

# International Political Economy

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Who are the winners and losers of free trade? Why do some governments impose tariffs despite the consumer benefits of free trade? Why do countries protect certain industries and why do they use different policies to do so? Does trade expansion hurt the environment and labor rights? Why does the bargaining power of multinational companies vis-à-vis host countries decline over time? Does FDI promote labor rights in industrializing countries? How could countries that were not among the original industrializers attempt to replicate their success?

This course is an introduction to international political economy for students of international relations. Students who seek to develop a critical perspective on economic foreign policies are highly encouraged to take this course. Students will adopt analytical approaches that emphasize actors' ideas, interests, their strategic interactions, and institutional structures in evaluating international economic policies in select issue areas of trade, money, development & migration, and the environment. The course begins with an overview of the rise of the modern world economy. It then presents several perspectives on the international political economy. The course then applies the theories to four important issue areas: i) trade, ii) money, iii) development & migration, iv) environmental protection. Emphasis throughout the course is at the intersection of politics and economic policies.

This course accomplishes three goals. First, students will be able to apply academic perspectives in understanding international economic policies and develop their own arguments based on those perspectives. (For instance, why does the Trump administration protect steel and aluminum industries at the expense of cherry growers? Is it because those industries are more important for national security, or does the president's re-election motive better explain the policy?) Second, students will be trained to adjudicate credible evidence in evaluating academic and policy claims. A major portion of the required readings use qualitative and quantitative analyses as supporting evidence. Should we believe these? Why or why not? Lastly, students will learn to devise solutions to pressing policy problems. Students are required to use relevant academic lenses in devising multiple short solutions, weigh their costs and benefits based on credible evidence, and support a final policy solution.

A special effort is made to relate the course material to important historical cases and recent policy events. Most of the required readings are by political scientists who are grappling with international economic policies from political science perspectives. Most of the optional readings touch on relevant policy events drawn from the popular press (e.g., Financial Times, The Economist). These policy readings will be covered in lectures.

## Readings

All readings on this list are required. Almost all are contained in the following books.

- Jeffrey Frieden, David Lake, and Lawrence Broz, Editors, *International Political Economy: Perspectives on Global Power and Wealth*, Sixth Edition (New York: W. W. Norton, 2017).
- Rawi Abdelal, Mark Blyth, and Craig Parsons, *Constructing the International Political Economy* (Cornell University Press, 2010).

## Grading & Requirements

Policy memo .....	30%
Mid-term essay .....	30%
Final exam .....	30%
Participation .....	10 %

- **One short policy memo.** This is a memo of 1,000 words. This assignment is designed to get students to apply the concepts covered in class to real-world policy issues. For this assignment, Professor will provide a prompt on a current policy issue. The prompt asks you to identify a policy dilemma faced by the decision-maker, and derive the best policy solution to the dilemma. A sample memo and a grading rubric will be provided.
- **A mid-term take-home essay.** This is a paper of 2,500 - 3,000 words, in which you are asked to discuss issues raised by lectures and readings. A set of sample essay questions and a grading rubric will be provided closer to the mid-term date.
- **A final exam.** The final exam has three components: 1) multiple-choice questions, 2) term identification questions, and 3) a long essay question. Multiple-choice questions are designed to verify whether students correctly understand important concepts that they learned in the course. In regard with term identification, they are asked to provide a definition of the term at hand, and explain why the term is important in IPE. The long essay component is designed to evaluate students' ability to contextualize important discussions in the IPE literature. A set of sample questions and a grading rubric will be provided closer to the final exam date.
- **Participation.** Students are required to participate in lectures as "Enquirers" at least once throughout the semester. The course will have 2-3 enquirers per week. They are responsible for preparing a set of questions for discussion during lectures. Professor will meet enquirers before each lecture to brainstorm for discussion questions together. Their core responsibility is to raise questions that help other students understand why the course materials have broader implications for current affairs. As such, they may be

asked to do additional readings with a specific focus on news articles on relevant current events.

### Office Hours & Resources

- **Office hours.** Professor Boram Lee's office hours are Tuesday afternoons 2:00-4:00PM and by appointment.
- **Writing center.** Students are encouraged to work with the Harvard College writing center for *proofreading purposes*. Website: <https://writingcenter.fas.harvard.edu/>
- **Special accommodations.** Any student needing academic adjustments or accommodations is requested to present their letter from the Accessible Education Office (AEO) and speak with the professor by the end of the second week of the term. Extension school students with disabilities should contact their disabilities services department. Failure to make these arrangements may result in the course head's inability to respond in a timely manner. All discussions will remain confidential, although AEO may be consulted to discuss appropriate implementation.

### Course Outline and Readings

#### Week 1: Introduction: Markets and Politics

- Syllabus
- Frieden Lake Broz, "Introduction: International Politics and International Economics," pp. 1-17.
- Abdelal Blyth Parsons, "Introduction: Construction the International Economy," pp. 1-20.

#### *Key Question*

- What are some international economic events that affected you or your families? How did these events shape your experiences?
- Why should we study economic policies through the lens of political science? What is its added value that economics frameworks do not address?

#### *Policy readings*

- Alexandra Guisinger, "American's views of trade aren't just about economics. They're also about race," August 16, 2017. *The Washington Post*. Available [here](#).
- Bard Harstad, "Trade deals could combat Brazil's Amazon deforestation," August 22, 2019. *The Financial Times*. Available [here](#).

#### Week 2: The Rise of the Modern World Economy, 1500-1914

- Frieden Lake Broz, “Historical Perspectives,” pp. 77-80.
- Peter Gourevitch, “International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873-1896,” pp. 92-112.
- Cheryl Schonhardt-Bailey, “Free Trade: The Repeal of the Corn Laws,” pp.81-91.

*Key Question*

- In this course, we explain IPE questions using four sets of factors: ideas, interests, interactions, and institutions. Explain these. Give an example of how these perspectives help explain the phenomena discussed in the readings?

*Policy reading*

- Jim Tankersley, “Trump’s Metals Tariffs Added Some Jobs and Raised Consumer Prices,” May 30, 2019. *The New York Times*. Available [here](#).

**Week 3: Perspectives on the International Political Economy**

- Frieden Lake Broz, “Contending Perspectives,” pp. 18-19
- Stephen Krasner, “State Power and the Structure of International Trade,” pp. 43-61
- Christina Davis, “International Institutions and Issue Linkage: Building Support for Agricultural Trade Liberalization,” pp. 62-76
- Kenneth Sokoloff and Stanley Engerman, “History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World,” pp. 449-458
- Ron Rogowski, “Commerce and Coalitions: How Trade Affects Domestic Political Alignments,” pp. 20-29

*Key Question*

- The five chapters we read represent distinct sets of explanatory factors (ideas, interests, interactions, and institutions) relevant to studying IPE. Which chapters belong to which category? Is it possible for some of them to belong to more than one category? Do these approaches complement or contradict each other?

*Policy reading*

- NA

**Week 4: Origins and Overview of Contemporary International Economic Order**

- Daron Acemoglu, “Root Causes: A Historical Approach to Assessing the Role of Institutions in Economic Development,” pp. 113-118
- Michael Bailey, Judith Goldstein, and Barry Weingast, “The Institutional Roots of American Trade Policy,” pp. 119-139

*Key Question*

- What characteristics do the authors assign to “good institutions” that support either economic development or trade liberalization?
- Do democracies and autocracies develop different economic policies in the areas of trade and development?

*Policy reading*

- Stephanie J. Rickard, “Why did Trump agree to a temporary hold on further China tariffs?” December 10, 2018. *The Washington Post*. Available [here](#).

**Week 5. International Trade**

- Frieden Lake Broz, “Trade,” pp. 282-285
- Cornelia Woll, “Firm Interests in Uncertain Times: Business Lobbying in Multilateral Service Liberalization,” pp. 137-154.
- Barry Eichengreen, “The Political Economy of the Smoot-Hawley Tariff,” pp. 286-296
- Andy Baker, “Who Wants to Globalize? Consumer Tastes and Labor Markets in a Theory of Trade Policy Beliefs,” pp. 315-327
- Paola Conconi, Giovanni Facchini, Maurizio Zanardi, “Policymakers’ Horizon and Trade Reforms: The Protectionist Effect of Elections,” pp. 328-338

*Key questions*

- What explains individual preferences for trade liberalization? Do you prefer trade liberalization? How does tariff reduction affect your or your families’ incomes?
- Do politicians in democracies and autocracies develop different preferences for trade liberalization?

*Policy reading*

- (Podcast by Soumaya Keynes, Chad P. Bown) Kadee Russ, “Trade Talks Episode 99: The Surprising Story of the U.S. Trade Deficit with South Korea,” September 6, 2019. Available [here](#).
- Chad P. Bown, “US-China Trade War Tariffs: An Up-to-Date Chart,” February 14, 2020. Available [here](#).

**Week 6. International Trade and the Developing Countries**

- Frieden Lake Broz, pp. 297-314

- Raymond Hicks, Helen Milner and Dustin Tingley, “Trade Policy, Economic Interests, and Party Politics in a Developing Country: The Political Economy of CAFTA-DR,” pp. 297-314
- Mlada Bukovansky, “Institutionalized Hypocrisy and the Politics of Agricultural Trade,” pp. 68-90.

### *Key questions*

- Can we apply the same theoretical frameworks from the previous week to explain developing countries’ trade policies (e.g., Stolper-Samuelson)?
- Is trade liberalization good for developing countries? Are rules codified in preferential trade agreements and the WTO conducive for economic development for them?

### *Policy readings*

- Dani Rodrik, “The Need for a Global Trade Makeover,” December 26, 2019. *Project Syndicate*. Available [here](#).
- Heather Stewart, “Tariffs: WTO talks collapse after India and China clash with America over farm products,” 29 July, 2008. *The Guardian*. Available [here](#).
- Donald J. Trump, “Memorandum on Reforming Developing Country Status in the World Trade Organization,” July 26, 2019. Available [here](#).

### *Mid-term essay prompts are released*

## **Week 7. International Financial and Monetary Relations**

- Frieden Lake Broz, “Money and Finance,” pp. 206-210
- Menzie Chinn and Jeffrey Frieden, “Borrowing, Boom, and Bust: The Capital Flow Cycle,” pp. 232-251
- Wesley Widmaier, “Trade-offs and Trinities: Social Forces and Monetary Cooperation,” pp. 155-172.
- Lawrence Broz, “Political System Transparency and Monetary Commitment Regimes,” pp. 267-281

### *Key questions*

- What are the advantages of a fixed exchange rate vs. a flexible exchange rate? How do these institutions affect your own or your families’ incomes?
- What does it mean to have a balance of payments surplus or deficit? Explain why investors, consumers, and governments might like or dislike a balance of payments deficit.

### *Policy readings*

- Dominic Rushe, “Trump administration drops labelling China as a currency manipulator,” 14 January, 2020, *The Guardian*. Available [here](#).
- Desmond Lachman, “A Chinese fixed exchange rate is a bad idea,” April 5, 2019. *AEIdeas*. Available [here](#).
- “The German Problem: Why Germany’s current-account surplus is bad for the world economy,” July 8<sup>th</sup> 2017, *The Economist*. Available [here](#).

## **Week 8. International Finance and Development**

- Jeffrey A. Frieden, “Globalization and Exchange Rate Policy,” pp. 221-231
- Jeffrey M. Chwieroth, “Shrinking the State: Neoliberal Economists and Social Spending in Latin America,” pp.23-26
- Nikhar Gaikward, Kenneth Scheve, “India: Liberalize in the Face of Crisis,” 2016. *Stanford Business Case Study Series*

### *Key questions*

- How would ideas, interests, institutions, and interactions each explain the Latin American debt crisis of the 1980s? How did creditors succeed in imposing structural adjustment policies on Latin American countries in the wake of the crisis?
- How is the Latin American case different from the case of India?

### *Policy readings*

- Mark Copelovitch, Jeffrey Frieden, Stafanie Walter, “The eurozone is in crisis. Here are the four most important lessons to take away,” March 31, 2016. *The Washington Post*. Available [here](#).

***Assignment: Policy memo prompt released, DUE DATE: XXX***

## **Week 9. Multinational Corporations and the Internationalization of Production**

- Frieden Lake Broz, “Foreign Direct Investment,” pp. 140-143
- Sonal Pandya, “Labor Markets and Demand for Foreign Direct Investment,” pp. 156-166
- Beth Simmons, “Bargaining over BITs, Arbitrating Awards: The Regime for Protection and Promotion of International Investment,” pp. 167-183
- Quan Li and Adam Resnick, “Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries,” pp. 184-205
- Paul Langley, “The Ethical Investors, Embodied Economies, and International Political Economy,” pp. 211- 226.

### *Key questions*

- What are some possible explanations for the existence of multinational corporations? What are the differences between foreign direct investment and portfolio investment?
- What institutional factors affect bargaining between multinational corporations and host country governments? What role do ideas and interests play in this bargaining? What is the obsolescing bargaining dynamic?

### *Policy readings*

- John Reed, "Philippine leader threatens companies in dispute over water," December 4, 2019. *Financial Times*. Available [here](#).

## **Week 10. Immigration & Development**

- Frieden and Lake, "Migration," pp. 357-358
- Margaret Peters, "Open Trade, Closed Borders: Immigration in the Era of Globalization," pp. 378-393
- Giovanni Facchini, Anna Maria Mayda, and Prachi Mishra, "Do Interest Groups Affect U.S. Immigration Policy?" pp. 394-412
- Frieden and Lake, "Economies in Development," pp. 413-415
- Branko Milanovic, "Global Income Inequality in Numbers: In History and Now," pp. 416-427
- Catherine Weaver, "The Meaning of Development: Constructing the World Bank's Good Governance Agenda," pp.47-67.

### *Key questions*

- Migration) How does the use of a Heckscher-Ohlin framework versus a specific factors framework lead to different predicted outcomes about immigration?
- Migration) Give examples of when trade and immigration can be substitutes or complements.
- Development) How does integration into the global economy relate to poverty reduction for developing countries? How generalizable are the examples of integration "success stories" like China, India, Korea, and Vietnam?
- Development) What is meant by the "global middle class"? Where on the global income distribution do Milanovic and Rodrik place this group? How does it compare to the middle class in developed countries like the U.S.?

### *Data*

- "State Immigration Data Profile" *Migration Policy Institute*. Available: <https://www.migrationpolicy.org/programs/data-hub/state-immigration-data-profiles>

- “Where are you in the income distribution?” *World Inequality Database*. Available: <https://wid.world/simulator/>

## **Week 11. The Environment**

- Charlotte Epstein “Moby Dick or Moby Doll? Discourse, or How to Study the “Social Construction of” All the Way Down,” pp.175-193.
- Sean Ehrlich “The Fair Trade Challenge to Embedded Liberalism,” pp. 489-505
- David Vogel, “The California Effect,” in *Trading Up: Consumer and Environmental Regulation in a Global Economy*. Harvard University Press. 2009. Pp. 248-270.
- Robert O. Keohane and David G. Victor, “Cooperation and Discord in Global Climate Policy,” pp. 506-517

### *Key questions*

- Does globalization (i.e. trade liberalization) enhance or deteriorate environmental outcomes?
- Do individuals with strong pro-environmental preferences support or oppose trade liberalization?
- What are some unique challenges in implementing international cooperation on climate change?
- In what ways would the development of the environmental global regime take different or similar paths compared to the global trade regime? Compare Keohane & Victor’s discussions on the UNFCCC with GATT/WTO.

### *Policy reading*

- Martin Arnold, “Christine Lagarde wants key role for climate change in ECB review— Initiative likely to set up clash with German central banker Jens Weidman,” November 27, 2019. *Financial Times*. Available [here](#).
- Sara Stefanini, “The fight over who should pay for climate change,” October 23, 2015. *Politico*. Available [here](#).

## **Week 12. Globalization and the Current Problems in the International Political Economy**

- Abdelal Blyth Parsons, “Reconstructing IPE: Some Conclusions Drawn from a Crisis,” pp. 227-240
- Frieden Lake Broz, “Current Problems in International Political Economy,” pp. 459-460
- Edward Mansfield and Diana Mutz, “US versus Them: Mass Attitudes toward Offshore Outsourcing,” pp. 535-563

- Trade Wars, “Why you should never start a trade war with an autocracy,” April 27, 2019. *The Economist*. Available [here](#).
- Chad P. Bown, “Can We Save the WTO Appellate Body?” Testimony before the European Parliament Committee on International Trade. December 3, 2019. Available [here](#).

*Key questions*

- What are the most important challenges in the international political economy?
- Do you think the current problems in IPE can be better explained through an “*us versus them*” framework than some of the standard frameworks covered in the previous weeks (e.g., Stolper-Samuelson framework)? If so, why?
- Will international economic institutions (e.g., the WTO and the World Bank) remain relevant in the next decade?

**Final exam, Date TBD**