integrated IPE approach is rare, and I'd like us to spend some time, and this week's study questions, exploring together what such a perspective might look like, and what insights it might give us.

In the classic political science perspective, which you may have already encountered in other classes, climate change is approached, much like international trade, as a global public good, the provision of which constitutes a Prisoners' Dilemma game, with rational incentives for states to free ride, and with the hope that international institutions can create iteration, enforcement, and trust, and hence promote cooperation. You can see this view spelled out clearly in many political science readings, such as the following:

- Owen Greene, "Environmental Issues," in *The Globalization of World Politics*, in John Baylis and Steve Smith, eds. (Oxford University Press, 2004), pp. 451-478 [on Blackboard; focus in particular on the sections from page 459 to 472 on the "tragedy of the commons," the ozone layer, and climate change].

Among economists, the debate tends to be about the economic costs and benefits of climate change, with some economists arguing that a major push to reduce greenhouse gas emissions is cost-effective, and others disagreeing. More specifically, economists also spar about the effectiveness of different types of regulations, such as a carbon tax vs. a cap-and-trade system. A very brief flavor of this debate is provided by the following two readings:

- Stern Review, "Executive Summary," in *The Economics of Climate Change* (2006), available at the website of the Treasury of the United Kingdom, [http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/stern\\_review\\_Report.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/stern_review_Report.cfm), pp. vi-ix [on Blackboard].
- Bjorn Lomborg, "Stern Review: The Dodgy Numbers Behind the Latest Warming Scare," *The Wall Street Journal*, November 2, 2006 [on Blackboard].

But if those are the classical political science and economic perspectives, what might an *IPE* perspective look like? Well, if we take our cue from Oatley, an IPE perspective will focus (1) on winners and losers from climate change and climate policy, and it will study (2) how interests and institutions shape state policies toward climate change. From there, according to Lake, an IPE perspective would further study (3) bargaining among states, with a particular focus not just on a Prisoners' Dilemma-style search for efficient

cooperation, but also a Battle of the Sexes-style distributive conflict over the terms of such cooperation.

If IPE scholars like Lake and Oatley are correct, an IPE perspective should give us important insights into both the domestic politics of US climate-change policy, as well as the subsequent international negotiations among states in agreements like the Kyoto Protocol and the subsequent December 2009 negotiations at Copenhagen, Denmark and the subsequent December 2010 meeting at Cancun, Mexico.

On the domestic side, please read the following:

- Wikipedia contributors, American Clean Energy and Security Act, [http://en.wikipedia.org/wiki/American\\_Clean\\_Energy\\_and\\_Security\\_Act](http://en.wikipedia.org/wiki/American_Clean_Energy_and_Security_Act).
- John M. Broder, “House Passes Bill to Address the Threat of Climate Change,” *The New York Times*, 26 June 2009, [http://www.nytimes.com/2009/06/27/us/politics/27climate.html?\\_r=3&hp](http://www.nytimes.com/2009/06/27/us/politics/27climate.html?_r=3&hp).
- Inside Congress, “House Vote 477 - H.R.2454: On Passage,” *The New York Times*, <http://politics.nytimes.com/congress/votes/111/house/1/477>.
- Ryan Lizza, “As the World Burns: How the Senate and the White House Missed Their Chance to Deal with Climate Change,” *The New Yorker*, October 11<sup>th</sup>, 2010, accessible on-line at: [http://www.newyorker.com/reporting/2010/10/11/101011fa\\_fact\\_lizza](http://www.newyorker.com/reporting/2010/10/11/101011fa_fact_lizza).

On the international negotiations from Rio to Kyoto to Copenhagen, please read the Greene chapter referenced above, plus the following:

- Elizabeth Kolbert, “The Climate of Man – III: What Can Be Done?” *The New Yorker*, May 9, 2005, pp. 52-63 [On Blackboard – most of the first half of the article focuses on the science, the last half on the politics].
- John M. Broder, “Poor and Emerging States Stall Climate Negotiations,” 17 December 2009, <http://www.nytimes.com/2009/12/17/science/earth/17climate.html>.
- Andrew C. Revkin and John M. Broder, “A Grudging Accord in Climate Talks,” *The New York Times*, 20 December 2009, <http://www.nytimes.com/2009/12/20/science/earth/20accord.html>.
- John M. Broder, “Countries Submit Emission Goals,” *The New York Times*, 2 February 2010, <http://www.nytimes.com/2010/02/02/science/earth/02copenhagen.html>.

- John M. Broder, “Climate Talks End with Modest Deal on Emissions,” *The New York Times*, 12 December 2010, <http://www.nytimes.com/2010/12/12/science/earth/12climate.html?ref=globalwarming>.

This is a lot of articles, but most of them are very short and easily readable. For the latest on climate change in both domestic and international politics, you can check out the New York Times “Global Warming” page, at: <http://topics.nytimes.com/top/news/science/topics/globalwarming/index.html>.

## Study Questions

On the basis of these readings, please answer **one** the following questions:

1. Based on the articles you’ve read about domestic U.S. legislation in the House and the Senate, what patterns do you see in terms of U.S. societal *interests*: do we see actors lining up and lobbying government on the basis of their economic interests, as the model predicts? If so, how do actors line up: in terms of factors of production, or sectors, or some other way? And how about *institutions*? How, if at all, have U.S. Congressional institutions helped to aggregate those interests into specific policy outcomes? Does Oatley’s approach work as well in climate change politics as it did in describing U.S. trade politics?
2. Based on the readings about the international bargaining over climate, what evidence do you see of a PD-style concern about free-riding and enforcement? What evidence do you see for a Battle-style distributive conflict over the specific terms of any proposed international agreement? Do either or both of these perspectives help us understand why international agreement on climate change has proven so elusive in recent years?

## Recommended Readings

Peter Singer, *One World: The Ethics of Globalization* (New Haven: Yale University Press, 2002), Chapter 2: “One Atmosphere,” pp. 14-50 [on the ethics of climate change].

Jeffrey D. Sachs, *Common Wealth: Economics for a Crowded Planet* (New York: The Penguin Press, 2008), Chapters 1-2, pp. 3-53.

Thomas L. Brewer and Christian Egenhofer, “The Political Economy of US Responses to Climate Change Issues: Final Report,” Centre for European Policy Studies, Brussels, 2005.

Michèle B. Bättig and Thomas Bernauer, “National Institutions and Global Public Goods: Are Democracies More Cooperative in Climate Change Policy?” *International Organization*, Vol. 63, No. 2 (2009), pp. 281-308.



**Week 13: Conclusions and Review** (April 25; 27, 29; last mid-term May 2)

**Required**

*The Commanding Heights*, PBS documentary, Episode 3: The New Rules of the Game, accessible on-line at: <http://www.pbs.org/wgbh/commandingheights/hi/story/index.html>.

**No study questions this week.**