I. Course Overview

This course examines the interactions between international politics and international economics. It provides an overview of several theoretical approaches to and empirical issues in international political economy. We begin with a brief exploration of the economic rationale for trade and financial relations. Next, we examine the recent political history of global trade and finance. How did the international trade and monetary systems operate in the early and mid-20th century, and what role did politics play in these systems? We then devote the remainder of the class to contemporary issues: global and regional trade liberalization; trade and domestic politics; coordination and cooperation in monetary policy (including the advent of the single currency in Europe); implications of national and regional financial crises; and the links among economic globalization, environmental regulation, and human rights.

II. Course Requirements

Students are expected to attend all class sessions, to complete the assigned reading prior to class, and to contribute to class discussion. Many course meetings will include opportunities for discussion, facilitated by the instructor and teaching assistant. In order to promote discussion, discussion questions are included in the syllabus.

Students also are encouraged to stay abreast of current events in international political economy, such as global trade talks, the expansion of the EU, and efforts to prevent financial crises in emerging market economies. These current events often will be used as examples in lectures or as the basis for exam questions. The best means of informing yourself about such events is by reading (in print or on-line) a newspaper or magazine with good international coverage; *The New York Times, The Financial Times, the Economist*, and the *Washington Post* are some possibilities.
Books

The following books are available for purchase at the Hammes Bookstore, and are required for the course:


Other Readings

We also will read selections from other books and articles from journals. These items are indicated with an [ER] on the syllabus. Each of the articles is available electronically, through the Hesburgh Library’s reserve system (available via [http://ereserves.nd.edu/](http://ereserves.nd.edu/)). These readings are as important as those from the texts, so please be sure to read them prior to class.

Methods of Evaluation

The final grade for the course is based on the mid-term and final examinations, a research paper, and class participation:

**Mid-Term Examination (25%).** An in-class mid-term examination will be given on October 13. This examination will cover materials from the assigned readings, the lectures, and the class discussions. No make-up examination will be given.

**Research Paper (35%).** A twelve to fifteen page paper is due on Monday, December 1 at 5pm. The paper should address a well-defined question in international political economy. A one-page statement of the research question, hypotheses and methods to be used is due in class on Wednesday, November 5. The instructor’s approval is required for any changes in topic made after November 5. Further guidance regarding the research paper will be given in class, and the instructor and teaching assistant will schedule extra office hours to discuss paper topics with students.

The paper must be double-spaced, with one inch margins, and in twelve point Times New Roman font. A bibliography of works cited or consulted also must be included. **Papers must be turned in at my office (Decio 444) rather than sent via email.**
Late Paper Policy: Late papers will be penalized with a one-half grade (e.g. B+ to B-) deduction per 24 hours. For example, a B paper handed in 12 hours after the deadline will receive a C+.

Class Participation (10%). The class participation grade is based on contributions during class meetings (asking questions, offering ideas and arguments) or via e-mail discussions. A good participation grade requires class attendance, preparation for class, and completion of the reading assignments. Because attendance is a prerequisite for participation, attendance will be taken at all class sessions. Students who attend all classes but never participate will not receive the highest participation grade; similarly, students who miss multiple class sessions will receive a low participation grade. In order to gauge their progress, students will be given a mid-semester participation grade.

Final Examination (30%). The examination, scheduled for December 16 from 8am to 10am, will be a cumulative exam, with greater weight placed on materials discussed and read in the second half of the course. An optional review session will be held to help you prepare for the exam. Please note the date of the exam when making your holiday travel plans.

III. Course Schedule

I. Overview and Key Concepts

August 27 Overview of the Course: What is IPE? (34 pp)

Reading: Oatley, Chapter 1, pp. 1-18.

A. Concepts in International Economics

September 1 The Economic Bases for International Trade (45 pp)

Reading: Oatley, Chapter 2, pp. 18-26.


Discussion: Strategic trade theory suggests that governments can – and should – create comparative advantage. From a policy perspective, do you agree or disagree?

September 3 International Money: Exchange Rates and Financial Markets (45 pp)

Reading: Oatley, pp. 220-230
Discussion: What political considerations might lead a government to adopt fixed exchange rates? What are the potential political costs of fixed rates?

B. Cooperation and Conflict in the World Economy: What Does Political Science Tell Us?

September 8 State Power and Hegemonic Stability (47 pp.)


Discussion: Do you agree that cooperation in international economic issues depends on the existence of a single hegemonic power? Can you think of examples that run counter to this argument?

September 10 Interdependence, Cooperation and International Institutions (26 pp)


Discussion: Are there certain conditions under which international institutions will be most effective at promoting international economic cooperation?

II. The Political Economy of International Trade

A. The Global Trading System

September 15 International Trade in the Twentieth Century: the GATT System (46 pp)

Reading: Oatley, Chapter 2, pp. 26-48

Discussion: Whaley and Hamilton claim that the application of GATT principles often was “inconsistent.” What does this tell us about neoliberal versus realist views of international economic cooperation?

September 17 International Trade in the Twenty-First Century: the WTO (53 pp)

Reading: Oatley, Chapter 2, pp. 48-72


Discussion: Are there political problems associated with the legalization of international trade? Are anti-globalization protestors justified in their criticisms of the WTO? Is there a tradeoff between WTO accountability and WTO efficiency?

B. Regional Trade Integration

September 22 The European Union (76 pp.)

Reading: Eichengreen, Globalizing Capital, pp. 136-181.


Discussion: To what extent does the experience of regional trade integration in Europe hold lessons about regional trade integration in other parts of the world?

September 24 Regional Trade Cooperation around the World (25 pp)


Discussion: From the point of view of expanding levels of international trade, are regional trade agreements a good idea or a bad idea?

C. International Trade and Domestic Politics

September 29 The Domestic Political Dimension of International Trade (63 pp).

Reading: Oatley, Chapter 3, entire (pp. 75-121).

Discussion: What is the best way of understanding the domestic politics of international trade – the sectoral model, the factoral model, or some combination of the two?

D. International Trade and Economic Development

October 1 Economic Development and International Trade (60 pp)

Reading: Oatley, Chapter 4, entire (pp. 123-169).

Jay Mandle, Globalization and the Poor, Chapter 2, pp. 9-23.

Discussion: Does dependency theory, popular in the 1970s, have anything important to say in 2003?

October 6 Direct Investment: Motivations and Consequences (44 pp)

Reading: Oatley, Chapter 5, pp. 170-204.


Discussion: What are the costs and benefits to developing nations of FDI? On balance, do countries win or lose from the increased multinationalization of production?

October 8 Direct Investment: Efforts at Cooperation (45 pp)

Reading: Oatley, Chapter 5, pp. 210-218.

Jay Mandle, Globalization and the Poor, Chapter 5, pp. 53-73.


Discussion: Were the grass-roots criticisms of the efforts at MAI justified? If so, why?
October 13  Mid-term examination

III. The Political Economy of International Money and Finance

A. Currencies and Exchange Rates

October 15  The Gold Standard in the pre-World War I and Interwar Periods (42 pp.)

Reading:  Barry Eichengreen, Globalizing Capital, pp. 25-67.

Discussion:  What made the gold standard work well prior to the First World War? To what extent was the interwar failure of the gold standard due to international, or to domestic, factors?

October 18-26 Fall Break

October 27  History of Exchange Rate Systems: The Bretton Woods System (58 pp.)

Reading:  Oatley, pp. 230-246.

Eichengreen, Globalizing Capital, pp. 93-135.

Discussion:  What does the demise of Bretton Woods tell us about the importance of an economic hegemon? Could Bretton Woods have worked, or survived, without US support?

October 29  The Contemporary Exchange Rate System: Flexible Rates, Currency Boards, and Everything in Between (45 pp.)

Reading:  Eichengreen, Globalizing Capital, pp. 181-196.

Oatley, pp. 246-265


Discussion:  What does the case of the pre-WWI and interwar gold standard suggest about the political feasibility and desirability of contemporary currency board arrangements? Was Argentina’s crisis in 2001 surprising?

November 3  The Domestic Politics of Exchange Rates (43 pp.)

Reading:  Oatley, Chapter 7 (entire), pp. 267-310.
Discussion: How does the “unholy trinity” create domestic political tradeoffs for governments? Under what conditions might a government privilege exchange rate flexibility and capital market openness over monetary policy autonomy?

B. Contemporary International Finance

November 5 The Recent History of International Finance

Research Paper Topic Statements Due in Class


Discussion: Are global capital markets inherently unstable? If so, what policy steps should the IMF and/or individual governments take to address this instability?

November 10 Developing Country Debt (40 pp).

Reading: Oatley, pp. 326-346.


[ER] International Monetary Fund, Materials on the HIPC initiative, “The Logic of Debt Relief for the Poorest Countries” (September 2000) and “Debt Relief for Poor Countries: Update, March 2003.” (11 pages).

Discussion: Are there reasons why debt relief for HIPCs is not a good idea?

November 12 International Financial Institutions (85 pp).

Reading: Joseph Stiglitz, *Globalization and Its Discontents*, Chapters 1, 2 and 3 (pp. 3-88)

Discussion: What is the proper role of the IMF? Should it stick to its original mission, or should it take on a broader role? To what extent should the IMF consider domestic politics and local conditions when making policy recommendations?
November 17 Financial Crises in the 1990s (27 pp).


Oatley, pp. 346-355.

Discussion: To what extent, and under what conditions, are developing nations able to avoid financial crises in an era of economic globalization?

November 19 Financial Crises in the 1990s, Continued (90 pp)

Reading: Joseph Stiglitz, Globalization and Its Discontents, Chapter 4 (Asian Crisis) and Chapter 5 (Who Lost Russia?), pp. 89-179.

Discussion: In the wake of the Asian financial crisis, some academics and policymakers called for controls on short-term capital flows. Are capital controls wise politically and economically? Why or why not?

November 24 Can We Prevent Financial Crises? Asia and After (65 pp).

Reading: Oatley, pp. 355-359.

Stiglitz, Globalization and Its Discontents, Chapters 7 (all), 8 (all) and 9 (through p. 241), pp. 180-241.

Discussion: Is the IMF “too much,” “too little,” or “just right?”

November 26 Open Session (Day before Thanksgiving)

IV. Current Issues: Globalization, The Environment, and Human Rights

A. The Globalization Debate

December 1 The Globalization Debate, Part I (59 pp).

Reading: Jay Mandle, Globalization and the Poor, Chapters 3 and 4, pp. 25-52.


Discussion: Has globalization “gone too far?” To what extent might globalization’s “democratic deficit” lead to a backlash against globalization?
December 3  The Globalization Debate, Part II

Research Papers Due, 5 pm, 444 Decio


Discussion: Has economic globalization reduced – or even eliminated – the policy-making autonomy of national states? What evidence, if any, could you give to the contrary?

B. The Environment and Human Rights

December 8 The International Economy and the Environment (78 pp).


Discussion: Is there any way to reconcile the desire for freer trade with the desire for environmental protection?

December 10 The International Economy, Human Rights, and Labor Rights

Reading:  Oatley, Chapter 5, pp. 204-210


Discussion: In what ways can – and should – trade and investment be used to protect human and labor rights?

December 16 Final Examination, 8am to 10am