

# **INTA 3301 International Political Economy**

FALL 2012

MWF 11:05 – 11:55

LOCATION: Instructional Center 213

Course Website: <https://t-square.gatech.edu/>

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## **Introduction**

This course introduces the subject of international political economy. In particular, it aims to equip you with the analytical tools necessary to examine critically the relationship between increasingly globalized markets and largely national politics. Toward this end it will introduce different understandings of appropriate relationships between states and markets and how these are manifest in the world. It will also present ways of understanding the interactions between domestic politics and international economics. These building blocks will be used to analyze three distinct, but interrelated issue areas at the heart of international political economy: trade, finance and development. The course will conclude by reflecting on the nature of globalization and its implications for state autonomy.

## **Intended learning outcomes**

By the end of this course, students should be able to:

- demonstrate an understanding of the key terms of economic policy and its analysis;
- characterize the main intellectual traditions in International Political Economy;
- identify the key features of the major forms of state-market relations found in the world;
- characterize the fundamental forms and patterns of international economic exchange;
- evaluate the preferences and power resources of major actors in international political economy;
- analyze, interpret and explain challenges and developments in the world economy;
- be able to locate and interpret basic economic data;
- advance reasoned and factually supported arguments both orally and in writing.

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## Course overview

8/20	Introduction	Class survey
<b>Section I IDEAS AND IDEOLOGIES</b>		
8/22	Micro-economic ideas	
8/24	Market failures I: Public provision	
8/27	Market failures II: Regulation	
8/29	Country back-ground sheet guidance	Country selection
8/31	Macro-economic ideas I: Fiscal policy	
9/3	<b>No class</b>	
9/5	Macro-economic ideas II: Monetary policy	
9/7	Marxian ideas and policies	
9/10		Jargon buster quiz
<b>Section II DOMESTIC AND INTERNATIONAL POLICY-MAKING</b>		
9/12	Societal interests	
9/14	Government preferences	
9/17	Political institutions	
9/19	Arguing and bargaining	
9/21	International institutional design	
9/24	International institutions and state behavior	
9/26	Country reflection paper guidance	
9/28		Mid-term exam
<b>Section III ISSUES AND POLICIE</b>		
10/1	Trade policy I: trade politics	
10/3	Trade policy II: Regulatory barriers to trade	
10/5	Trade policy III: Regulatory cooperation	
10/8	Trade policy IV: Regional integration arrangements	
10/10	Trade V: Multilateral trading system	
10/12	Trade VI: Dispute settlement	
10/15	<b>No class</b>	
10/17	Trade VII: Doha Round	
10/19	Finance I: Currencies & Exchange Rates	
10/22	Finance II: Exchange rate systems and currency unions	Trade reflection paper
10/24	Finance III: Capital flows	
10/26	Finance IV: Financial crises	
10/29	Finance V: Sovereign debt and debt crises	
10/31	Finance VI: The Eurozone crisis	
11/2	Finance VII: Managing the global financial system	
11/5	Election special	
11/7	Development I: understandings of development	
11/9	Development II: Causes of underdevelopment	Finance reflection paper
11/12	Development III: Development strategies	
11/14	Development IV: Development assistance	
11/16	Development V: IFIs	
11/19	Development VI: BRICS	
11/21	Energy	

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11/23	No class	
11/26	Environment I: Environmental cooperation	
11/28	Environment II: Climate change	Development reflection paper
Section IV: WRAP UP		
11/30	Globalization I: What is globalization?	
12/3	Globalization II: Pub quiz	
12/5	Globalization III: So What?	
12/7	Revision session	
12/12		Final exam 8:00 - 10:50

## Course materials

This course is supported by a text book:

Oatley, Thomas (2011), *International Political Economy*, 5<sup>th</sup> edition, Pearson.

An electronic version of the text book is available to rent for 180 days for \$42.99 at:  
[http://www.coursesmart.com/9780205060641?\\_\\_professorview=false](http://www.coursesmart.com/9780205060641?__professorview=false)

We will also be making extensive use of other resources. These will either be available on the web (denoted by **(w)**), through the GT library (**(l)**) or on t-square (**(t)**).

In order to access electronic journal articles through the library website:

- click on 'eJournals' on the left-hand side of the library homepage (under 'research tools');
- type the name of the journal in the search box;
- select the database option that includes the appropriate issue of the journal;
- browse the journal to the appropriate volume and issue.

## Course requirements

In order to get the most out of the course and to be able to participate effectively in class, students are expected at a minimum to read and reflect upon required readings before class and to read the *Financial Times* (daily) and the *Economist* (weekly). Both are accessible through the GT Library.

Each student is expected to become an 'expert' on one of the leading economies in the world. This will involve completing a country background sheet on the selected country and preparing two short papers reflecting on one of the course topics – trade, finance or development – from the perspective of his/her selected country. In conjunction with the country background sheet students are expected to be able to contribute country-specific information to relevant class sessions. Both the mid-term and the final exams will have a bonus question relating to the student's selected country.

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Assignment	Date due	Maximum points	Share of total
		possible	
Country background sheet	9/5	200	10
Jargon buster quiz	9/10	200	10
Mid-term exam	9/28	400	20
Country reflection papers (2 of 3)	10/22, 11/9, 11/28	400	20
Final exam	12/12	600	30
Class participation	continuous	200	10
TOTAL		2000	100

## Extra-credit assignment (10 points for a serious effort)

Write a reflective summary (no more than 500 words) of a guest lecture to be announced. An edited version of the best summary will be posted on my project website.

Late assignments will NOT be accepted, except for medical or personal emergencies upon verification.

## Grades

Grade	Points	Descriptors
A	20	Exceptionally good performance demonstrating a superior understanding of the subject matter, a foundation of extensive knowledge, and a skillful use of concepts and/or materials.
	19	
	18	
B	17	Good performance demonstrating capacity to use the appropriate concepts, a good understanding of the subject matter, and an ability to handle the problems and materials encountered in the subject.
	16	
	15	
C	14	Adequate performance demonstrating an adequate understanding of the subject matter, an ability to handle relatively simple problems.
	13	
	12	
D	11	Minimally acceptable performance demonstrating at least partial familiarity with the subject matter and some capacity to deal with relatively simple problems, but also demonstrating deficiencies serious enough to make it inadvisable to proceed further in the field without additional work.
	10	
	9	
F	<8	Did not demonstrate familiarity with the subject matter, nor the capacity to deal with simple problems in a manner recognizable to the consensus of mainstream academic practitioners within the field.

## Grade Change Policy

Simple computational or clerical errors should be brought to my attention immediately. Legitimate requests for grade changes are welcome and encouraged. You should, however, resist the temptation to file a frivolous request just hoping to “get lucky”. Approach a grade change request as if arguing a legal case: you should have strong and convincing arguments and evidence to support your request. Be aware that appeals to the practices of other professors generally do not constitute good argument or evidence. Note also that grade changes requests can result in re-grades either up or down (or left unchanged).

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That is, if the greater scrutiny demanded by a grade change request reveals your assignment to deserve a lower grade than previously awarded, and then the lower grade may be assigned.

## **Special Accommodations**

Students requesting academic accommodations based on a documented disability are required to register with the Access Disabled Assistance Program for Tech Students (ADAPTS). Please obtain a form from the ADAPTS office and turn it in to me during office hours or in class in the beginning of the semester. (<http://www.adapts.gatech.edu>).

## **Class communication**

- Communication will be by email – **students should check their email daily.**
- T-Square ([www.t-square.gatech.edu/](http://www.t-square.gatech.edu/)) will be used to post course materials.

## **Class conduct**

- **All cellphones, blackberries, and other telecommunications devices are to be switched off during class.**
- **Computers are not to be used in class without express permission;**
- Absences for medical or personal emergencies will be excused upon verification by the instructor. Absences for school athletics will be excused only if they are in accordance with the schedules approved and circulated by the Student Academic & Financial Affairs Committee for Travel or the Associate Athletic Director (Academic Services). Absences due to military service will be handled on a case-by-case basis and subject to verification
- Course participants will treat each other with respect. Constructive questioning and criticism are welcome, even encouraged. Personal attacks and insults are not. The rule of thumb here is that critical comments and questions should be maturely phrased in a manner that encourages constructive and open debate; they should not be phrased as insults, threats, or in a manner that shuts down discussion.
- Students are expected to read and abide by the Georgia Tech Student Code of Conduct and the Academic Honor Code. All violations will be reported. The complete text of these two Codes may be found at: [www.deanofstudents.gatech.edu/integrity/policies/index.html](http://www.deanofstudents.gatech.edu/integrity/policies/index.html) (see 'Academic Misconduct' below).

## **Academic misconduct**

According to the Georgia Tech honor code,<sup>1</sup> academic misconduct is any act that does or could improperly distort Student grades or other Student academic records. Such acts include:

- Possessing, using or exchanging improperly acquired written or verbal information in the preparation of any essay, laboratory report, examination, or other assignment included in an academic course;

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<sup>1</sup> <http://www.osi.gatech.edu/plugins/content/index.php?id=46>

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- Substitution for, or unauthorized collaboration with, a Student in the commission of academic requirements;
- Submission of material that is wholly or substantially identical to that created or published by another person or persons, without adequate credit notations indicating authorship (plagiarism).

Of these plagiarism requires particular elaboration in the context of this course.<sup>2</sup>

The incorporation of material without formal and proper acknowledgement (even with no deliberate intent to cheat) can constitute plagiarism. Work may be considered to be plagiarized if it consists of:

- a direct quotation;
- a close paraphrase;
- an unacknowledged summary of a source;
- direct copying or transcription.

Any failure to acknowledge adequately or to cite properly other sources in submitted work is plagiarism.

Special cases of plagiarism can arise from a student using his or her own previous work (termed auto-plagiarism or self-plagiarism). Auto-plagiarism includes using work that has already been submitted for assessment.

Guidance on appropriate citation will be provided during the course.

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<sup>2</sup> This statement is adapted from the University of Glasgow's Plagiarism Statement, which is contained in the University Calendar (p.49). Available at:  
[http://www.gla.ac.uk/media/media\\_165329\\_en.pdf#page=49&view=fitH,350](http://www.gla.ac.uk/media/media_165329_en.pdf#page=49&view=fitH,350)

## Detailed course outline

### **8/20 Introduction**

This class will introduce what international political economy is as a subject and as a field of study. The class will also introduce the course, setting out the aims and content, as well as the expectations and requirements. Students will also be encouraged to reflect upon their own economic beliefs through a [class survey](#).

### **I. IDEAS AND IDEOLOGIES**

Different people value different economic outcomes – e.g., efficiency and equality – differently. Moreover, there are different understandings about what policies are better for achieving those ends. This section of the course introduces the key normative and causal ideas that are prevalent in the West.

### **8/22 Micro-economic ideas**

Micro-economic ideas concern how markets should function. Within capitalist systems there are pronounced differences regarding the extent to which the government should intervene in domestic and international markets and how much competition there should be. This class will explore four of those ideas: *dirigisme*, mercantilism, liberalism and neo-liberalism. It will also introduce the different ‘varieties of capitalism.’

#### Reading

Oatley, Chapter 1

High Level Trade Experts Group (2011), ‘World Trade and the Doha Round: Final Report,’ May, pp. 12-17. (t)

Hall, P. A. and Soskice, D. (2001), ‘An Introduction to Varieties of Capitalism,’ in P. A. Hall and D. Soskice (eds), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press, 6-21. (t)

### **8/23 Market failures I: Public provision**

It is widely recognized that there are some socially desirable outcomes that markets provide poorly and some socially undesirable outcomes that markets are prone to produce. These are known as market failures and require market interventions to address. There are a variety of different ways that governments might seek to address even the same market failure. These different choices can have implications for imports (technical barriers to trade) and, arguably, for the competitiveness of a country’s firms. In addition to introducing market failures, it will examine the use of public provision as a means to address them.

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This class will identify the possible responses to market failures, examine what influences the choice of response and consider the consequences.

## Reading

Scott, C. (2006), 'Market and Non-Market Failures,' in M. Moran and R. E. Goodin (eds), *The Oxford Handbook of Public Policy*, Oxford University Press, Section 3 (pp. 627-30, 32). (t)

## **8/27 Market failures II: Regulation**

Governments also seek to overcome market failures through regulation; rules that prohibit some forms of activity or require others. This class will examine environmental, public health, and financial market regulation, as well as the protection of intellectual property rights.

Woolcock, S. (2002), 'The Precautionary Principle in the European Union and Its Impact on International Trade Relations,' CEPS Working Document 186, October, <http://aei.pitt.edu/1822/1/WD186.PDF>, Section 3, pp. 6-11 (w)

## **8/29 Guidance on the country back-ground sheet**

In this session we will go over the types of information sought in the country back-ground sheets, where you might look to find it and how it should be integrated into class sessions. In the process you will be introduced to key sources of economic data and as well as be introduced to how to interpret it. **Students will choose their 'expert country,'** although choice may be restricted in order to ensure an even distribution of expertise. Students who are absent will have a country assigned to them.

## **8/31 Macro-economic ideas and policy I: Keynesianism**

Macro-economic policies aim to influence the overall level of growth in an economy and thus affect the levels of unemployment and inflation. This class introduces the idea of trying to influence aggregate demand. It also introduces Keynesian ideas and examines fiscal policy. In this context it is central to policy debates in the US and elsewhere concerning how to respond to the 2008 global financial crisis and its aftermath. Fiscal policy is also an important tool for redistributing wealth. This class will explore different redistributive policies and introduce the 'worlds of welfare states'.

To be prepared for class you should answer questions **9-15** on the country background sheet.

## Reading

Oatley, 250-55.

The *Economist*, 'Economic Focus: Unrest in Peace,' 22 October 2011, p. 94 ([economist.com/unrest1011](http://economist.com/unrest1011)) (w)



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Steffton, T. (2006), 'Distributive and Redistributive Policy,' in M. Moran and R. E. Goodin (eds), *The Oxford Handbook of Public Policy*, Oxford University Press, 607-21. (t)

**9/3 NO CLASS**

**9/5 Macro-economic ideas and policy II: Monetarism**

Monetarists consider active intervention in the economy as less desirable than Keynesians, prioritizing price stability over a short-term boost to growth. If a short-term economic boost is desirable, they consider monetary policy a more effective tool than fiscal policy. The aftermath of the 2008 global financial crisis has revealed the limits of some traditional monetary policy tools and prompted use of some newish ones.

**Country background sheet due**

Reading

Oatley; Ch 12 and 274-93.

**9/7 Marxist ideas and policies**

Although capitalist ideas are dominant in the West and in much of the world, Marxism influenced the economic development of major economies in the 20<sup>th</sup> century – most notably China and the Soviet Union. Ideas associated with Marxism also underpin many contemporary critiques of capitalism and globalization. This class will introduce the Marxist critique of capitalism and its understanding of the critical link between economics and politics. It will also introduce the neo-Gramscian idea of hegemony. The economic system inspired by Marxism – communism – replaces market allocation with central planning by the state. This class presents the classical Soviet planning model and the pathologies that have caused even nominally communist governments to move towards the market. There are, however, aspects of some capitalist economies that operate through central planning.

Reading

D. N. Balaam and B. Dillman (2011), *Introduction to International Political Economy*, Pearson, 83-99 (t).

Nove, A. (1987), 'Planned Economy,' *New Palgrave Encyclopedia of Economics*, Vol. 3, Palgrave, 879-84. (t)

**9/10 Jargon buster quiz**

Students are expected to familiarize themselves with some of the key terms associated with political economy. A list is provided on t-square. These terms are ones that have already been covered in class or that will be relevant later in the course. There is a glossary at the end of Oatley. You might also wish to consult the BBC News' financial crisis glossary (available at: [http://news.bbc.co.uk/2/hi/uk\\_news/magazine/7642138.stm](http://news.bbc.co.uk/2/hi/uk_news/magazine/7642138.stm)).

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## II. DOMESTIC AND INTERNATIONAL POLICY-MAKING

The previous section of the course introduced the ideas and values that underpin economic policy decisions and identified some of the ways in which these ideas and values are manifested. This section of the course introduces how ideas and values translate into policy choices both domestically and internationally. So you are aware, the IPE literature is more developed with respect to explaining trade policy than other types of policy choices, and that will be the focus here as well.

### 9/12 Societal interests and the logic of collective action

Most approaches to IPE assume that individuals (and firms) act in their self-interest and that the preferences and mobilization of these self-interested actors shape a government's economic policy. There, however, other approaches that stress the extent to which policy preferences also reflect principled beliefs and identities.

#### Reading

Lake, D. A. (2006), 'International Political Economy: A Maturing Interdiscipline,' in B. R. Weingast and D. A. Wittman (eds), *The Oxford Handbook of Political Economy*, Oxford University Press, 762-4. (t)

Oatley, pp. 69-80 and 86-7.

Cox, R. W. (1981/1986), 'Social Forces, States and World Orders: Beyond International Relations Theory,' in R. O. Keohane (ed.), *Neo-Realism and Its Critics*, Columbia University Press, 234-6. (t)

Risse, T. (2002), 'Constructivism and International Institutions: Towards Conversations across Paradigms,' in I. Katznelson and H. V. Milner, *Political Science: State of the Discipline*, W. W. Norton, 600-4. (t)

### 9/14 Government preferences

While it is widely accepted that societal interests are important in shaping domestic and international economic policy there are debates about whether governments independent policy preferences or simply respond to societal demands.

#### Reading

Oatley, Ch. 5.

Milner, H. V. and Judkins, B. (2004), 'Partisanship, Trade Policy and Globalization: Is there a Left-Right Divide on Trade Policy?' *International Studies Quarterly*, 48/1, 95-103 and 114-6. (l)

### 9/17 Political institutions

Political institutions play a critical role in aggregating societal interests, and thus can affect the relative influence of different societal actors. They also determine the conditions under which governments have more or less autonomy. In addition, political institutions can determine where authority for a particular policy lies.

#### Reading

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Lake, D. A. (2006), 'International Political Economy: A Maturing Interdiscipline,' in B. R. Weingast and D. A. Wittman (eds), *The Oxford Handbook of Political Economy*, Oxford University Press, 764-6. (t)

Oatley, pp. 81-6.

Pollack, M. A. (2003), *The Engines of European Integration: Delegation, Agency and Agenda Setting in the EU*, Oxford University Press, 20-34. (t)

## 9/19 Arguing and bargaining

In the absence of an authoritative hierarchy, policy-making among states is profoundly different than that within them. This class explores ways of understanding how states take collective decisions.

### Reading

Lake, D. A. (2006), 'International Political Economy: A Maturing Interdiscipline,' in B. R. Weingast and D. A. Wittman (eds), *The Oxford Handbook of Political Economy*, Oxford University Press, 766-8. (t)

Moravcsik, A. (1993), 'Introduction: Integrating International and Domestic Theories of International Bargaining,' in P. B. Evans, H. K. Jacobson and R. D. Putnam (eds), *Double-Edged Diplomacy: International Bargaining and Domestic Politics*, University of California Press, 23-32. (t)

Risse, T. (2000), "'Let's Argue!': Communicative Action in World Politics,' *International Organization*, 54/1, 8-23. (l)

## 9/21 International institutional design

International cooperation is difficult to achieve for a variety of reasons, including the transaction costs of reaching an agreement and the problems of defection (cheating). International institutions can help to address these problems. This class will explore what factors shape the international institutions created to facilitate cooperation.

### Reading

Keohane, R. O. (1998), 'International Institutions: Can Interdependence Work?' *Foreign Policy*, Spring, 82-96. (l)

## 9/24 International institutions and state behavior

Although one of purposes of international institutions is to ensure that participants adhere to their obligations, there is a lively debate in IR about whether international institutions actually cause states to do (not do) what they otherwise would not (would). This class the ways in which international institutions might affect state behavior.

### Reading

Young, A. R. (2009), 'Analysing Compliance: The EU and the WTO' paper to the ISA Annual Convention 2009, New York, 15-18 February, 3-17. (t)

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## **9/26 Country reflection paper guidance**

Students must submit at least two reflection papers (if three are submitted the two higher grades will count). At the end of each section – trade policy, finance and development – students should submit a short (1 page/500 word) answer to one of the questions posed on t-square.

## **9/28 Mid-term exam**

The mid-term exam will cover the first two sections of the course (everything to date), including the associated readings. The exam will combine short-answer, multiple-choice and (very) short essays. Questions will be aimed at eliciting synthesis across several classes, rather than the straight regurgitation of facts.

## **III ISSUES AND POLICIES**

### **10/1 Trade I: Traditional trade barriers**

This class will introduce the importance of international trade in goods and identify the primary trade policies for limiting imports: tariffs, quantitative restrictions, anti-dumping duties and voluntary export restraints. It will also discuss why particular trade barriers are adopted and more particularly, the prolonged period of liberalization up until the 2008 financial crisis. It will do so in the light of our earlier discussions about domestic policy making and international bargaining. Reciprocity will be described as the key dynamic driving liberalization.

#### Preparation

Review your notes from classes 2 and 10-12.

### **10/3 Trade II: Regulatory barriers to trade**

As traditional trade barriers have fallen, as the volume of trade in services and flows of foreign direct investment have increase, and as environmental and public health regulations have proliferated, regulatory barriers to trade have increased in significance. This class identifies what these barriers are and the problems they pose for international economic exchange. It also identifies the particular problems associated with addressing them

#### Reading

WTO (2012), *World Trade Report 2012: Trade and public policies: A closer look at non-tariff measures in the 21st century*, pp. 6-15. Available at:

[http://www.wto.org/english/res\\_e/booksp\\_e/anrep\\_e/world\\_trade\\_report12\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report12_e.pdf) (w)

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## 10/5 Trade III: Politics of regulatory cooperation

As regulatory barriers cannot simply be removed, a variety of approaches have been developed for mitigating their adverse impact on trade. These include enhancing transparency, agreeing disciplines on national regulatory processes, mutual recognition and approximation to international standards. This class examines how these approaches have been put into practice in the single European market program and in the transatlantic relationship. It also looks at international standard setting.

### Reading

Young, A. R. and Peterson, J. (forthcoming), *Parochial Global Europe: The Politics of European Trade Policy*, Chapter 7 Limited liberalization through Regulatory Cooperation. (t)

## 10/8 Trade IV: Regional integration arrangements

Another distinctive feature of trade policy in the 21<sup>st</sup> century has been the proliferation of efforts at closer integration among neighboring countries. This class examines the incentives for such regional cooperation and looks in detail at the most developed regional integration project: the European Union.

### Reading

Oatley pp. 36-43.

Cohen, T. H. (2012), *Global Political Economy*, 6<sup>th</sup> edn., Pearson, pp. 222-36. (t)

## 10/10 Trade VI: The multilateral trading system

Since 1947 international trade has been governed by evolving international rules: the General Agreement on Tariffs and Trade (GATT) through 1994 and since then by the World Trade Organization. This class will describe the key features and achievements of the multilateral trading system, as well as identifying some challenges and tensions.

### Reading

Oatley, pp. 21-36, 43.

High Level Trade Experts Group (2011), 'World Trade and the Doha Round: Final Report,' May, Ch. 4 (pp. 45-53) (t)

## 10/12 Trade VI: WTO dispute settlement

One of the most novel and controversial features of the WTO is its binding dispute settlement system. This class will highlight the distinctive features of the WTO's dispute settlement system and explain why it is controversial. This discussion will be highlighted by case studies of pivotal rulings.

### Reading

Oatley, pp. 58-66

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WTO, 'Understanding the WTO: Dispute Settlement: A Unique Contribution' at:  
[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/disp1\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm) (w)

**10/15 NO CLASS**

**10/17 Trade VI: The Doha Development Round**

The current multilateral trade round was launched in 2001. Although progress has been made, it has been slow and painful. This class will explore the issues and interests that have made the round so fraught.

Reading

Oatley, pp. 53-8.

High Level Trade Experts Group (2011), 'World Trade and the Doha Round: Final Report,' May, Ch. 3 (pp. 30-44) (t)

**10/19 Finance I: Currencies and exchange rates**

If goods and services go one way in international trade go one way, money needs to go the other. This is a country's balance of payments. Different states or groups of states have different currencies. There are different ways that these currencies might relate to each other, known as exchange rate systems. The nature of the exchange rate system (combined with the regulation on capital flows) has implications for the effectiveness of macro-economic policy tools. This class will introduce the different exchange rate systems and explore how they affect macro-economic policy instruments.

Reading

Oatley, Ch. 202-12; 227-9.

**10/22 Finance II: Exchange rate systems and currency unions**

Exchange rate fluctuations can impede trade. This creates incentives for states to coordinate their exchange rates. This class looks at the forms these efforts can take, paying particular attention to the most extreme version of such cooperation, the creation of the euro.

Trade reflection paper due

Reading

Oatley, pp. 212-24; 225-7; 229-34; 241-7.

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## **10/24 Finance III: Capital flows: Portfolio and direct investment**

Since the mid-1980s there has been a massive liberalization of restrictions on cross-border capital transactions. In many respects it has been the accompanying increase in capital flows and transnational production that are the defining features of globalization. This class will explore the motivations for portfolio and direct investment and consider the implications for the recipient country.

### Reading

Oatley, Ch. 8.

## **10/26 Finance IV: Financial crises**

Although international capital is a useful source of finance, it can present problems. The rapid and extensive removal of capital from a country ('capital flight') can be destabilizing. There are also possible problems of 'contagion,' the spread of financial problems from one polity to another. Until recently financial crises were primarily a developing country problem, but lately they have affected developed economies. This class explores the causes of financial crises, how they might be averted and how governments respond to them.

### Reading

Oatley, 323-38; 234-41.

## **10/29 Finance V: Sovereign debt and debt crises**

As we discussed earlier, governments borrow money to cover the gap between their revenues and expenditures. So long as capital markets are confident they will be repaid, this is not a problem. If governments are unable to repay their debts or if markets lose confidence in their ability to do so, the state will experience a debt crisis. This class introduces the key features and challenges associated with sovereign debt crises as well as the various responses that have been adopted. The focus in this class will be on sovereign debt crises in developing countries.

### Reading

Oatley, pp 298-310; 312-14; 316-21.

## **10/31 Finance VI: The Eurozone crisis**

As with financial crises, until recently sovereign debt crises were primarily a problem for developing countries, but recent years have seen debt crises engulf Europe. This class will focus on current multiple debt crises in Europe and the eurozone's struggles to respond to them.

### Reading

The Economist, 'Special Report: Europe and Its Currency', November 12 2011: Sections on 'staring into the abyss,' 'The causes,' 'Austerity,' and 'In theory.' (w)

## **11/2 Finance VII: Managing the global financial system**

As has been evident in the preceding classes, there are a number of forms of international cooperation that have emerged to try to manage different international financial problems. This class takes a closer look at these key institutions, focusing on the G7 and the G20.

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## Reading

Dobson, H. (2010), 'Japan and the Changing Global Balance of Power: The View from the Summit,' *POLITICS*, 30/supplement 1, 33-42. (l)

## **11/5 Election special**

On the eve of the elections we will collectively examine the economic platforms of the Democratic and Republican parties. The objectives will be to:

- Identify the main economic policy proposals;
- Determine which intellectual traditions inspire them and what assumptions about the effectiveness of different policy tools they embody; and
- Critically assess the claims made.

## Reading

*Economist*, 'The Size of the State: A Big Beast to Tackel,' July 28 2012, pp. 23-4.

Either the Democratic or Republican economic platform (to be assigned in advance). (t)

## **11/7 Development I: Meanings and understandings of development**

Recent high-level international gatherings (the G-8 Summit at Gleneagles and the UN 60<sup>th</sup> Anniversary in 2005) have highlighted development, particularly in Africa, as a pressing challenge in international relations. This class introduces the why underdevelopment matters and presents different ways of understanding development.

## Reading

Stiglitz, J. E. and Squire, L. (1998), 'International Development: Is it Possible?' *Foreign Policy*, 110, 138-51. (l)

UN Development Goals. Read the fact sheet for each of the 8 MDGs. Available at: <http://www.un.org/millenniumgoals/>. The goals are listed in the red boxes on the right of the screen. Click on each and you will find a link to the relevant fact sheet. (w)

## **11/9 Development II: Causes of underdevelopment**

In order to address under development it is necessary to understand its causes. This class introduces the arguments about the causes of under development.

**Finance reflection paper due**

## Reading

Commission for Africa, *Our Common Interest*, March 2005, Executive Summary (pp. 13-17) and Chapter 2 (pp. 101-18) (t)

Oatley, 346-58.



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## 11/12 Development III: Development strategies

Just as different intellectual traditions suggest different relationships between states and markets in developed countries, so too do they suggest different development strategies for developing countries. This class will examine these different prescriptions and consider their track-records and how the debate has changed over time.

### Reading

Oatley, Chs. 6 and 7.

## 11/14 Development IV: Development assistance

Developed countries seek to assist developing countries by providing official development assistance (ODA), by forgiving debt and by offering preferential market access. This class introduces these policies, discusses the strengths and weaknesses of these different approaches, and considers why developed countries pursue them. Since the 1980s development assistance in all of its forms has become increasingly subject to conditions. These conditions may concern economic policy stipulations, domestic governance or foreign policy. This class discusses what conditions are applied by whom and why.

### Reading

Woods, N. (2005), 'The Shifting Politics of Foreign Aid,' *International Affairs*, 81/2, 383-410. ( I)

Oatley, pp. 338-44.

USAID, 'Millennium Challenge Account Fact Sheet,'

[http://www.usaid.gov/press/releases/2002/fs\\_mca.html](http://www.usaid.gov/press/releases/2002/fs_mca.html) (w)

## 11/16 Development V: The IMF and World Bank

The International Monetary Fund (IMF) and World Bank are the multilateral institutions primarily responsible for providing financial assistance to developing countries. This class explores their origins, discusses how they have evolved over time and what challenges they now face.

### Reading

Oatley, 310-12; 315-6.

IMF, 'About the IMF,' available at <http://www.imf.org/external/about.htm> (w)

World Bank, 'About Us,' available at

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20046292~menuPK:51123588~pagePK:50004410~piPK:36602~theSitePK:29708,00.html> (follow the links) (w)

## 11/19 Development VI: B(R)ICs

One of the most striking features of the contemporary global economy is the dramatic 'rise' of large developing countries, particularly Brazil, China and India. This class will explore the

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reasons for and the timing of their rapid rises. The enhanced economic weight of Brazil, China and India matters not only for what they can produce, consumer, borrow and lend, but also for their greater assertiveness and demands for greater representation in the institutions of global economic governance. This class will examine what their aims are with respect to global economic governance and how they have gone about realizing those aims.

## Reading

Breslin, S. (2010), 'China's Emerging Global Role: Dissatisfied Responsible Power,' *POLITICS*, 30/supplement 1, 52-62. (I)

Wagner, C. (2010), 'India's Gradual Rise,' *POLITICS*, 30/supplement 1, 63-70. (I)

Sotero, P. 'Brazil's Rising Ambition in a Shifting Global Balance of Power,' *POLITICS*, 30/supplement 1, 71-81. (I)

## **11/21 Energy**

The global economy has long been dependent on fossil fuels -- petroleum, natural gas and coal -- to power transportation and generate electricity. Because of their economic importance access to them has security implications. Their consumption generates greenhouse gases and other pollutants. Energy therefore is central to the global economy and has wider policy ramifications. This class considers the importance of the different fossil fuels, their global distribution and trade and the associated policy implications. It also considers efforts to reduce dependence on fossil fuels.

## Reading

Balaam, D. N. and Dillman, B. (2011), *Introduction to International Political Economy*, 5<sup>th</sup> edn, Pearson, pp. 495-505. (t)

## **11/23 NO CLASS**

## **11/26 Environment I: Environmental problems and cooperation**

Environmental harm is a side-effect of economic activity. Efforts to mitigate environmental harm, therefore, have distributional implications within and between countries. This class focuses on environmental problems that span national borders, characterizes the problem characteristics associated with different types of environmental harm and explains how multilateral environmental agreements (MEAs) are negotiated. Along the way it will introduce the major MEAs in force in the world.

## Reading

Oatley, pp.358-64; 366-7

Balaam, D. N. and Dillman, B. (2011), *Introduction to International Political Economy*, 5<sup>th</sup> edn, Pearson, pp. 507-12. (t)

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## 11/28 Environment II: Climate change

This class will look in detail at climate change as an example of the challenges of addressing global environmental challenges.

Development reflection paper due

### Reading

Oatley, pp. 365-6

Balaam, D. N. and Dillman, B. (2011), *Introduction to International Political Economy*, 5<sup>th</sup> edn, Pearson, pp. 512-20. (t)

## 11/30 Globalization I: What is it?

The term 'globalization' is much used, but it can mean very different things to different people. This class explores some of the most common of these understandings and suggests a common meaning in the context of this course.

### Reading

Keohane, R. O. and Nye, J. S. (2000), 'Globalization: What's New? What's Not? (and So What?),' *Foreign Policy*, Spring, 104-119. (l)

## 12/3 Globalization II: 'Pub Quiz' - How global is globalization?

Despite the implication of commonality inherent in the term 'globalization,' the degree of political and economic integration varies widely. This class, which will be conducted as a 'pub quiz,' will consider the extent to which different countries are integrated into the global economy.

## 12/5 Globalization III: So what?

A central concern about globalization is the extent to which it has transformed economic policy-making. There is a lively debate about how much globalization constrains the state and how much it empowers which domestic actors. This class will discuss these debates as a way of drawing together the conceptual strands and empirical issues covered in the course.

### Reading

Rodrik, D. (1997) 'Sense and Nonsense in the Globalization Debate,' *Foreign Policy*, 107, 19-37. (l)

## 12/7 Revision session

I will be available during the class hour to answer substantive questions and clarify material covered during the course. This will be a student-led session.