

University of California, San Diego  
Spring 2010  
W 9:00-11:50am, SSB 104  
<http://weber.ucsd.edu/~jlbroz/Courses/PS245>

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Office hours: Wed 12.30-2.30

## **POLI 245: INTERNATIONAL POLITICAL ECONOMY**

The purpose of this graduate seminar is to examine recent research in international political economy and gain insight into how domestic and international politics shape foreign economic policies and the collective policy choices of international organizations. Our substantive domain covers policies toward four types of cross-border flows: the flow of *goods* (national and international trade policies), the flow of *capital* (capital controls, financial regulations, exchange-rate policies, international bailouts), the flow and location of *production* (foreign direct investment policies), and the flow of *pollutants* (environmental policies).

This is a specialized graduate seminar with article-length readings covering the four topic areas described above. The seminar emphasizes current theoretical debates but also aims to expose students to the chief methods by which scholars acquire knowledge of the subject. We sample from economics and political science and look for gains from interdisciplinary exchange. As a practical matter, we begin each week by identifying the welfare and distributional implications of alternative public policies toward the world economy. We then examine how voters, interest groups, political parties, politicians, and bureaucrats interact within political institutions to shape policy outcomes.

### **REQUIREMENTS**

Grades in the course will be based on the following items:

**Participation (25%)** Students will read all items on the list closely and come to seminar each week prepared to discuss them in detail. These questions may help you prepare for the discussion: (1) What outcome(s) is the author seeking to explain? (2) What is this author(s) main argument? (3) Where does this reading fit into the literature and how does it seek to contribute? (4) What is the nature of this reading's empirical research design and findings? What are paper's strengths and weaknesses?

**Discussion leaders:** While all students are expected to come prepared each week, two or three students will be assigned to introduce and lead each session. In the past, students have found it useful to coordinate their presentations and use handouts or slides to convey their main points.

**Critical Review Paper (30%)** Students will prepare a critical review paper on a research question derived from any weekly topic heading (e.g. "Trade and Democracy"). This paper will be between 5-7 double-spaced pages and must emphasize your own ideas. Please do not write a purely sequential literature review of the separate works covered on the list. The thrust must be clearly articulating your own original critique and synthesis of the set of readings. What is the

central research question driving research in this area of the field? What are the conceptual, theoretical, and empirical flaws plaguing research in this area and how would you go about correcting those flaws?

**Due Date:** Week 5 at the beginning of class.

**Original Idea Paper (45%)** You will prepare a 13-16 page paper containing an original idea that could serve as the key insight for a potentially publishable work. Your "new idea" may be a theoretical contribution, an improvement in research design, or an empirical innovation. Regardless of the nature of your contribution, all papers need a clear motivation from a critique of the existing literature. You may co-author this particular paper assignment with one other student in the seminar. Co-authored papers will be graded jointly but I will expect a higher level of elaboration and quality in the final project.

**Due Date:** Monday of finals week by 5:00 pm. A preliminary one-page proposal is due the third week of class at the beginning of class.

All late work will be penalized at the rate of 1/3 letter grade per day, including weekend days.

## **WEEK 1: BACKGROUND AND HISTORY**

Frankel, Jeffrey. 2000. "[Globalization of the Economy.](#)" In *Governance in a Globalizing World*, edited by Joseph S. Nye and John D. Donahue, pp. 45-71 (Brookings Institution Press).

O'Rourke, Kevin H. 2001. "[Globalization and Inequality: Historical Trends.](#)" NBER Working Paper 8339 June 2001.

Dollar, David. 2005. "[Globalization, Poverty, and Inequality since 1980.](#)" *World Bank Research Observer* 20(2):145-175.

Obstfeld, Maurice, Jay C. Shambaugh, and Alan M. Taylor. 2005. "[The Trilemma in History: Tradeoffs among Exchange Rates, Monetary Policies, and Capital Mobility.](#)" *Review of Economics and Statistics* 87 (August): 423-438.

Rodrik, Dani. 1998. "[The Debate over Globalization: How to Move Forward by Looking Backward.](#)" in Jeffrey J. Schott, ed., *Launching New Global Trade Talks: An Action Agenda*, Institute for International Economics, Special Report 12, Washington, DC.

Reinhart, Carmen M. and Kenneth S. Rogoff. 2008. "[Is the 2007 US Sub-Prime Financial Crisis So Different?!](#)" *American Economic Review: Papers & Proceedings* 98, 2 (May): 339-344

## **WEEK 2: INTERNATIONAL POLITICAL ECONOMY**

Frieden, Jeffrey and Lisa Martin. 2002. "[International Political Economy: Global and Domestic Interactions.](#)" In Ira Katznelson and Helen Milner, *Political Science: The State of the Discipline* (W.W. Norton).

Lake, David A. 2007. "[International Political Economy: A Maturing Interdiscipline.](#)" in *The Oxford Handbook of Political Economy*, Barry R. Weingast and Donald Wittman, eds. New York: Oxford University Press, forthcoming: 757-777.

Alt, James E. and Michael Gilligan. 1994. "[The Political Economy of Trading States: Factor Specificity, Collective Action Problems, and Domestic Political Institutions.](#)" *Journal of Political Philosophy* 2 (2):165-192

Kayser, Mark Andreas. 2007. "[How Domestic is Domestic Politics? Globalization and Elections.](#)" *Annual Review of Political Science* (10):341-62.

Bernard, Andrew B., J. Bradford Jensen, Stephen J. Redding, and Peter K. Schott 2007. "[Firms in International Trade.](#)" *Journal of Economic Perspectives* 21(3):105-130.

### **WEEK 3: TRADE POLICY--FACTORS AND SECTORS, VOTERS AND POLITICIANS (Note: one-page proposal for the "Original Idea" paper is due)**

Rogowski, Ronald. 1987. "[Political Cleavages and Changing Exposure to Trade.](#)" *American Political Science Review* 81 (4):1121-1137.

Irwin, Douglas A. 2008. "[Antebellum Tariff Politics: Regional Coalitions and Shifting Economic Interests.](#)" *Journal of Law & Economics* 51(4):715-741.

Hiscox, Michael J. 2002. "[Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade Legislation.](#)" *American Political Science Review* 96 (3):593-608.

Scheve, Kenneth F. and Matthew J. Slaughter. 2001. "[What Determines Individual Trade-Policy Preferences?](#)" *Journal of International Economics* 54 (3):267-92.

Mayda, Anna Maria and Dani Rodrik. 2005. "[Why Are Some People \(and Countries\) More Protectionist Than Others?](#)" *European Economic Review* 49:1393-1430.

Hainmueller, Jens and Michael J. Hiscox. 2006. "[Learning to Love Globalization: Education and Individual Attitudes toward International Trade.](#)" *International Organization* 60 (Spring):469-98.

### **WEEK 4: TRADE AND DEMOCRACY**

Grossman, Gene M. and Elhanan Helpman. 1994. "[Protection for Sale.](#)" *American Economic Review* 84 (4):833-850.

Gawande, Kishore and Bernard Hoekman. 2006. "[Lobbying and Agricultural Trade Policy in the United States.](#)" *International Organization* 60, 3 (Summer): 527-561.

O'Rourke, Kevin H. and Alan M. Taylor. 2006. "[Democracy and Protectionism.](#)" NBER Working Paper No 12250.

Dutt, Pushan and Devashish Mitra. 2005. ["Political Ideology and Endogenous Trade Policy: An Empirical Investigation."](#) *Review of Economics and Statistics* 87, 1: 59-72.

Rogowski, Ronald. 1987. ["Trade and the Variety of Democratic Institutions."](#) *International Organization* 41, 2 (spring):203-223.

Lopez-Cordova, J. Ernesto and Christopher M. Meissner. 2008. ["The Impact of International Trade on Democracy: A Long-Run Perspective."](#) *World Politics* 60, 4 (July): 539-575.

## **WEEK 5: TRADE POLICYMAKING INSTITUTIONS**

(Note: the "Critical Review" paper is due)

Bailey, Michael, Judith Goldstein, and Barry R. Weingast. 1997. ["The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade."](#) *World Politics* 49 (3): 309-338.

Hiscox, Michael J. 1999. ["The Magic Bullet? The RTAA, Institutional Reform and Trade Liberalization."](#) *International Organization* 53 (4):669-698.

Lohmann, Susanne and Sharyn O'Halloran. 1994. ["Divided Government and U.S. Trade Policy: Theory and Evidence."](#) *International Organization* 48 (4):595-632.

Sherman, Richard. 2002. ["Delegation, Ratification, and U.S. Trade Policy: Why Divided Government Causes Lower Tariffs."](#) *Comparative Political Studies* 35: 1171-1197.

Staiger, Robert W. and Guido Tabellini. 1999. ["Do GATT Rules Help Governments Make Domestic Commitments?"](#) *Economics and Politics* 11 (2):109-144. [For background, see Crowley, Meredith A. 2003. ["An Introduction to the WTO and GATT."](#) *Economic Perspectives Federal Reserve Bank of Chicago.*]

Kucik, Jeffrey, and Eric Reinhardt. 2008. ["Does Flexibility Promote Cooperation? An Application to the Global Trade Regime."](#) *International Organization* 62: 477-505.

## **WEEK 6: INTERNATIONAL CAPITAL MOBILITY**

(NOTE: the first reading provide background on capital flows and capital controls; please read/skim as necessary).

Kose, M. Ayhan, Eswar Prasad, Kenneth Rogoff and Shang-Jin Wei. 2009. ["Financial Globalization: A Reappraisal."](#) *IMF Staff Papers* 56, 1 (April): 8-62.

Quinn, Dennis and Carla Inclan, ["The Origins of Financial Openness: A Study of Current and Capital Account Liberalization."](#) *American Journal of Political Science* 41, 3 (July 1997):771-813.

Simmons, Beth A. and Zachary Elkins. 2004. "[The Globalization of Liberalization: Policy Diffusion in the International Political Economy.](#)" *American Political Science Review* 98 (1):171-189.

Quinn, Dennis P., and A. Maria Toyoda. 2007. "[Ideology and Voter Preferences as Determinants of Financial Globalization.](#)" *American Journal of Political Science* 51, 2: 344-363.

Way, Christopher R. 2005. "[Political Insecurity and the Diffusion of Financial Market Regulation.](#)" *The ANNALS of the American Academy of Political and Social Science* 598 (1):125-144.

Broz, J. Lawrence. 2005. "[Congressional Politics of International Financial Rescues.](#)" *American Journal of Political Science*, 49 (3): 479-96.

## **WEEK 7: CAPITAL MOBILITY AND MACROECONOMIC POLICY**

Broz, J. Lawrence and Jeffrey Frieden. 2006. "[The Political Economy of Exchange Rates.](#)" In *The Oxford Handbook of Political Economy*. Edited by Barry R. Weingast and Donald Wittman. Oxford University Press.

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

Frieden, Jeffrey A. 1997. "[Monetary Populism in Nineteenth-Century America: An Open Economy Interpretation.](#)" *Journal of Economic History* 57 (June):367-95.

Blomberg, S Brock, Jeffrey Frieden and Ernesto Stein. 2005. "[Sustaining Fixed Rates: The Political Economy of Currency Pegs in Latin America.](#)" *Journal of Applied Economics* 8, 2 (Nov):203-225.

Broz, J. Lawrence, Jeffrey Frieden and Stephen Weymouth. 2008. "[Exchange-Rate Policy Attitudes: Direct Evidence from Survey Data.](#)" *IMF Staff Papers* 55, 3 (September).

Hanson, Gordon H., Scheve, Kenneth, and Matthew J. Slaughter. 2007. "[Public Finance and Individual Preferences over Globalization Strategies.](#)" *Economics & Politics* 19 1 (March): 1-33.

## **WEEK 8: INTERNATIONAL MONETARY SYSTEMS AND EXCHANGE RATE REGIMES**

Frankel, Jeffrey A. 1999. "[No Single Currency Regime is Right for All Countries or at all Times.](#)" *Essays in International Finance* No. 215, Princeton University (August):1-45.

Meissner, Christopher. 2005. "[A New World Order: Explaining the International Diffusion of the Gold Standard, 1870-1913.](#)" *Journal of International Economics* 66, 2 (July): 385-406.

Bernhard, William and David LeBlang. 1999. "[Democratic Institutions and Exchange Rate Commitments.](#)" *International Organization* 53 (1):71-97.

Bearce, David H. 2003. "[Societal Preferences, Partisan Agents, and Monetary Policy Outcomes.](#)" *International Organization* 57, 2(April): 373-410.

Broz, J. Lawrence. 2002. "[Political System Transparency and Monetary Commitment Regimes.](#)" *International Organization* 56 (4):863-889.

Broz, J. Lawrence, and Michael Plouffe. 2010. "[The Effectiveness of Monetary Policy Anchors: Firm-Level Evidence.](#)" Forthcoming, *International Organization*.

## **WEEK 9: FOREIGN DIRECT INVESTMENT**

Helpman, Elhanan. 2006. "[Trade, FDI, and the Organization of Firms.](#)" *Journal of Economic Literature* 44 (September): 589-630.

Hanson, Gordon H. Raymond Mataloni, and Matthew J. Slaughter. 2001. "[Expansion Strategies of U.S. Multinational Firms.](#)" In Dani Rodrik and Susan Collins, eds., *Brookings Trade Forum 2001*:245-282.

Scheve, Kenneth and Matthew J. Slaughter. 2004. "[Economic Insecurity and the Globalization of Production.](#)" *American Journal of Political Science* 48 (4):662-674.

Frieden, Jeffrey A. 1994. "[International Investment and Colonial Control: A New Interpretation.](#)" *International Organization* 48 (4):559-593.

Stasavage, David. 2002. "[Private Investment and Political Institutions.](#)" *Economics & Politics* 14, 1: 41-63.

Elkins, Zachary, Andrew T. Guzman, and Beth A. Simmons. 2006. "[Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960-2000.](#)" *International Organization* 60 (fall): 811-846.

## **WEEK 10: NEW TOPICS IN IPE**

Nunn, Nathan. 2007. "[Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade.](#)" *The Quarterly Journal of Economics* 122 (2):569-600.

Rauch, James E. 2001. "[Business and Social Networks in International Trade.](#)" *Journal of Economic Literature* 39, 4 (December):1177-1203.

Acemoglu, Daron, Simon Johnson, and James Robinson. 2005. "[The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth.](#)" *American Economic Review* 95(3): 546-579.

Bombardini, Matilde. 2008. "[Firm Heterogeneity and Lobby Participation.](#)" *Journal of International Economics* 75 2 (July):329-348.

Hatton, Timothy J. and Williamson, Jeffrey G. 2005. "[A Dual Policy Paradox: Why Have Trade and Immigration Policies Always Differed in Labor-Scarce Economies?](#)" NBER Working Paper No. 11866.

Broz, J. Lawrence, and Daniel Maliniak. 2009. "[Malapportionment, Gasoline Taxes, and the United Nations Framework Convention on Climate Change.](#)" Working paper.

Lu, Xiaobo, Kenneth F. Scheve, and Matthew J. Slaughter. 2010. "[Envy, Altruism, and the International Distribution of Trade Protectionism.](#)" NBER Working Paper 15700.

Fordham, Benjamin O. 2008. "[Economic Interests and Public Support for American Global Activism.](#)" *International Organization* 62, 1 (January): 163-182.

**Monday, June 7: "Original Idea" paper due by 5:00 pm**