

JEM165 International Political Economy

Lecturers:

Ing. Vilém Semerák, Ph.D., vilem.semerak@fsv.cuni.cz

Mgr. Michal Paulus, michal.paulus@fsv.cuni.cz

Place: Thursday 17:00 – 18:20, room 206, Opletalova IES

MOODLE course name: JEM165 International Political Economy

MOODLE password: provided at the lectures

1. Course Objectives

The class aims to provide students with a basic introduction into the “international political economy” (IPE) field. The course is based on the active participation of students who are required to read compulsory literature for each class and debate the papers. The course is using two streams of literature: academic literature (papers and textbooks) and topical articles/papers covering current policy issues (e.g. The Economist or Foreign Affairs). The goal of this approach to literature is to use IPE research as guidance in real-world policy debates that help us understand actual (and often opposing) positions of policymakers.

The main “applied” or policy focus of the course is on the debates associated with recent changes in global economy, attitudes of main actors (Trump’s USA, Xi Jinping’s China, BREXIT-influenced EU) and possible causes of the changes. We will try to understand the economic dimensions of current global trends and their possible implications for the future of global economic governance.

Within the broad scope of traditional IPE topics we are going to focus more on issues closer to traditional economics, and rational choices approaches, i.e. the course is focused more on concepts and models, rather than on memorising institutional details of current or previous global economic affairs. In line with the focus of current global affairs and with the specialisation of the lecturers, we will primarily focus on issues linked with international trade and globalization.

After passing this course, the students should be able to answer the following questions:

- 1) How does the IPE differ from international trade/finance, from traditional economics or from geopolitics?
- 2) How has the global trade framework based on GATT/WTO come into existence? Is it the only possible configuration of global trade relations?
- 3) How has the relationship between states, influential companies (multinationals, national champions) developed during the last decades? Who has the actual power?
- 4) Why do (at least some) countries care about which currency plays the role of the main global currency?
- 5) What were the causes of the 2008/09 financial crisis and how has it transformed the global economic environment?
- 6) How can the Chinese “One Belt, One Road” initiative transform the global economic landscape?

2. Literature

Each lecture will be linked with several two types of literature: compulsory and supplementary sources. There are two main textbooks which provide a wider and traditional coverage of topics typical for the IPE.

- Broome A. (2014) *Issues and Actors in the Global Political Economy*. Palgrave Macmillan.
- Ravenhill J. (2014 or 2017) *Global Political Economy*. Oxford University Press

Alternatively, you can also try: Oatley A. (2016) *International Political Economy*

Reading the whole textbooks is not mandatory (if not otherwise explicitly stated), in fact, given relatively limited space and the plethora of IPE perspectives we will not be covering all the included topics/approaches in detail. However the lectures are always reflecting specific textbook chapters and having access to the textbooks will be useful. Therefore, they are the main source for better understanding of the lectures and debated topics.

Another good source of interesting papers (introductory but also advanced) is:

- Weingast, B. R. and Wittman, D. (2008). *The Oxford handbook of political economy*. Oxford University Press.

If you are interested in the history of global economic relations (and if you want to get some insight into these topics) in a rather readable form, we can recommend the following texts:

- Bernstein, W.J. (2008). *A Splendid Exchange – How Trade Shaped the World*. Atlantic Monthly Press, New York
- Frankopan P. (2015) *The Silk Roads – A New History of the World*. Bloomsbury

If you want to get an interesting insight into geopolitical level of related arguments, we recommend:

- Marshall, T. (2016): *Prisoners of Geography: Ten Maps That Explain Everything About the World*

These three texts are not compulsory, but individual chapters may be assigned as reading for assignments/debates.

We would also like to encourage you to read sources such as *Foreign Affairs* journal for an up-to-date introduction to current debates in international relations and IPE.

3. Requirements

a) Overview

Each student is expected to write the final exam and to actively participate in two group assignments.

Activity	Maximum amount of points
Final Exam	60
Group Assignment I	20
Group Assignment II	20
Bonus Points	10

The final grade will be determined by the sum of all points which the student has gained throughout the semester according to this scale:

A = 100- 91
B = 90-81
C = 80-71
D = 70-61
E = 60-51
F = 50-0

The overall number of points is not the only criterium, there are also two additional constraints. In order to pass the course successfully, we should also:

- Achieve at least 25 points from the final exam.
- Participate in at least one group assignment (or if the group collaboration fails, in some alternative adequate activity).

Final Exam

The final exam covers lectures (content of the lecture, discussion during the class) and also the compulsory literature. The maximum amount of points a student can get from the final exam is 60.

Group Assignments

Each student is assigned to a group. Each group is expected to submit two specific assignments focused on current policy debates. The groups should demonstrate that the members are able to apply IPE concepts on real policy problems. The assignments will be sent to all groups in the middle of the course. All groups will be presenting the results of their work at the end of the semester during two last classes devoted to the debate about the assignments.

The assignments will be evaluated according to the following criteria:

- a) the logical structure of the arguments and quality of the content,
- b) the language of the essay and
- c) complying with the citation standards and the quality of the used sources.

The sources used for the assignments should be of high quality. Groups are encouraged to use academic papers, official reports of various bodies (governments, international organizations, NGOs), respected newspaper articles (Economists, Financial Times, etc.), data or any other reliable sources. Blog discussions, Wikipedia or other commentaries can be used for inspiration but they are regarded as low-quality sources. Relying too much on such sources (without treating them with proper caution) does not guarantee a high number of points.

a) Bonus Points

Students can gain additional 10 bonus points by active participation in the debate during the lectures. That means that a student actively participates in the class debate, have read the readings and debate them in the class, etc. If anybody had a point that he wanted to say but for different reasons could not or got the idea after the lecture, he can write it in e-mail form to the lecturer to get the bonus points. A student can get maximum one activity point per class. Students are encouraged to be active during the class while the bonus points can significantly improve grade.

b) Free-rider problem

We are well aware of the fact that issues such as free-riding can appear during your group work (e.g. non-cooperative group members doing “nothing” and receiving grade for the work of others). If this happens, please, follow our recommended procedure that we can handle the issue effectively.

- 1) Inform the free-rider via email (there must be evidence of the conversation) that you demand his active cooperation. Describe the amount of work necessary for the assignment, division of labour within group and therefore his duties.
- 2) If he still does not increase his activity to sufficient level, please inform us and forward us your mutual communication proving his unfulfilled duties. There must be of course evidence about the division of labour, therefore we recommend you always to inform each other about your mutual duties via email.
- 3) If the evidence is conclusive then we take adequate action (=no points for free-rider).

4. Course structure

Short Summary

No.	Topic	Date	Lecturer
1	Introduction to IPE: Theoretical Perspectives, Main Actors and Short History of Global Economy	February 21	VS
2	Cooperation and Conflicts, New x Old Superpowers	February 28	VS
3	World Trade System, International Trade Cooperation	March 7	VS
4	Trade Regimes and Regional Cooperation, PTAs and RTAs	March 14	VS
5	International Monetary Relations	March 21	Guest Lecture
6	The Political Economy of Financial Crises	March 28	VS
7	Political Economy of Development	April 4	VS
8	Corruption in International Economy: Its Regulation and Natural Resource Curse	April 11	MP
9	Holidays	April 18	
10	Globalization – Power of States and Multinationals	April 25	MP
11	The Political Economy of International Migration	May 2	MP
12	Reports: Class Debate (1 st Topic)	May 9	MP
13	Reports II: Class Debate (2 nd Topic)	May 16	MP

Detailed Description

1) Introduction to IPE: Theoretical Perspectives, Main Actors and Short History of Global Economy (February 21st)

The first lecture represents brief introduction into the IPE discipline. We cover main theoretical approaches to IPE, position of IPE within social sciences and main actors that are discussed within the discipline. The lecture will also cover brief summary of historical development of global economy.

Compulsory literature

Broome (2014), CH 1

Supplementary literature

Textbooks

Broome (2014), CH 2-6

Ravenhill (2014), CH 1-2

Papers and other sources

The Maddison-Project

(<https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2018>, 2018 version)

Bolt, J., & Zanden, J. L. (2014). The Maddison Project: collaborative research on historical national accounts. *The Economic History Review*, 67(3), 627-651.

Fouquin, M., & Hugot, J. (2016). Back to the Future: International Trade Costs and the Two Globalizations. *CEPII Document de travail*, (2016-13).

Harley, C. K. (1988). Ocean freight rates and productivity, 1740–1913: the primacy of mechanical invention reaffirmed. *The Journal of Economic History*, 48(04), 851-876.

Lampe, M. (2009). Effects of Bilateralism and the MFN Clause on International Trade: Evidence for the Cobden-Chevalier Network, 1860-1875. *The Journal of Economic History*, 69(04), 1012-1040.

Maddison, A. (1982). Economic epochs and their interpretation, Chapter 1 of Phases of Capitalist Development, Oxford University Press.

Mandeville, B. (1988). *The Fable of the Bees or Private Vices, Public Benefits*, Indianapolis: Liberty Fund. <http://oll.libertyfund.org/titles/846>

Smith, A. (1790) *The Theory of Moral Sentiments*. Library of Economics and Liberty. <http://www.econlib.org/library/Smith/smMS.html>

2) Cooperation and Conflicts, New x Old Superpowers (February 28th)

We focus on the literature investigating the reasons behind cooperation and conflicts between actors. Establishment of international institutions (and organizations) as a potential solution of conflicting interests will be investigated. The lecture will also debate the economic effects of sanctions and investigate the hypothesis that mutual trade is a “peace promoter” between conflicting states.

In the area of current policy issues, we will focus on the attempts of China to revise international institutional order based on Bretton Wood. We will be also discussing historical examples of similar

conflicts (ranging from the popular concept of Thucydides Trap-like interpretation of Peloponnesian Wars to e.g. Europe and Middle East in the second half of 19th century) and compare them with current situation in global economy.

Compulsory literature

Ravenhill (2014), Chapter 3

Bell, S. R., & Long, A. G. (2016). Trade Interdependence and the Use of Force: Do Issues Matter? *International Interactions*, 42(5), 750-773.

Foreign Affairs (2017/2). China and the World

J. S. Nye (2017): Will the Liberal Order Survive? *Foreign Affairs* January/February 2017, Volume 96, Number 1

Haas, R. (2019): How a World Order Ends. And What Comes in Its Wake. *Foreign Affairs*, February 2019

Supplementary literature

Textbooks

Ravenhill (2014), CH 4

Papers and other sources

Kotkin, S. (2018). Realist World. The Players Change but the Game Remains. *Foreign Affairs*, August 2018

Deudney, D., Ikenberry, G.J. (2018). Liberal World. The Resilient Order. *Foreign Affairs*, August 2018

Brewster, R. (2014). The Domestic and International Enforcement of the OECD Anti-Bribery Convention. *Chicago Journal of International Law*, 15(1), 84–109.

Cavallo, E., Powell, A., Pedemonte, M., & Tavella, P. (2015). A new taxonomy of Sudden Stops: Which Sudden Stops should countries be most concerned about? *Journal of International Money and Finance*, 51, 47-70.

Foreign Affairs (2017/2 and 2017/1)

Schneider, G. (2014). Peace through globalization and capitalism? Prospects of two liberal propositions. *Journal of Peace Research*, 51(2), 173-183.

Rose, G. (2018): The Fourth Founding. The United States and the Liberal Order. *Foreign Affairs*, February 2019

Current policy debates

China and international institutional order. Trump's politics to China.

3) World Trade System, International Trade Cooperation (March 7th)

The lecture will primarily investigate the rationale behind the contemporary trend of trade protectionism (probably most visible proponent is the current US president Donald Trump). We will cover the main arguments in favour of trade liberalization and also protectionism. Special attention will be devoted to the arguments of D. Rodrick. In the policy area we will discuss the revision of US trade policy done by Donald Trump.

Compulsory literature

The Economist – Special Report on Liberalization of Trade (2016)

Ostry, J. D., Loungani, P., & Furceri, D. (2016). Neoliberalism: oversold. *Finance & Development*, 53(2), 38-41.

Rodrik, D. (2011). *The globalization paradox: democracy and the future of the world economy*. WW Norton & Company. CH 3

Supplementary literature

Broome (2014), CH 15, 16

E. Helpman: Understanding Global Trade. Belknap Press 2011

Kletzer, L. G. (1998). Job displacement. *The Journal of Economic Perspectives*, 12(1), 115-136.

Kletzer, L. G. (2004). Trade-related Job Loss and Wage Insurance: a Synthetic Review. *Review of International Economics*, 12(5), 724-748.

Krugman, P. R. (2008). Trade and wages, reconsidered. *Brookings Papers on Economic Activity*, 2008(1), 103-154.

Hakobyan, S., & McLaren, J. (2016). Looking for local labor market effects of NAFTA. *Review of Economics and Statistics*, 98(4), 728-741.

Lake, J., & Millimet, D. L. (2016). An empirical analysis of trade-related redistribution and the political viability of free trade. *Journal of International Economics*, 99, 156-178.

Current debates

Trump's revision of US trade policy

4) Trade Regimes and Regional Cooperation, PTAs and RTAs (March 14th)

The lecture is devoted to the political economy of trade regime. We will investigate the economic reasons behind the free trade and track the historical development of international trade regime (from GATT to WTO). The class will compare the international regime (WTO) to the approach based on conclusions of bilateral or regional trade agreements (RTA). We will discuss economic effects of both positions. In policy debates we will discuss also the TTIP and domestic limits of the RTAs.

Compulsory literature

Will be updated.

Supplementary literature

Ravenhill (2014), CH 5-6

J. Bhagwati: Termites in the Trading System. A CFR Book. Oxford University, July 2008

Current policy debates

USA and plans for special deals with China and the EU

The future of trade relations between the EU and the UK

5) International Monetary Relations (March 21st)

Guest lecture expected, details will be provided later.

Compulsory literature

Ravenhill (2014), CH 7

Cecchetti, S.G. and K.L. Schoenholtz (2016). Money, banking and financial markets. New York: McGraw Hill Education. Excerpt from Chapter 19: Exchange-rate policy and central bank, pp. 536 - 547.

CNB (2017) The exchange rate commitment: how the CNB keeps the exchange rate close to CZK 27 to the euro. Available at http://www.cnb.cz/en/faq/the_exchange_rate_commitment.html.

6) The Political Economy of Financial Crises and Global Imbalances (March 28th)

The class will focus on the IPE research about financial crises. The policy part of the lecture will mainly focus on the debates about the financial crisis in US in 2008 and introduce explanations stemming from “economics” and “IPE” literature. The particular focus will be on the impact of so called “ideational change”.

Compulsory literature

Blanchard, O. J. (2008). The crisis: basic mechanisms, and appropriate policies.

Helleiner, E. (2011). Understanding the 2007–2008 global financial crisis: Lessons for scholars of international political economy. *Annual Review of Political Science*, 14, 67-87.

Obstfeld M., Rogoff K. (2009): Global Imbalances and the Financial Crisis: Products of the Common Causes. CEPR Discussion Paper No. DP7606:

https://papers.ssrn.com/sol3/papers.cfm?Abstract_id=1533211

Akerlof G.A., Shiller, R.J.: Phishing for Phools The Economics of Manipulation and Deception. Chapter 2 – Reputation Mining and the Financial Crisis

Supplementary literature

Broome (2014), CH 13

Tooze, A. (2018): The Forgotten History of the Financial Crisis - What the World Should Have Learned in 2008. Foreign Affairs, August 2018

O'Keefe, M., & Terzi, A. (2015). *The political economy of financial crisis policy* (No. 2015/06). Bruegel Working Paper.

Lee, M. (2016). How many lightbulbs does it take to change the financial system? Economic ideas and financial regulation, 1846–2007. *The British Journal of Politics and International Relations*, 18(4), 866-888.

Stratmann, T. (2002). Can special interests buy congressional votes? Evidence from financial services legislation. *The Journal of Law and Economics*, 45(2), 345-373.

Adler G., Cubeddu L. (2017). Global Imbalances: Avoiding a Tragedy of the Commons. IMF Blog: <https://blogs.imf.org/2017/07/28/global-imbalances-avoiding-a-tragedy-of-the-commons/>

US Treasury: Report to Congress on International Economic and Exchange Rate Policies. October 2013: https://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2013-10-30_FULL%20FX%20REPORT_FINAL.pdf

Current policy debates

Financial crisis in the US (2008)

Global imbalances and imbalances in current China

7) Political Economy of Development (April 4th)

The lecture will focus on the economic theory of development elaborated by D. Acemoglu. We will debate the role of institutions and also the effectiveness of foreign aid. We will also touch the differences in approaches to foreign aid of China and EU while the foreign aid policies will be related to the work of D. Acemoglu.

Compulsory literature

Dreher, A., & Fuchs, A. (2015). Rogue aid? An empirical analysis of China's aid allocation. *Canadian Journal of Economics/Revue canadienne d'économie*, 48(3), 988-1023.

Acemoglu, D., & Robinson, J. A. (2006). Paths of economic and political development. In *The Oxford handbook of political economy*.

Supplementary literature

Bader, J., & Faust, J. (2014). Foreign aid, democratization, and autocratic survival. *International Studies Review*, 16(4), 575-595.

Bigsten, A., & Tengstam, S. (2015). International coordination and the effectiveness of aid. *World Development*, 69, 75-85.

Del Biondo, K. (2015). Donor interests or developmental performance? Explaining sanctions in EU democracy promotion in sub-Saharan Africa. *World Development*, 75, 74-84.

Broich, T. (2017). *Do authoritarian regimes receive more Chinese development finance than democratic ones? Empirical evidence for Africa* (No. 011). United Nations University-Maastricht Economic and Social Research Institute on Innovation and Technology (MERIT).

Dreher, A., Nunnenkamp, P., & Thiele, R. (2011). Are 'new' donors different? Comparing the allocation of bilateral aid between nonDAC and DAC donor countries. *World Development*, 39(11), 1950-1968.

Koch, S. (2015). A typology of political conditionality beyond aid: conceptual horizons based on lessons from the European Union. *World Development*, 75, 97-108.

Molenaers, N., Dellepiane, S., & Faust, J. (2015). Political conditionality and foreign aid. *World Development*, 75, 2-12.

Yuichi Kono, D., & Montinola, G. R. (2009). Does foreign aid support autocrats, democrats, or both?. *The Journal of Politics*, 71(2), 704-718.

Current debates

Foreign aid policies of China and EU.

8) Corruption in International Economy: Its Regulation and Natural Resource Curse (April 11th)

The lecture debates two main topics: a) corruption in international transactions and its regulation and b) natural resource curse and its relation to corruption and governance quality. We focus on efficiency of anti-corruption laws against bribery abroad and debate actual intentions of contemporary US government to partially repeal one of the “anti-corruption” acts. We cover the impacts of natural resource abundance on governance indicators while also debating the position of oil countries in Middle East.

Compulsory literature

Busse, M., & Gröning, S. (2013). The resource curse revisited: governance and natural resources. *Public choice*, 154(1-2), 1-20.

Cuervo-Cazurra, A. (2008). The effectiveness of laws against bribery abroad. *Journal of International Business Studies*, 39(4), 634-651.

Selected papers from Foreign Affairs

Supplementary literature

Egger, P., & Winner, H. (2005). Evidence on corruption as an incentive for foreign direct investment. *European journal of political economy*, 21(4), 932-952.

Frankel, J. A. (2010). *The natural resource curse: a survey* (No. w15836). National Bureau of Economic Research.

Jeong, Y., & Weiner, R. J. (2012). Who bribes? Evidence from the United Nations' oil-for-food program. *Strategic Management Journal*, 33(12), 1363-1383.

Kaufmann, D. (1997). Corruption: the facts. *Foreign policy*, 114-131.

Pérez, M. F., Brada, J. C., & Drabek, Z. (2012). Illicit money flows as motives for FDI. *Journal of Comparative Economics*, 40(1), 108-126.

Sachs, J. D., & Warner, A. M. (2001). The curse of natural resources. *European economic review*, 45(4), 827-838.

Current debates

Repeal of the Section 1504 of Dodd-Frank Act by D. Trump; OECD anti-bribery convention.

9) Holidays (April 18th)

10) Globalization – Power of States and Multinationals (April 25th)

The lecture covers debates about the impact of globalization on national states. We will analyze the main critical thesis of “hyperglobalization” and relate the debate to the recent elections in US and Brexit referendum.

Compulsory literature

Ravenhill (2014), CH 10

Selected papers from the Foreign Affairs

Supplementary literature

Ravenhill (2014), CH 14

OECD (2015) The Labour Share in G20-Economies

Current debates

Brexit referendum and US elections.

11) The Political Economy of International Migration (May 2nd)

The lecture debates economic impacts of immigration with a focus on US situation. We summarize main academic findings related to economic impacts of immigration. Scholars also relate the migration to trade policies and offer international coordination as a possible solution of future migration policies. As the policy topic we will discuss the anti-immigration policy of D. Trump.

Compulsory literature

Hatton, T. J. (2007). Should we have a WTO for international migration? *Economic Policy*, 22(50), 340-383.

Selected papers from Foreign Affairs

Supplementary literature

Borjas, G. (2013). Immigration and the American worker. *Center for Immigration Studies, Washington, DC*.

Borjas, G. J. (2015). The slowdown in the economic assimilation of immigrants: Aging and cohort effects revisited again. *Journal of Human Capital*, 9(4), 483-517.

Clemens, M. A. (2011). Economics and emigration: Trillion-dollar bills on the sidewalk? *The Journal of Economic Perspectives*, 25(3), 83-106.

Economist (2017). Immigration cannot plug the hole in America’s budget. Issue no. 16.

Hatton, T. J. (2007). Should we have a WTO for international migration? *Economic Policy*, 22(50), 340-383.

World Bank (2017). Migration and Development Brief No. 27

Current debates

Trump's anti-immigration policy

12) Reports: Class Debate (1st Topic) (May 19th)

The groups will present and debate the results of their first assignment.

13) Reports II: Class Debate (2nd Topic) (May 16th)

The groups will present and debate the results of their second assignment.