

**THE CUNY-CSI
DEPARTMENT OF POLITICAL SCIENCE, ECONOMICS, AND PHILOSOPHY**

POL 251/Econ. 251: International Political Economy

Spring 2010

Mon./Wed. 10:10 AM-12:05 PM

Classroom: 5N112 (M.)/5N102 (W.)

Office Hours: 2:20-4:00 pm (M. &W.)

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COURSE DESCRIPTION

As we all have been witnessing, or unfortunately for some struggling in, an ongoing global financial crisis—the biggest one since the Great Depression, there is no better time than the present to study the international political economy! Clearly we have seen the tremendous impact that the global political economy has had upon our life, thus, we have surely understood the significance and the urgency of acquiring knowledge on this subject.

Globalization has become a significant phenomenon in the 21st century. Its primary driving force comes from technological breakthroughs and market incentives, and its manifestations and consequences are both socio-economic and political. The interactions between economy and politics have accelerated by globalization, so are their tensions. These developments have created more and more challenges and crises for nation-states, people and the business world generally. Many of these challenges and crises themselves are global in nature; therefore, a global perspective has become essential to a full understanding of our many problems and the search for solutions. The international political economy as a discipline is intended to fulfill this important mission.

International Political Economy (IPE) covers the "intersection area" between world politics and international economics. Trends in both economy and politics during the past three decades have accelerated the growth of International Political Economy as a critical and active field for scholarly discussion. As a discipline, it has gained renewed interest especially after the 1973 oil crisis and the collapse of the Bretton Woods system. At that time, due to the limitation of the geo-strategic framework under the U.S.-Soviet Union Cold War, people encountered more difficulties in comprehending how the economic power of oil profoundly affected global politics and how the liberalization of exchange rate brought the entire world economy and politics to a volatile course. Neither the world politics approaches nor international economics theories had provided proper discussion and explanation to the growing interrelationships between the two domains. IPE provides the necessary conceptual framework and tools for examining how world politics affect the distribution of economic wealth and, in turn, how economic growth/changes affect world politics. Most recently, the global division of production has deepened, international and intra-firm trade has increased enormously, and capital flow and foreign direct investment have become very important for both the investor and the recipient countries. The multinational corporations (MNCs) have played significant role in production, trade, investment and finance,

all these activities have been increasingly crossing national boundaries, and the world economy has become truly global and integrated. Due to the rapid globalization, the rise of MNCs as powers (in both economic and political sense) in the global arena, the U.S. strong advocacy for liberal democracy and market capitalism, and the fervent backlashes against globalization defined by the “Washington Consensus”, it has become evident that economic issues significantly influence political decisions (both at national and international levels) and vice versa. Politics and economics have converged toward a study of distribution of values and resources: “Who gets what, when and how” under the constraint of scarcity. The nexus between power and wealth has never become so tight in today’s world. We have to adopt an integrated and multidimensional approach to look at the integrated world system of politics and economy. Nations, corporations, social groups and classes have continuously fought political battles over economic interest; the globalization process has aggravated them to a larger scale. The necessity for some kind of governance at the global level to manage globalization and regulate transnational economic activities has become more evident after the 2008 global financial meltdown.

This course is an introduction to the systematic study of international political economy, both in terms of theoretical evolution and practical issues within the field. It will examine the politics of international economics as well as the economic determinants of international politics. Students will be introduced to the nature, the issues and ideologies (liberal, conservative and radical schools), the governance as well as the dynamics of IPE. It will attempt to address the major aspects of the interaction between states, societies, firms and markets at the international level. It studies the structure and uses of economic power--the economic basis of international political processes broadly defined, the inter-relationships between economics, politics, and social change at the systemic, regional, and state levels. It also covers these key variables: market relations, governments, interdependence between agents, international organizations, international monetary relations, international trade, multinational corporations (MNCs), foreign direct investment (FDI), North-South relations, development and dependency, foreign aid, the New International Economic Order (NIEO) and the relationships between the economic base and the political-ideological superstructure. It will pay particular attention to the apparent devolution of the postwar multilateral order and the emergence of regional arrangements in Europe, North America, Latin America, Africa and the Asia-Pacific region. Various sub-systems that combine to form the global political economy are discussed. Also discussed are some new issues that have surfaced to draw our attention in understanding global affairs, such as transnational organized crime, global poverty, global environmental crisis, and so on.

This course is divided into five distinct parts. The first part is intended to provide students with historical and theoretical foundations of international political economy. As one of the primary goals of the course is to provide an understanding of the way in which the international political economy has evolved over time, the theoretical discussions are integrated into an historical context. Most of the course will be focused on the post-1945 international political economy, although the world economy before and after World War I will also be referred to for purposes of comparison. In this section, we will also have a brief survey of the global production system, especially the internationalization of the capital and the division of production, its evolution, the current arrangements and actors, and the implications of this globalized production system for

different countries. In the second part, we will discuss the issue of governance in international political economy, in particular, the global arrangements for international trade cooperation. Major instrumentalities (including structures, actors, and institutions) for global collective action are to be discussed. A variety of policies and practices of the current international political economy will be examined on the basis of the theoretical foundation established in the first part. We will pay special attention to the international key financial institutions, and regional arrangements for global political economy. The WTO will be given special attention. The United States and its role in the global economic order will also be discussed in a more detailed manner. In the third part, the multinational corporations as a key driver of globalization and a heavyweight player in the world trade are to be examined. We will assess the pros and cons concerning the foreign direct investment, the role of MNCs in global economy as well as regulations over the MNCs. In the fourth part, we will focus on the global financial system and financial crises. In this the core section of the class, causes of and responses to international financial crises are going to be discussed and analyzed. Also, we will discuss the issue of development for developing countries. The challenges those countries have been facing, the relationship between rich and poor countries, or the core-periphery structure of capitalism, will be discussed. Within these contexts, both the debt crises and financial crises are to be examined. Some sensitive themes such as the crises of development, global poverty, social injustice and global inequality, and ecological crises will be discussed. The issue of the underworld economy (illicit drugs, human trafficking, money laundering, counterfeiting, etc.) will also be included to illustrate the complexity of economic development and global trade. In concluding the class, the central challenge in the discussion of this class—globalization will be discussed and its impact assessed.

As international political economy is a field that integrates different academic disciplines, the literature will be wide-ranging. This course is intended to complement applied and area studies courses in international politics, international development, and international economics and business, respectively.

COURSE REQUIREMENTS

The goals of the course are to acquaint students with different interpretations of globalization and the theories that underlie these interpretations. It provides students with a substantial introduction to some of the major established schools of thought in the area of IPE, as well as some strains of dissident thought. Based upon the theoretical discussion and historical review, students are expected to be able to develop a solid understanding of the global trade system, apply the acquired analytic tools to major issues in the global politic-economic arena and develop critical thinking about possible public policies concerning trade policy, the MNCs, the exchange-rate policy, and foreign aid, etc. It also intends to help students orient themselves as political actors in a changing global economy. By understanding the dynamics and nature of international political economy, students will be more prepared for making the world a safer and more prosperous place for people in every country.

Students are required to actively work out their own approach to defining, analyzing, and solving problems through the instructor's direction and questioning. Students are expected to read the

required readings prior to coming to class, while keeping the assigned questions in mind. Attendance without prior reading is not helpful.

Students are expected to take a comprehensive final exam that consists of definitions (from the Glossary in Balaam/Veseth, pp. 475-492) and essay questions (a study guide will be distributed after the spring break).

REQUIRED TEXTS

David N. Balaam and Michael Veseth, *Introduction to International Political Economy*, 4th Edition (Upper Saddle River, NJ: Pearson Prentice Hall, 2008).

Jeffrey A. Frieden, David A. Lake, and J. Lawrence Broz, ed., *International Political Economy: Perspectives on Global Power and Wealth* (New York: W. W. Norton, 2009).

GRADING

Grades for the course will be based on three article summaries (each accounts for 10%, total 30%), one analytical essay (20%) and a final examination (40%). Classroom attendance and participation account for 10% of the final grade.

The **analytical essay** (due on March 22) is to answer the question: "**Why bother with theory in IPE?**" The essay should deal with a description of the four major theoretical perspectives discussed in class. What is a "liberal," "Marxist," "world system" and "neoliberal" perspective? How do they differ? Use the first three pages to explain each theoretical perspective succinctly. In the remaining two pages you should discuss these questions critically: Which perspective is most convincing: a single one or a combination? Why? For this paper, you should read Part One in Balaam/Veseth and Introduction in Frieden/Lake/Broz. You should write 6-8 pages for this essay. The specific format is as below for article summaries.

Three essay summaries will be based on the articles from Frieden/Lake/Broz's Reader. Assignments and due dates are listed in the schedule. Each summary should not be less than one full page and not more than three pages (I will strictly enforce this rule and return those that fail to comply), double-spaced, 12 or 11 size font, 1" page margin. I will distribute a summary sample that I have done on Frieden/Lake/Broz's Introduction.

SCHEDULE AND CONTENTS

Feb. 1, Monday

1. Introducing the Syllabus
2. Introduction to the Study of International Political Economy

Read: Chap. 1 in Balaam/Veseth.

Feb. 3, Wed.

3. Evolution of World Capitalist System

- International and domestic explanations
- Institutional and Society-centered explanations

Watch Video: *Modern Times* (by Charlie Chaplin)

Read: Introduction in Frieden/Lake/Broz.

Feb. 8, Mon.

4. Alternative Perspectives on International Political Economy
 - Mercantilism and Economic Nationalism

Read: Chap. 2 in Balaam/Veseth;

Feb. 10, Wed.

Feb. 17, Wed.

- Classical Liberalism, Keynesianism and Neoliberalism

Video: Commanding Heights: Battle of Ideas

Read: Chap. 3 in Balaam/Veseth;

Feb. 18, Thursday

Feb. 22, Mon.

- Marxism and Structural Perspective

Watch Video: Commanding Heights: The Agony of Reform

Read: Chap. 4 in Balaam/Veseth;

Feb. 24, Wed.

- Rational Choice Approach
- Critical Theories: Feminism, Constructivism, and Environmentalism

Read: Chap. 5 in Balaam/Veseth;

March 1, Mon.

March 3, Wed.

5. International Trade and Trading Systems

- Free Trade Theory: Pros and Cons
- Causes, Obstacles and Evolution of Free Trade

Read: Chap. 6 in Balaam/Veseth; Articles 19, 20, 21 and 24 in Frieden/Lake/Broz.

Summary on Article 19 by Coughlin (pp. 341-364) is due on March 3!

March 8, Mon.

- International Political Approach Illustrated: Krasner
- Domestic Society-centered Theory Illustrated: Eichengreen

Read: Articles 1 and 2 in Frieden/Lake/Broz.

March 10, Wed.

March 15, Mon.

- Globalization, Regulation, and World Trade Organization

Read: Articles 4, 12 and 23 in Frieden/Lake/Broz.

March 17, Wed.

March 22, Mon.

6. The Key International Financial Institutions (World Bank and IMF)

Watch Video: Commanding Heights: The New rules of the Game

Read: Chap. 7 in Balaam/Veseth;

The Analytical Essay is due on March 22!

March 24, Wed.

7. Money, Gold Standard, and Exchange Rate

Read: Articles 13, 16 and 17 in Frieden/Lake/Broz.

April 7, Wed.

8. Hegemonic Stability and Financial Cooperation

Read: Articles 8, 14 and 15 in Frieden/Lake/Broz.

Summary on Article 15 by Cohen (pp. 273-285) is due!

April 12, Mon.

9. The Global Security Structure

10. The Global Structure of Knowledge and Technology

Read: Chaps. 9 and 10 in Balaam/Veseth.

April 14, Wed.

11. Regional and National Political Economies

- Anglo-American System

- Domestic Institutional Approach Illustrated: Sokoloff/Engerman

Read: Articles 3 and 6 in Frieden/Lake/Broz.

April 19, Mon.

- The European Union and Continental Europe

- The Japanese System

Read: Chaps. 11 and 12 in Balaam/Veseth.

April 21, Wed.

- The Transitional Societies

- The Middle East and the Politics of Oil

Read: Chaps. 13 and 14 in Balaam/Veseth.

April 26, Mon.

12. Financial Globalization and the International Debt Crisis

Read: Chap. 8 in Balaam/Veseth; Articles 18, 25 and 27 in Frieden/Lake/Broz.

April 28, Wed.

13. Development and The North-South System

14. Human Movement and Glocalization

Read: Chaps. 15, 16 and 19 in Balaam/Veseth; Articles 26 and 28 in Frieden/Lake/Broz.

May 3, Mon.

15. The Multinational Corporations

Read: Chap. 17 in Balaam/Veseth; Articles 9 and 10 in Frieden/Lake/Broz..

May 5, Wed.

16. Colonialism and Patterns of Foreign Direct Investment

Read: Articles 7 and 11 in Frieden/Lake/Broz.

May 10, Mon.

17. Transnational Organized Crime and Illicit Global Economy

Read: Chap. 18 in Balaam/Veseth.

May 12, Wed.

18. The Green IPE

Read: Chap. 20 in Balaam/Veseth; Article 29 in Frieden/Lake/Broz.

Summary on Article 29 by Frankel is due!

May 17, Mon .

19. Conclusion: Challenges and Prospects

Read: Chap. 21 in Balaam/Veseth; Articles 30, 31, 32 in Frieden/Lake/Broz.

May 19, Wed.

Final Examination

Thank you for taking my class and enjoy your summer!

ADDITIONAL READING MATERIALS

(This list is for those who want to read and explore more on this topic.)

Thomas Oatley, *International Political Economy: Interests and Institutions in the Global Economy* (3rd Edition), (New York: Pearson Longman, 2008)

Thomas Oatley, *The Global Economy: Contemporary Debates* (New York: Pearson Longman, 2005)

Peter Isard, *Globalization and the International Financial System: What's Wrong and What Can Be Done* (New York: Oxford University Press, 2005).

Alan Greenspan, *The Age of Turbulence: Adventures in A New World* (New York: Penguin Press, 2007)

Thomas Friedman, *The World IS Flat: A Brief History of the Twentieth-First Century*, updated and expanded edition (New York: Farrar, Strau8s and Giroux, 2006).

David N. Balaam and Michael Veseth, *Introduction to International Political Economy*, 3rd Edition (Upper Saddle River, NJ: Pearson Prentice Hall, 2005).

Raymond C. Miller, *International Political Economy: Contrasting World Views* (Routledge, 2008).

Benjamin J. Cohen, *International Political Economy: An Intellectual History* (Princeton University Press, 2008)

Andrew C. Sobel, *Political Economy and Global Affairs* (Washington, DC: CQ Press, 2006)

Niall Ferguson, *Cash Nexus: Money and Power in the Monetary World, 1700-2000* (Basic Books, 2001)

Niall Ferguson, *The Ascent of Money: A Financial History of the World* (New York: The Penguin Press, 2008)

Charles P. Kindleberger and Robert Aliber, *Manias, Panics, and Crashes: A History of Financial Crises* (5th Edition) (Wiley, 2005).

Susan Strange, *Mad Money: When Markets Outgrow Governments* (University of Michigan Press, 1998).

Barry Eichengreen, *Financial Crises and What to Do About Them* (Oxford University Press, 2002).

Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton University Press, 2008).

Paul Krugman, *The Return of Depression Economics and the Crisis of 2008* (Norton, 2009).

Nathan M. Jensen, *Nation-States and the Multinational Corporation: A Political Economy of Foreign Direct Investment* (Princeton University Press, 2008)

Robert Gilpin and with the assistance of Jean M. Gilpin, *The Challenge of Global Capitalism: The World economy in the 21st Century* (Princeton, NJ: Princeton University Press, 2002).

Amartya Sen, *Development as Freedom* (New York: Anchor Books, 1999).

Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton, NJ: Princeton University Press, 2001)

David R. Mares, *Drug Wars and Coffeehouses: The Political Economy of the International Drug Trade* (Washington, DC: CQ Press, 2006).

Joan Edelman Spero and Jeffrey Hart, *The Politics of International Economic Relations*, (6th Edition) (New York: St. Martin's Press, 2003).

Theodore H. Cohn, *Global Political Economy: Theory and Practice* (New York: Longman, 2000).

Richard Stubbs and Geoffrey R. D. Underhill, *Political Economy and the Changing Global Order* (2nd ed.) (New York: Oxford University Press, 2000).

Jeffrey A. Frieden and David A. Lake, *International Political Economy* (4th Edition) (New York: St. Martin's Press, 1995)

Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: W. W. Norton, 2002)

Joseph M. Grieco and G. John Ikenberry, *State Power and World Market: The International Political Economy* (New York: W. W. Norton, 2003)

Paul Krugman, *Pop Internationalism* (Cambridge, MA: The MIT Press, 1997).

Frank Andre Gunder, *ReOrient: Global Economy in the Asian Age* (Berkeley: University of California Press, 1998).

Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987).

John Micklethwait and Adrian Wooldridge, *A Future Perfect: the Challenge and Hidden Promise of Globalization* (New York: Times Books, 2000).

Suzanne Berger and Ronald Dore, eds. *National Diversity and Global Capitalism*.

Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C.: Institute for International Economics, 1997).

Thomas D. Lairson and David Skidmore, *International Political Economy: The Struggle for Power and Wealth* (Harcourt Brace College Publishers, recent edition)

Robert S. Walters and David H. Blake, *The Politics of Global Economic Relations* (Englewood Cliffs, NJ: Prentice Hall, recent edition).

Robert A. Isaak, *International Political Economy: Managing World Economic Change* (Englewood Cliffs, NJ: Prentice Hall, recent edition)

George Modelski, *Transnational Corporations and World Order: Readings in International Political Economy* (San Francisco, CA: Freeman and Company, 1979).

David Landes, *The Wealth and Poverty of Nations* (New York: Norton, 1998)

Michael Porter, *The Competitive Advantage of Nations* (New York: The Free Press, 1990).

George T. Crane and Abia Amawi, editors; *The Theoretical Evolution of International Political Economy* (Oxford UP, 1991)

C. Roe Goddard, et. al., editors. *International Political Economy* (Boulder, CO: Lynne Rienner Publishers, 1995)

Theodore Rueter, *The United States in the World Economy* (New York: McGraw Hill, 1994)

Herman M. Schwartz, *States versus Markets* (New York: St Martin's Press, 1994)

Amartya Sen, *Development as Freedom* (New York, NY: Anchor Books, 2000)

Thomas L. Friedman, *The Lexus and the Olive Tree: Understanding Globalization* (New York, NY: Anchor Books, 2000)

United Nations Annual Series titled. World Investment Report

Charles Lipson and Benjamin J. Cohen, *Theory and Structure in International Political Economy* (Cambridge, MA: MIT Press)

Benjamin J. Cohen and Charles Lipson, *Issues and Agents in International Political Economy* (Cambridge, MA: MIT Press)

Susan Strange, *The Retreat of the State* (New York: Cambridge University, 1996)

Stephen Gill and David Law, *The Global Political Economy: Perspectives, Problems, and Policies* (Baltimore, MD: Johns Hopkins University Press, 1988)

Richard Stubbs and Geoffrey R. D. Underhill, *Political Economy and the Changing Global Order* (New York: Cambridge University Press, 1999).

For a nearly complete set of the classic work in IPE until about 1993, see the multiple volumes of the series *The Library of International Political Economy* (Edward Elgar Publishing Company, 1993).

For a concise reference handbook, consult: Phillip Anthony O'Hara, ed., *Encyclopedia of Political Economy* (London and New York: Routledge, 1999).