

POL129: Politics in the Global Economy

Spring 2016

LECTURES: Tuesday & Thursday 10:30–11:50AM, Olson Hall 158
MIDTERM EXAM: Thursday, April 28 10:30AM
FINAL EXAM: Saturday, June 4 3:30PM

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What this course is about:

Traditionally, international relations studied how states interacted strategically and militarily. Today, we are at least as interested in their economic interactions – in international trade, investment, migration, and currency flows – and in how international economic relations affect, and are affected by, international and domestic forms of governance. As “globalization” has intensified in an economic sense, these issues have become more acute.

How do countries and non-state actors govern the global economy? Why do countries succeed or fail to cooperate in setting their economic policies? This course examines how domestic and international politics shape economic relations between countries. We will study the politics of trade, international investment, monetary relations, environment, and immigration to answer these questions. We will consider several major international organizations and their role in promoting economic cooperation.

Goals:

By the end of the course, you should understand the major controversies surrounding trade liberalization, international investment, and how they relate to security and the environment. You should understand why countries sign bilateral and multilateral treaties and construct international organizations to regulate these aspects of the global economy. You will gain experience writing critically about these issues and analyzing the contemporary scholarly research.

Reading:

The readings for this class are both books and articles.

- Textbook: Grieco, Joseph M. and G. John Ikenberry. 2003. *State Power and World Markets*. New York: W. W. Norton & Co.

This book is available for purchase from the campus bookstore or online through Amazon.com or other retailers. It is also on reserve at the library.

- Other required readings for this course are the selected journal articles and book chapters listed below. They will be available on the course SmartSite:

<http://smartsite.ucdavis.edu/portal/site/pol129s16>

- The syllabus lists “reference” readings. These are not required but may be useful if you want to learn more about a topic.

Lecture Slides

I post lecture slides for each class. The slides are meant as a guide to help you through lecture; they are in no way a substitute for lecture. My hope is that by providing slides – which often have information like definitions – you will not have to spend the class transcribing but can pay more attention, ask questions, and participate.

Grading:

Your grade will be based on the following:

- Attendance and active participation (15%)
- Four (4) writing assignments (40%)
- Midterm exam **April 28** in class (15%)
- Final exam **June 4** at 3:30PM (30%)

Details:

Writing assignments are analytical essays based on the course readings. The due dates are indicated on the syllabus. In fairness to all students, I cannot allow extensions. Every student must submit independent, original work but I encourage you to discuss the essay prompts with your colleagues.

There will be no make-up exams. I will not provide a study guide for the exams. Writing your own study guide is part of the learning process.

Class Policies:

- The syllabus may change. Changes will be announced in class and on the SmartSite.
- There will be no make-up examinations. If you miss an exam, you will receive a grade of zero. There will be no extensions for writing assignments. Exceptions to this policy will only be made in the case of documented and serious medical or personal emergency.
- You are responsible for all announcements made in class.
- There will be short in-class exercises that count toward your participation grade.
- Students are expected to arrive to class on time and not to engage in behavior that is disruptive to other students in the class. Please do not use computers, smartphones, etc. in class – they are distracting to the people around you.
- I encourage students to challenge the ideas discussed in this class. In all discussions, everyone must provide his or her fellow students with full respect and courtesy.
- Please ask questions!
- The grade incomplete shall be assigned only when the student's work is of passing quality and the student has completed all work up to the time of the final exam. Moreover, provided that these other requirements are fulfilled, an incomplete will only be given in cases of medical or family emergency.
- NS grades are no longer offered, as directed by the Academic Senate. Failure to submit any work for the course will result in a grade of F.
- Cheating and plagiarism will be punished to the fullest extent possible according to University policy. For information on academic integrity, see: <http://cai.ucdavis.edu/aip.html>.
- All lectures, handouts, assignments, and exams are the property of the professor and may not be published on the web or distributed in any other manner without permission.
- Your teaching assistant is highly competent, knowledgeable and has full and final authority over all grading.
- Re-grading: If you want to request a re-grade of any assignment, you must submit such a request to your TA in writing within one week of receiving the assignment back, with an essay explaining why you think your answer deserved a higher grade, and what you think you did better than you did not receive credit for. If no such request is made within one week, your grade will be considered final. In re-grading, the entire assignment will be evaluated (not just a specific part), and your grade can either go up or down.
- Please make use of campus Writing Services <http://success.ucdavis.edu/academic/writing.html>.

Schedule:

Week 1

March 29/31: Trading States in the World Economy

Why do states trade? What is a comparative advantage? This week will provide a general overview of why states trade and why they restrict trade. We will introduce the different forms of trade protection and the benefits and costs of protection.

Reading:

Joseph M. Grieco and G. John Ikenberry. 2003. *State Power and World Markets*. New York: W.W. Norton & Company. Chapter 2: pp. 19-36, 40-49 and conclusion.

Reference:

Paul Krugman and Maurice Obstfeld. 2006. "Chapter 1: Introduction" and "Chapter 2: Labor Productivity and Comparative Advantage." In *International Economics: Theory and Policy, Seventh Edition*. Boston: Addison Wesley.

Week 2

April 5/7: Distributive Politics and Trade Policy

This week will focus on distributive politics of trade policy. We will discuss how economic factors interact with collective action problems, political regimes, etc. to influence how preferences about trade are aggregated and policy is made.

Reading:

Ronald Rogowski. 1987. "Political Cleavages and Changing Exposure to International Trade," *American Political Science Review* Vol. 81(4): 1121-37.

Helen Milner and Keiko Kubota. 2005. "Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries." *International Organization* Vol. 59(1).

Reference:

Paul Krugman and Maurice Obstfeld. 2006. "Chapter 9: The Political Economy of Trade Policy." In *International Economics: Theory and Policy, Seventh Edition*. Boston: Addison Wesley. pp. 207-239.

Writing Assignment 1: Does democracy make free trade policies more likely? Due April 19 in class.

Week 3

April 12/19: The Politics of International Investment

No class on Thursday, April 14.

These lectures focus on the politics of attracting foreign direct investment (FDI). How do governments attract investment from multinational enterprises? Why do countries sign bilateral investment treaties? What happens when international investment disputes occur?

Reading:

Joseph M. Grieco and G. John Ikenberry. 2003. *State Power and World Markets*. New York: W.W. Norton & Company. Chapter 8: pp. 258–266.

Zachary Elkins, Andrew T. Guzman, and Beth A. Simmons. 2006. “Competing for Capital: the Diffusion of Bilateral Investment Treaties, 1960–2000.” *International Organization* Vol. 60(4). pp. 811–827 and 841–843.

News article.

Quan Li. 2009. “Democracy, Autocracy, and Expropriation of Foreign Direct Investment.” *Comparative Political Studies* Vol. 42(8). pp. 1098–1110, 1112–1116, 1120–1122

Reference:

Pol Antràs and Stephen Yeaple. 2014. “Multinational Firms and the Structure of International Trade.” In *Handbook of International Economics*, Vol. 4. pp. 1–12.

Writing Assignment 2: Does competition for international investment undermine democratic policymaking? Due April 26 in class.

Week 4

April 21: Trade and National Security

This lecture examines how trade agreements and the economic interdependence they promote can affect national security.

Reading:

Edward D. Mansfield and Jon C. Pevehouse. 2000. “Trade Blocs, Trade Flows, and International Conflict.” *International Organization* Vol. 54(4). pp. 775–784, 788–780, and 799–803.

“The Trans-Pacific Partnership: Strategic Implications,” Congressional Research Service Report No. R44361, February 3, 2016 pp. 1–10.

Week 5

April 26: Midterm Review

April 28: Midterm Exam in class 10:30-11:50AM.

Week 6

May 3/5: Environmental Problems in International Cooperation

How does free trade affect the environment? We will consider multilateral attempts to deal with environmental challenges, especially climate change.

Reading:

J. Samuel Barkin. 2015. "Chapter 23: Trade and Environment" In Lisa Martin, ed. *Oxford Handbook on the Politics of International Trade*, New York: Oxford University Press.

News articles.

Michael M. Bechtel, Thomas Bernauer, and Reto Meyer. 2012. "The Green Side of Protectionism: Environmental Concerns and Three Facets of Trade Policy Preferences." *Review of International Political Economy*, Vol. 19(5): 837-855.

Scott Barrett and Robert Stavins. 2003. "Increasing Participation and Compliance in International Climate Change Agreements." *Politics, Law and Economics* Vol. 3. pp. TBD

Writing Assignment 3: Should industrialized and developing nations equally share the cost of environmental protection? Due May 12 in class.

Week 7

May 10/12: World Trade Organization (WTO)

This week will focus on the question of whether the GATT/WTO has led to more liberal trade policies and what theories might explain the existence of the GATT/WTO, its salient features, and its possible effect on trade flows. We will also consider the settlement of trade disputes at the WTO.

Reading:

Peter Van den Bossche. *The Law and Policy of the World Trade Organization*. Cambridge: Cambridge University Press. "WTO Law and Principles: Section 1.3" pp. 35-44.

Rose, Andrew K. 2004. "Do We Really Know That the WTO Increases Trade?" *American Economic Review* 94(1) pp. 98-99, 102-103, 111-112.

Marc L. Busch and Krzysztof J. Pelc. 2015. "Chapter 21: Dispute Settlement in the WTO" In Lisa Martin, ed. *Oxford Handbook on the Politics of International Trade*, New York: Oxford University Press. Skip section on "Words".

Week 8

May 17/19: International Monetary System

This lecture discusses the economics and politics of international monetary cooperation. Particular attention will be paid to the Bretton Woods System and the International Monetary Fund (IMF), and contemporary international monetary arrangements. We will discuss the domestic politics of conditional lending, sources of conflict, and the "moral hazard" problem.

Reading:

Joseph M. Grieco and G. John Ikenberry. 2003. *State Power and World Markets*. New York: W.W. Norton & Company. Chapter 3: pp. 57–90.

James Vreeland. 2008. *The International Monetary Fund: Politics of Conditional Lending*. New York: Routledge.

- Chapter 1: pp. 5–11 and 20–25.

- Chapter 3: pp. 50–67.

UPDATE: Axel Dreher. 2006. "IMF and Economic Growth: The Effects of Programs, Loans, and Compliance with Conditionality," *World Development* Vol. 34(5): pages 769-774 and 780-781.

Reference:

Lawrence Broz and Jeffrey Frieden. 2001. "The Political Economy of International Monetary Relations" *Annual Review of Political Science*. Vol. 4: 317-43.

Writing Assignment 4: Does the IMF contribute to economic growth and stability? Due May 26 in class.

Week 9

May 24/26: International Migration

These lectures address the political and economic determinants of immigration policies that regulate the flow of people across national borders. What accounts for variation across countries and time in how restrictive immigration policies are? What are the determinants of political conflict over immigration? Should countries cooperate with one another over immigration?

Reading:

Ian Goldin, Geoffrey Cameron and Meera Balarajan. 2011. *Exceptional People: How Migration Shaped Our World and Will Define Our Future*. Princeton, NJ: Princeton University Press, 2011. Chapter 6. pp. 162–177.

Margaret Peters. 2014. “Trade, Foreign Direct Investment and Immigration Policy Making in the US.” *International Organization* Vol. 68(4):811–844.

News article.

Week 10

May 31: Economic Globalization, Political Backlash & Developing Countries

This lecture will focus on backlash against economic globalization.

Reading:

Joseph M. Grieco and G. John Ikenberry. 2003. *State Power and World Markets*. New York: W.W. Norton & Company. Chapter 7 pp. 204–219, 226–239.

Nita Rudra. 2008. *Who Really Gets Hurt? Globalization and Race to the Bottom in Developing Countries*, Cambridge: Cambridge University Press. Chapter 2 pp. 19–47.

June 2: Final Review

Final Exam: Saturday June 4, 3:30 PM.