International Political Economy
Penn State University, Fall 2011

236 Pond Lab
Thursday 6:00-9:00 pm
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Course Description & Objectives

This is an advanced graduate course on international political economy (IPE). An economics background is not required, although several (if not all) of the readings in the course discuss results from statistical tests and/or game-theoretic models. The goals of the course are to (i) review recent research in IPE, (ii) prepare doctoral students for the comprehensive exam in International Relations in general and more specifically, International Political Economy and (iii) encourage students to form original ideas for promising research projects in the area of international political economy.

The course is organized around research in four substantive areas (in other words, four main “parts”): international institutions, international trade, international finance and monetary policy, and some special topics including the study of (i) the politics of human rights, (ii) the endogenous link between trade and international conflict, (iii) the politics of foreign aid, and (iv) globalization and terrorism. Specifically, the first few weeks focus on whether or not international institutions matter for international economic outcomes and the extent to which they matter. To this end, we will read several recent papers that attempt to theorize about the efficacy of international institutions and statistically test the impact of international institutions on economic policy and outcomes. We will also read papers that introduce us to debates on institutional design. The course then examines in detail two core areas in IPE: the study of international trade and international finance, which includes monetary policy. For both these topics, we will analyze cutting-edge research that analyzes the impact of domestic politics on trade and finance as well as monetary policy. It emphasizes current theoretical debates in the field but also aims to expose students to some nuts and bolts of each policy area and the chief methods by which scholars acquire knowledge of the subject. In the final three-four weeks of this seminar, we will analyze in some detail current research on the “special topics” mentioned above.

Unfortunately given time constraints, this course does not cover topics that largely dwell on issues pertinent to comparative political economy but which are often included in graduate courses on international political economy. These include topics such as the politics of economic growth and redistribution, income inequality, fiscal policy and budget politics, central bank independence, industrial-labor relations and labor market structures, varieties of capitalism, and so on. An additional seminar on IPE that covers the aforementioned topics may be offered in the next academic year. It is also possible that a phd-level course on
formal models in political economy (international and comparative political economy) may be offered for interested students in the near future.

Requirements

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

• **30% — Participation and questions.** For class participation, read each item on the required list closely each week, and come to class prepared to pick the readings apart in excruciating detail. I want you to do most of the talking, not me. As far as “questions” are concerned, this is what you are expected to do: First, by Wednesday 4:00 pm of each week (latest!), you will circulate a list of 2 questions to the entire class including me via e-mail. I will provide the e-mail list for the class to each student. The objective of these “questions” is to provoke a class discussion. The questions, which are expected to be fairly detailed (roughly 2-3 sentences each), will essentially raise queries about the readings that are about to be covered in each week. You can couch the criticisms for the readings for each week as questions; just make sure that the questions are good enough to provoke thoughtful discussion. What I will do is to read each student’s questions carefully before class and then start the discussion for each seminar.

The format of each seminar will be as follows: I will present for no more than 10-15 minutes a broad summary of the readings for each week. After doing so, I will begin the discussion based on the questions that you send to the whole class via e-mail. I will moderate the discussion to ensure that it does not meander. We will take a short break of around 7-8 minutes after the first 70-75 minutes of the seminar.

• **30% — You are expected to write three short “critique” papers.** Each of these short papers should not be more than 5-6 pages long. Notice I call these “critique” papers. This is because the short papers should emphasize your own ideas and criticism of the readings rather than a “literature review”. Each paper should cover the readings for the week before we discuss the readings. In other words, a short paper for say week 5 of the seminar is due at the beginning of the class in which we discuss the readings contained in week 5. The thrust of each short paper, from start to finish, must be clearly articulating your own original critique of the relevant literature. What flaws are there, especially, if possible, theoretical and/or empirical flaws, in the literature that you have read for the week, and what is to be done with respect to correcting those flaws? You do not have to offer a well developed solution to those flaws; just make it clear how our understanding of the problem is hamstrung by the flaws you are identifying. The short papers have to fulfill the following distribution requirement: you should write NO MORE than one short paper for each of the four parts of the seminar. Hence each of the three short papers should be written for 3 out of 4 different parts that this seminar is divided into.

• **40% — a long research paper.** This paper should be roughly a 15-18 page essay containing an original idea that could serve as the key insight for a potentially publishable work. I want this, in other words, to be a good idea that could help kick-start your own research agenda. By “idea,” I have in mind chiefly a theoretical argument and a test of this argument either via qualitative or quantitative methods. In essence, the long research paper
would first need a clear motivation from a critique of the existing literature. After presenting the critique, you should present your (hopefully original) theoretical argument before ending the paper with empirical tests of your argument. You can also present a formal (specifically game-theoretic) model in the research paper, if you prefer. If you intend to present a formal model in the paper, please come and discuss with me the model that you intend to construct. The due date and further details for the research paper will be discussed later.

Course Policies

Late papers will be penalized. Each day the short or long paper is late will result in a drop of a full letter grade, e.g., A to B and so on.

Readings

The bulk of the readings for this course are articles. These articles are available on JSTOR, web-pages of individual journals and on-line in the Penn State library system. I will also place copies of the readings for each week in a folder outside the door of my office 4-5 days before we discuss the readings. You are more than welcome to photocopy the articles in the folder. But after photocopying the articles, please return them to the folder ASAP so that it is available to the other students in the seminar.

NOTE: I may add some readings for certain weeks during the course of the semester. If I do so, then I will provide an updated list of the new readings to the class.

August 24: Overview of the seminar and the syllabus/reading list.

September 1st: I will be out of town for the annual APSA conference –so no IPE seminar on Sept 1st.

September 8th: Introduction to IPE


**Part I: International Institutions**

**September 15th:** Early debates on whether international institutions matter

Realist and Neoliberal perspectives on international institutions. Bargaining and institutions. Problems associated with international institutions and multilateral cooperation.


**September 22nd:** Theories of international institutions.

What functions do international institutions serve? How do international institutions evolve and what are the problems associated with multilateral cooperation within international institutions? How are they structured and how do they actually work? How and under what conditions do international institutions affect states’ foreign economic policies or other IPE outcomes? Institutions as information providers and as commitment devices. Enforcement and the need for flexibility. Do institutions solve problems of compliance?


**September 29th**: The Design of international institutions.


**October 6th**: Are international institutions effective?

Do international trade institutions increase trade? More broadly, what impact does the law have on member-states’ foreign economic policies, human rights practices and other outcomes, and why, given that enforcement must be through self-help? Tests of implications of a variety of institutionalist arguments from previous weeks. Selection effects and methodological debates on how to accurately gauge the effectiveness of international institutions.


**October 13**th: I will be out of town for a presentation – so no IPE seminar on Oct 13th.

**Part II: International Trade**

**October 20**th: The *Demand for Protection*: Interest Groups, Pluralism, and Domestic Politics

Who gains and loses from free trade? Collective action theory and theories of preferences over trade: factor endowment and Ricardo-viner models and “new” trade theory focusing on economies of scale. The concept of asset specificity.


Anna Maria Mayda and Dani Rodrik, “Why Are Some People (and Countries) More
Protectionist Than Others?‖, *European Economic Review* 49 (2005), 1393-1430.


**October 27th:** The Supply of Protection: Democracy and Domestic Institutions, Partisanship

The supply-side of trade protection. Can domestic political institutions condition the supply of protection by the government, and which institutions have which effects? Does regime type matter (i.e. democracy versus autocracy) for trade protection and if so, how and why?


**Part III: International Finance and Monetary Policy**

**November 3rd:** International Finance: The Trilemma & Domestic Sources of Policies and Outcomes.

Introduction to international financial policy, its various instruments, and trade-offs among them: the “impossible trinity.” Domestic demand- and supply-side explanations of monetary policy, capital controls, exchange rate policies, and financial market outcomes. Transparency
and commitment device views of exchange rate regimes.


November 10th: The IMF, Economic Development and International Financial Crisis

J. Lawrence Broz and Michael Brewster Hawes, “Congressional Politics of Financing the International Monetary Fund,” International Organization 60 (Spring 2006), 367-399.


Optional:

David Leblang and Shanker Satyanath, “Institutions, Expectations, and Currency Crises,” *International Organization* 60 (Winter 2006), 245-262

Part IV: Special Topics

**November 17th**: The International Politics of Human Rights


**November 24th**: No Class—Thanksgiving break!!

**December 1st**: The Politics of Foreign Aid


**December 8th**: National Security Interests, Conflict and IPE!

How national security interests and alliances, as well as armed conflict itself, affect foreign economic policy and commercial flows. Does trade follow the flag?


