

Winter 2002

University of California, San Diego

TuTh 3:55 – 5:15, WLH 2111

<http://weber.ucsd.edu/~jlbroz/Courses/POLI142B>

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POLI 142B: U.S. Foreign Economic Policy

The integration of national economies and the development of international markets has created tensions within the United States (and elsewhere) and generated much academic and official debate. Does an integrated world economy jeopardize social cohesion at home by increasing income inequality, job insecurity, and financial instability? Does the growth of global markets pose a threat to our distinctive national goals (e.g. environmental protection and high labor standards)? Can the government muster the political will to develop policies for containing the risks of economic globalization, such as national safety nets and new international financial institutions, or will it succumb to populist pressures for protection?

For analytical insight, we look to Political Science and Economics. Political Science provides tools for analyzing how voters, interest groups, political parties, politicians, and bureaucrats interact within political institutions to shape American foreign economic policy. Economics identifies the welfare (benefits and costs) and distributional (winners and losers) consequences of economic globalization and of alternative public policies toward the world economy.

Topics include: Benefits and Costs, Winners and Losers, Labor and the Environment, Lessons from History, Determinants of Trade Policy, Political Economy of Foreign Direct Investment and Multinational Corporations, and Reforming the International Financial Architecture. We also discuss late-breaking issues.

Readings: The following required books are available for purchase at the bookstore:

Jeffrey R. Frieden and David A. Lake, eds. *International Political Economy: Perspectives on Global Wealth and Power*. 4th ed. (New York: Bedford/St. Martin's, 2000). ISBN: 0312189699

Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge: Harvard University Press, 1971). ISBN: 0674537513

Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, DC: Institute for International Economics, 1997). ISBN 0-88132-241-5

I. M. Destler and Peter J. Balint, *The New Politics of American Trade: Trade, Labor, and the Environment*. (IIE, October 1999). ISBN: 0-88132-269-5

Edward M. Graham, *Fighting the Wrong Enemy: Anti-global Activists and Multinational Enterprises* (Washington, DC: Institute for International Economics, 2000).

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Prerequisites: Familiarity with Political Science and Economics is helpful but not required. We will cover the necessary material.

Requirements: Performance is based on a midterm examination (35% of grade) and a final examination (65%). The midterm exam is an essay question covering material through Feb 12. The in-class midterm exam is an essay question. The final exam is in three parts. Part I consists of short-answer (identification) questions; Parts II and III are essays.

* Be sure you can attend all exams before you commit to the course because there are no make-up exams.

I. INTRODUCTION

Jan 8: Orientation (goals, description of course materials, syllabus overview, requirements).

Jan 10: Economic Globalization: Benefits and Costs, Winners and Losers

Dani Rodrik, "Sense and Nonsense in the Globalization Debate." In Frieden and Lake, pp. 461-70.

Richard B. Freeman, "Are Your Wages Set in Beijing?" In Frieden and Lake, pp. 343-52.

Dani Rodrik, "Introduction." In Rodrik, *Has Globalization Gone Too Far?* pp. 1-10.

Roberto Chang, "[Understanding Recent Crises in Emerging Markets.](#)" *Federal Reserve Bank of Atlanta Economic Review* 84, 2 (1999): 6-16.

Edward M. Graham, *Fighting the Wrong Enemy*, pp. xi-14.

Jan 15: Actors and Their Policy Preferences

Frieden and Lake, "Introduction: International Politics and International Economics," pp.1-16.

Charles Kindleberger, "The Rise of Free Trade in Western Europe." In Frieden and Lake, pp. 73-89.

Peter Gourevitch, "International Trade, Domestic Coalitions and Liberty: Comparative Responses to the Crisis of 1873-1896." In Frieden and Lake, pp. 90-108.

Jan 17: Public Goods, Collective Action, and Interest Group Politics

Mancur Olson, *The Logic of Collective Action*, pp. 1-97, 132-67.

II. LESSONS OF HISTORY

Jan 22: The World Economy in the 19th Century

Jeffrey Williamson, "Globalization and Inequality, Past and Present." In Frieden and Lake, pp. 405-16.

J. Bradford DeLong, ["Trade Policy and America's Standard of Living: An Historical Perspective,"](#) in Susan Collins, ed., *Trade and the American Worker* (Washington, DC: Brookings Institution, 1998).

Jan 24: The Interwar Period: Economic Isolation

Barry Eichengreen, "The Political Economy of the Smoot-Hawley Tariff." In Frieden and Lake, pp. 37-46

Jeffrey Frieden, ["Sectoral Conflict and U.S. Foreign Economic Policy 1914-1940,"](#) *International Organization* 42, 1 (Winter 1988): pp. 59-90.

III. U.S. TRADE POLICY

Jan 29: International Trade Theory

Frieden and Lake, "Trade," In Frieden and Lake, pp. 299-302

Cletus Coughlin, et al., "Protectionist Trade Policies," in Frieden and Lake, pp. 303-318.

James E. Alt and Michael Gilligan, "The Political Economy of Trading States," in Frieden and Lake, pp. 327-42

Jan 31: Distributional (political) Aspects of Trade and Trade Policy

Richard B. Freeman, "Are Your Wages Set in Beijing?" In Frieden and Lake, pp. 343-52.

Ronald Rogowski, "Commerce and Coalitions." In Frieden and Lake, pp.318-26.

Feb 5: Systemic Accounts of U. S. Trade Policy

Stephen D. Krasner, "State Power and the Structure of International Trade," in Frieden and Lake, pp. 19-36.

David A. Lake, "British and American Hegemony Compared." In Frieden and Lake, pp. 127-39.

Feb 7: Societal Accounts of U. S. Trade Policy

Ronald Cox, "Explaining Business Support for Regional Trade Agreements." In Frieden and Lake, pp. 366-76.

Edward D. Mansfield and Marc L. Busch, "The Political Economy of Nontariff Barriers." In Frieden and Lake, pp. 353-65.

Feb 12: Midterm Examination

Feb 14: Trade, Labor, and the Environment

Alison Butler, "Environmental Protection and Free Trade: Are They Mutually Exclusive?" In Frieden and Lake, pp. 493-505.

Destler and Balint, "Trade and Labor," "Trade and the Environment," "The New Trade Politics Kaleidoscope," pp. 15-66.

IV. U.S. INTERNATIONAL FINANCIAL POLICY

Feb 19: The International Monetary System

Frieden and Lake, "Money and Finance," pp. 193-97.

Benjamin Cohen, "The Triad and the Unholy Trinity." In Frieden and Lake, pp. 245-56.

John B. Goodman and Louis W. Pauly, "The Obsolescence of Capital Controls? In Frieden and Lake, pp. 280-97.

Feb 21: Systemic Accounts of International Monetary Regimes

Barry Eichengreen, "Hegemonic Stability Theories of the International Monetary System." In Frieden and Lake, pp. 220-44.

Feb 26: Statist Accounts of Exchange-Rate Politics

No readings

Feb 28: Societal Accounts of Exchange-Rate Politics

Jeffrey Frieden, "Exchange Rate Politics." In Frieden and Lake, pp. 257-69.

Lawrence Broz, "The Domestic Politics of International Monetary Order: The Gold Standard." In Frieden and Lake, pp. 199-219.

V. MULTINATIONAL CORPORATIONS

Mar 5: Economics of Foreign Direct Investment and Multinational Corporations

Frieden and Lake, "Production." pp. 141-44.

Richard Caves, "The Multinational Enterprise as an Economic Organization." In Frieden and Lake, pp. 145-55.

Mar 7: Outward Foreign Direct Investment

Jeffrey A. Frieden, "International Investment and Colonial Control." In Frieden and Lake, pp. 109-26.

Shah M. Tarzi, "Third World Governments and Multinational Corporations." In Frieden and Lake, pp. 156-66.

David Fieldhouse, "A New Imperial System?" In Frieden and Lake, pp. 167-79.

Mar 12: Multinational Corporations, Labor and the Environment

Edward M. Graham, *Fighting the Wrong Enemy*, pp. 81-184.

VI. CURRENT ISSUES IN U.S. FOREIGN ECONOMIC POLICY

Mar 14: What's Next?

Dani Rodrik, "[How Far Will International Economic Integration Go?](#)" Working paper, 1999.

Kenneth Rogoff, "[International Institutions for Reducing Global Financial Instability.](#)" NBER Working Paper No. 7265 (July 1999).