

Spring 2022
Time: TU/TH 9:30-10:50am
Location: PETER 103
Office hours: W 10:00 am-12:00 pm

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POLI 144F: POLITICS OF INTERNATIONAL TRADE AND FINANCE

The economic and political consequences of economic globalization are hotly debated. Does international trade and foreign investment cause inequality, instability, unemployment, and environmental degradation? Or is it an engine of prosperity and wealth for the vast majority of the world's citizens? Does globalization pose a fundamental challenge to the policymaking autonomy of the nation-state? Or is there a useful role for national governments, individually and collectively?

This lecture course explores the global integration of national economies from a political economy perspective: we identify the winners and losers of globalization and analyze the *politics* of foreign economic policymaking. Substantive topics include: the history of global economic integration, determinants of trade and exchange-rate policies, multinational corporations, currency crises of the 1990s, the Global Financial Crisis of 2008-09, the Eurozone Crisis, the role of the IMF and World Bank, the populist backlash against globalization, the trade war with China, and the global economic impact of the COVID-19 pandemic and Russia's invasion of Ukraine.

Prerequisites: This is an advanced undergraduate course with a relatively heavy reading load. Students should have taken at least the introduction course to international relations. Some understanding of international economics is helpful but not required.

Requirements:

- Midterm examination (30% of total grade).
- Take-Home Essay (25%).
- Final examination (45%).

Grading expectations: Grading is based on what you learn in this course, not material that you acquired in other courses or brought in from outside sources. All assignments are essays, with prompts drawn exclusively from course readings and lectures. No outside content or additional research is required.

Take-Home Essay: The essay topic will be distributed on **Tuesday, May 3** and completed essays will be submitted via Canvas by 9:30 am on **Tuesday May 24**. Grading will be based on the clarity of the thesis statement, reasoned support of the argument, and inclusion of material from course readings and lectures. The essay must be typed, double-spaced, 1-inch margins, 12 point font size, and between 5-8 pages in length. Late essays will incur a 20% grade penalty for each day after the deadline.

In-Class Midterm Exam: One essay prompt covering material up to the day of the exam. BRING BLUE BOOKS. You are expected to demonstrate understanding of the "Endowments, Interests, Institutions" framework, and you should be able to apply the framework to historical case studies. The exam is closed-book, closed note, and no digital devices. We carefully monitor academic integrity.

In-Class Final Exam: Two essay prompts: one covers material since the midterm and the other covers the entire course. BRING BLUE BOOKS. You are expected to demonstrate understanding of the "Endowments, Interests, Institutions" framework, and you should be able to apply the framework to historical case studies. The exam is closed-book, closed note, and no digital devices. We carefully monitor academic integrity.

Other Information:

Rounding: We round course scores above .5 to the next full point. Example: 92.51 = 93

Academic Integrity: Integrity of scholarship is essential for an academic community. The University expects that both faculty and students will honor this principle and in so doing protect the validity of university intellectual work. For students, this means that all academic work will be done by the individual to whom it is assigned, without unauthorized aid of any kind. Any suspicion of academic misconduct will be reported to the Academic Integrity Office according to university policy.

Plagiarism: Students agree that by taking this course all written work will be subject to submission to Turnitin.com for the detection of plagiarism. All submitted papers and exams will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. Use of the Turnitin.com service is subject to the terms of use agreement posted on the Turnitin.com site.

Grade Appeals: If you feel an error was made in the grading of your work, you must follow this procedure within 10 days of the assignment:

- (1) Prepare a written statement detailing the reasons why you think you received the wrong grade
- (2) Submit the statement to your teaching assistant and schedule an appointment to discuss your exam
- (3) If you are still unsatisfied with your grade after meeting with your teaching assistant, bring your exam to the professor
- (4) The professor will read your exam and give it a new grade, which might be higher or lower than your original grade. This is the grade you will receive on the exam.

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

- Oatley, Thomas. 2018. *International Political Economy*. 6th edition. New York: Longman (a cheaper e-version is also available from the publisher.) THIS EDITION ONLY

- Frieden, Jeffrey A. 2015. *Currency Politics: The Political Economy of Exchange Rate Policy*. Princeton, NJ: Princeton University Press.

Articles: Additional article-length readings, marked with an asterisk below, are available on the course's Canvas website.

Learning objectives:

Upon successful completion of this course, students will be able to:

- Explain why economists think that free trade is the best policy while the average citizen is much more skeptical about free trade using the *Theory of Comparative Advantage*.
- Explain why some people and some countries are more protectionist (opposed to free trade) than others using the *Heckscher-Ohlin Theorem* and the *Stolper-Sameulson Theorem*.
- Understand the relationship between globalization and economic development across countries using the concept of *convergence*.
- Demonstrate knowledge of the determinants of exchange rates, their effects on trade and foreign investment, and the policy *Trilemma* to explain why exchange-rate policy is so important to nations and to the global economy.
- Demonstrate knowledge of the *Societal Model*, the *Partisan Model*, and the *Electoral Model* to explain how domestic politics affects exchange-rate policy.
- Explain why economists are far more skeptical about the benefits of unregulated international capital flows than they are about free trade.
- Demonstrate knowledge and relevance of above concepts and theories by applying them to historical case studies on a midterm exam, a take-home essay, and a final exam.

WEEK 1

- **Lecture 1: Course goals and description, trends in the world economy**
 - *Jeffrey Frankel, "Globalization of the Economy." In Nye, Joseph and John Donahue (eds.) *Governance in a Globalizing World, Visions of Governance Project*. Washington, DC: Brookings Institution Press, 2000 p. 45-71
 - *Ben Bernanke, "Global Economic Integration: What's New and What's Not?" Speech at the 30th Annual Economic Symposium, Jackson Hole, WY, 2006.
 - Oatley, Preface, Chapter 1
- **Lecture 2: Understanding International Trade**
 - Oatley, Chapter 3

WEEK 2

- **Lecture 3: Trade Politics I – Factors and Sectors**
 - Oatley, Chapter 4, pp. 70-82.
 - *Cheryl Schonhardt-Bailey. "Free Trade: Repeal of the Corn Laws." In Frieden, Jeffrey A., David A. Lake and J. Lawrence Broz (eds.), *International Political Economy*. 5th Edition. New York: Norton, 2009, pp. 87-97.
- **Lecture 4: Trade Politics II – Consumers and Producers**
 - Oatley, Chapter 4, pp. 82-92.

- *Kimberly Elliott. “Big Sugar and the Political Economy of US Agricultural Policy.” Center for Global Development Brief, April 2005, pp. 1-8.

WEEK 3

- **Lecture 5: Trade Policymaking Institutions**
 - *Michael Bailey, Judith Goldstein, and Barry R. Weingast. “The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade.” *World Politics* 49, 3 (April 1997), pp. 309-338.
 - Oatley, Chapter 2
- **Lecture 6: Globalization, Inequality, and Development**
 - *Jeffrey G. Williamson. “Globalization and Inequality: Past and Present.” *World Bank Research Observer* 12, 2 (August, 1997), pp. 117-135.
 - *David Dollar. “Globalization, Poverty, and Inequality since 1980.” *World Bank Research Observer* 20, 2 (Fall 2005), pp. 145-175.

WEEK 4

- **Lecture 7: Failures of Globalization**
 - *Kenneth L. Sokoloff and Stanley L. Engerman. “History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World.” *Journal of Economic Perspectives* 14, 3 (Summer 2000), pp. 217-232.
- **Lecture 8: Trade and Development – Import Substitution**
 - Oatley, Chapter 6

WEEK 5

- **Lecture 9: Trade and Development –The East Asian Model**
 - Oatley, Chapter 7
- **IN-CLASS MIDTERM EXAM**

WEEK 6

- **Lecture 10: Understanding Multinational Corporations** (take-home essay distributed)
 - Oatley, Chapter 8
- **Lecture 11: The Politics of Multinational Corporations**
 - Oatley, Chapter 9

WEEK 7

- **Lecture 12: Understanding Exchange Rates**
 - Oatley, Chapter 10
- **Lecture 13: The International Monetary System**
 - Oatley, Chapter 11
 - *Michael D. Bordo and Catherine R. Schenk. “Unusual, Unstable, Complicated, Unreliable and Temporary” Reinterpreting the Ebb and Flow of Globalization.” NBER Working Paper No. 29114 July 2021

WEEK 8

- **Lecture 14: The Political Economy of Exchange Rates**
 - Oatley, Chapter 12
 - Frieden, Introduction and Chapter 1
- **Lecture 15: The Politics of the Gold Standard**

- Frieden Chapters 2 and 3

WEEK 9

- **Lecture 16: The Politics of the Latin American Debt Crisis** (take-home essay due)
 - Oatley Chapter 14
 - Frieden, Chapter 5
- **Lecture 17: The Politics of Currency Crises**
 - Oatley, Chapter 15
 - Frieden, Chapter 6

WEEK 10

- **Lecture 18: European Monetary Integration**
 - *Jeffrey Frieden and Stefanie Walter. 2017. "Understanding the Political Economy of the Eurozone Crisis." *Annual Review of Political Science* 20 (1): 371-390.
 - Frieden, Chapter 4
 - Oatley, pp. 247-254 (review)
- **Lecture 19: Current Issues in Trade and Finance**
 - Oatley, Chapter 16
 - Frieden, Chapter 7
- **IN-CLASS FINAL EXAM:** Tuesday June 7, 8:00-11:00 am