

# 17.424: International Political Economy of Advanced Industrial Societies

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MIT

## 1 Contact Information

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## 2 Logistics

- Lectures: Mondays, 11:00am–1:00pm (E53-485)

Note that the first class meets on January 31. No class will be held on February 21 (President's Day: We will meet on February 22 instead), April 18 (Patriots' Day). Last day of class is May 9.

## 3 Course Description

This graduate class is designed as a Ph.D.-level overview of international political economy (IPE), with an emphasis on the advanced industrial countries. It also serves as preparation for the IPE portion of the International Relations general exam. The syllabus is divided into three sections: international trade; international monetary and financial relations (including foreign direct investment); and “other topics.” An important goal of the course is to use economic theories to identify the welfare effects, distributional consequences, and security implications of foreign economic policy decisions, and to use the tools of political science to analyze how interest groups, voters, political parties, electoral institutions, ideas, and power politics interact to shape policy outcomes. It is our hope that this course will spark your own research ideas and ultimately lead to successful dissertations, publishable papers, and thoughtful pedagogy at the undergraduate and graduate levels.

## 4 Course Requirements

The final grades are based on the following items:

- **Class Participation** (20%): Students are expected to read each article or chapter on the syllabus closely, and to come to class prepared to discuss and critique the readings.
- **Reaction Papers** (20%): Four reaction papers (2-3 pages in length), each of which critiques a week's readings. Reaction papers are due at the beginning of class, and retroactive papers (which discuss the prior week's readings) are *not* permitted.
  - Please submit your reaction papers under “Assignments” tab of the Canvas webpage.
  - Please use the following format for your filename: `Lastname_Paper#_Week#.pdf` (or `Lastname_Paper#_Week#.docx`). For example, if you plan to submit your third reaction paper based on the readings from Week 10, please make sure to name your file as `Kim_Paper3_Week10.pdf`.
- **Research Proposal** (60%): A thoughtful, rigorous, tightly written 20-page research proposal on a topic related to international political economy. The proposal should identify a research puzzle, situate that puzzle in the relevant literature, and offer an argument with testable hypotheses to explain the puzzle. As a part of your proposal, you may also develop empirical strategies to test your hypotheses and include any preliminary findings.
  - A one-page prospectus is due any time before **March 14**
  - The proposal is due by **May 9**.
  - Each student will give a formal APSA-style presentation of the research proposal at the end of the semester.
  - Please submit your research proposal under “Assignments” tab of the Canvas webpage.

*Note:* If you would prefer to write a full article-length research paper, you may do so with our permission; if you choose this option, then reaction papers are not required (research paper will count toward 80% of the final grade).

## 5 Notes on Academic Integrity

Please respect and follow the rules written in MIT's handbook on academic integrity, which is available at: <http://integrity.mit.edu/>

## 6 Course Website

You can find the Canvas website for this course at:

<https://canvas.mit.edu/courses/12877>

We will distribute course materials, including readings, and lecture slides on this website.

## 7 Readings

Readings are available through the library's online journal holdings and by simple Google searches. For your convenience, they will also be posted on the Canvas site.

Students are encouraged to consult a good international economics textbook:

- Caves, Frankel, and Jones, *World Trade and Payments*
- Krugman and Obstfeld, *International Economics*.

Accessible discussions of many of the economic theories discussed in the readings:

- Jeffrey Frieden, *Global Capitalism* (Norton, 2006)
- Joseph Grieco and John Ikenberry, *State Power and World Markets* (Norton, 2003)
- Thomas Oatley, *International Political Economy* (Pearson Longman/Routledge, any edition)

An excellent reference on the history of international monetary relations:

- Barry Eichengreen, *Globalizing Capital*, 2nd edition (Princeton University Press, 2008).

See Section 9 at the end of the syllabus for a list of excellent recent IPE books, most of which began as dissertations.

## 8 Course Outline

### Introduction

#### Week 1 (January 31): Introduction

- Frieden, Jeffrey, and Ronald Rogowski, 2014. "Modern Capitalism: Enthusiasts, Opponents, and Reformers," In *The Cambridge History of Capitalism*, Ed. Neal and Williamson.
- Lake, David. 2009. "Open Economy Politics: A Critical Review." *The Review of International Organizations* 4 (3): 219-44.
- Baldwin, Richard E. 2016. *The Great Convergence: Information Technology and the New Globalization*. Watch the video available here.

### Section I: International Trade

#### Week 2 (February 7): Industries, Voters, and Cleavages

- Rogowski, Ronald. 1987. "Political Cleavages and Changing Exposure to Trade." *American Political Science Review* 81, (4):1121-1137.
- Hiscox, Michael J. 2002. "Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade Legislation." *American Political Science Review* 96 (3): 593-608.

- Ahlquist, John S., Amanda B. Clayton, and Margaret Levi. 2014. “Provoking Preferences: Unionization, Workers’ Attitudes toward International Trade, and the ILWU Puzzle.” *International Organization* 68 (1): 33-75.
- Scheve, Kenneth F., and Matthew J. Slaughter. 2001. “What Determines Individual Trade-Policy Preferences?” *Journal of International Economics* 54 (2): 267-92.
- Mansfield, Edward, and Diana Mutz. 2009. “Support for Free Trade: Self-Interest, Sociotropic Politics, and Out-Group Anxiety.” *International Organization* 63 (3): 425-457.
- Osgood, Iain, and Hyeon-Young Ro. 2020. “Trade’s Progressive Opposition.” Working paper available at <https://hyeonyoungro.github.io/assets/pdf/T013.pdf>

### **Week 3 (February 14): Institutional and Structural Perspectives**

- Krasner, Stephen D. 1976. “State Power and the Structure of International Trade.” *World Politics* 28 (3): 317-347.
- Carnegie, Allison. 2014. “States Held Hostage: Political Hold-up Problems and the Effects of International Institutions.” *American Political Science Review* 108 (1): 54-70.
- Milner, Helen V. and Keiko Kubota. 2005. “Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries.” *International Organization* 59 (1): 157–193.
- Rickard, Stephanie J. 2020. “Economic Geography, Politics, and Policy.” *Annual Review of Political Science* 23: 187-202
- Hiscox, Michael J. 1999. “The Magic Bullet? The RTAA, Institutional Reform and Trade Liberalization.” *International Organization* 53 (4): 669-698.
- Tomz, Michael, Judith L. Goldstein, and Douglas Rivers. 2007. “Do We Really Know That the WTO Increases Trade? Comment.” *American Economic Review* 97 (5): 2005–2018.

#### *Recommended Reading:*

- Rickard, Stephanie J. 2021. “Interests, Institutions and the Environment: An Examination of Fisheries Subsidies” Policy.” *International Studies Quarterly*

### **Week 4 (February 22, Tuesday): Firm-level Perspectives**

- Kim, In Song. 2017. “Political Cleavages within Industry: Firm-level Lobbying for Trade Liberalization.” *American Political Science Review* 111 (1): 1-20.
- Kim, In Song and Iain Osgood. 2019. “Firms in Trade and Trade Politics.” *Annual Review of Political Science* 22: 399-417.
- Rodrik, Dani. 2018. “What Do Trade Agreements Really Do?” *Journal of Economic Perspectives* 32(2): 73-90.
- Baccini, Leonardo, Pablo Pinto, and Stephen Weymouth. 2017. “The Distributional Consequences of Preferential Trade Liberalization: Firm-Level Evidence.” *International Organization* 71(2): 373-395.

- Osgood, Iain, and Margaret Peters. 2017. “Escape Through Export? Women-Owned Enterprises, Domestic Discrimination, and Global Markets.” *Quarterly Journal of Political Science* 12 (2): 143-183.

*Recommended Reading:*

- Tarek A Hassan, Stephan Hollander, Laurence van Lent, Ahmed Tahoun. 2019. “Firm-Level Political Risk: Measurement and Effects.” *Quarterly Journal of Economics* 48 (4): 559-93.

## **Week 5 (February 28): Foreign Direct Investment and Global Production Networks**

- Johns, Leslie, and Rachel Wellhausen. 2016. “Under One Roof: Supply Chains and the Protection of Foreign Investment.” *American Political Science Review* 110 (1): 31-51.
- Malesky, Edmund J., Dimitar Gueorguiev, and Nathan M. Jensen. 2015. “Monopoly Money: Foreign Investment and Bribery in Vietnam, a Survey Experiment.” *American Journal of Political Science* 59 (2): 419-439.
- Jensen, Nathan. 2003. “Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment.” *International Organization* 57 (3): 587-616.
- Kerner, Andrew. 2014. What We Talk About When We Talk About Foreign Direct Investment. *International Studies Quarterly* 58 (4): 804-15.
- Scheve, Kenneth, and Matthew J. Slaughter. 2004. “Economic Insecurity and the Globalization of Production.” *American Journal of Political Science* 48 (4): 662-674.
- Jensen, J. Bradford, Dennis P. Quinn, and Stephen Weymouth. 2015. “The Influence of Firm Global Supply Chains and Foreign Currency Undervaluations on US Trade Disputes.” *International Organization* 69(4): 913-947.

*Recommended Reading:*

- Frieden, Jeffrey A. 1994. “International Investment and Colonial Control: A New Interpretation.” *International Organization* 48 (4): 559-93.
- Kim, In Song, Steven Liao, and Sayumi Miyano. 2020. “Why Trade and FDI Should Be Studied Together.” Working paper available at <http://web.mit.edu/insong/www/pdf/fditrade.pdf>

## **Section II: International Monetary and Financial Relations**

### **Week 6 (March 7): Theoretical Orientation and Background**

- Frieden, Jeffrey A. 2015. *Currency Politics: The Political Economy of Exchange Rate Policy*. Princeton, NJ: Princeton University Press, preface and chapter 1.
- Broz, J. Lawrence, and Jeffrey Frieden. 2001. “The Political Economy of International Monetary Relations.” *Annual Review of Political Science* 4 (1): 317-343.

- Bernhard, William, J. Lawrence Broz, and William Roberts Clark. 2002 “The Political Economy of Monetary Institutions.” *International Organization* 56 (4): 693–723.
- Neely, Christopher J. 1999. “An Introduction to Capital Controls.” *Federal Reserve Bank of St. Louis Review* 81 (6): 13-30.
- Rey, Helene. 2015. “Dilemma Not Trilemma: The Global Financial Cycle and Monetary Policy Independence.” NBER Working Paper 21162. See VoxEU summary available at [here](#)

### **Week 7 (March 14): Exchange Rate Politics**

- Broz, J. Lawrence. 2002. “Political System Transparency and Monetary Commitment Regimes.” *International Organization* 56 (4): 863-889.
- Walter, Stefanie. 2008. “A New Approach for Determining Exchange-Rate Level Preferences.” *International Organization* 62 (3): 405-438.
- Bernhard, William, and David Leblang. 1999. “Democratic Institutions and Exchange Rate Commitments.” *International Organization* 53 (1): 71-97.
- Singer, David A. 2010. “Migrant Remittances and Exchange Rate Regimes in the Developing World.” *American Political Science Review* 104 (2): 307-323.
- Copelovitch, Mark, and John Pevehouse. 2013. “Ties That Bind? Preferential Trade Agreements and Exchange Rate Policy Choice.” *International Studies Quarterly* 57 (2): 385-99.

### **Week 8 (March 21): Spring Break (No Class)**

### **Week 9 (March 28): The Politics of International Capital Mobility**

- Simmons, Beth, and Zachary Elkins. 2004. “The Globalization of Liberalization: Policy Diffusion in the International Political Economy.” *American Political Science Review* 98 (1): 171-189.
- Chwieroth, Jeff. 2008. “Normative Change From Within: The International Monetary Fund’s Approach to Capital Account Liberalization.” *International Studies Quarterly* 52 (1): 129-158.
- Mosley, Layna. 2000. “Room to Move: International Financial Markets and National Welfare States.” *International Organization* 54 (4): 737-773.
- McNamara, Kathleen. 2002. “Rational Fictions: Central Bank Independence and the Social Logic of Delegation.” *West European Politics* 25 (1): 47-76.
- Copelovitch, Mark. 2010. “Master or Servant? Common Agency, Preference Heterogeneity, and the Political Economy of IMF Lending.” *International Studies Quarterly* 54 (1): 49-77.
- McDowell, Daniel, and David A. Steinberg. 2017. “Systemic Strengths, Domestic Deficiencies: The Renminbi’s Future as a Reserve Currency.” *Journal of Contemporary China* 26 (108).

## **Section III: Other Topics**

## Week 10 (April 4): Migration

- Hanson, Gordon H., Kenneth Scheve, and Matthew Slaughter. 2009. "Individual Preferences over High-Skilled Immigration in the United States." In Jagdish Bhagwati and Gordon Hanson (eds.), *Skilled Immigration Today: Prospects, Problems, and Policies*, Oxford: Oxford University Press.
- Hainmueller, Jens, and Michael J. Hiscox. 2010. "Attitudes Towards Highly Skilled and Low Skilled Immigration: Evidence from a Survey Experiment." *American Political Science Review*. 104 (1): 61-84.
- Hainmueller, Jens, and Daniel J. Hopkins. 2015. "The Hidden American Immigration Consensus: A Conjoint Analysis of Attitudes toward Immigrants." *American Journal of Political Science* 59 (3): 529-548.
- Leblang, David. 2010. "Familiarity Breeds Investment: Diaspora Networks and International Investment." *American Political Science Review* 104 (3): 584-600.
- Peters, Margaret. 2014. "Trade, Foreign Direct Investment, and Immigration Policy Making in the United States." *International Organization* 68 (4): 811-844.

### *Recommended Reading:*

- Leblang, David, and Sarah Blodgett Bermeo. 2015. "Migration and Foreign Aid." *International Organization* 69 (3): 627-657.
- Malhotra, Neil, Yotam Margalit, and Cecilia Hyunjung Mo. 2013. "Economic Explanations for Opposition to Immigration." *American Journal of Political Science* 57 (2): 391-410.

## Week 11 (April 18): Patriot's Day (No Class)

## Week 12 (April 25): Political Economy of International Security

- Oneal, John and Bruce Russett. 1999 "The Kantian Peace: Assessing the Pacific Benefits of Democracy, Interdependence, and International Organizations, 1885-1992." *World Politics* 52 (1): 1-37.
- Gartzke, Erik, Quan Li, and Charles Boehmer. 2001. "Investing in the Peace: Economic Interdependence and International Conflict." *International Organization* 55 (2): 391-438.
- Brooks, Stephen. 1999 "The Globalization of Production and the Changing Benefits of Conquest." *The Journal of Conflict Resolution* 43 (5): 646-670.
- Schulz, Kenneth, and Barry Weingast. 2003. "The Democratic Advantage: Institutional Foundations of Financial Power in International Competition." *International Organization* 57 (1): 3-42.
- Mariya Grinberg. 2021 "Wartime Commercial Policy and Trade between Enemies." *International Security* 46 (1): 9-52

### *Recommended Reading:*

- Eichengreen, Barry, Arnaud J. Mehl, and Livia Chitu. 2017. "Mars or Mercury? The Geopolitics of International Currency Choice". NBER Working Paper 24145.

- Fordham, Ben. 2007. “Revisionism Reconsidered: Exports and American Intervention in World War I.” *International Organization* 61 (2): 277-310.
- Rowe, David M. 1999. “World Economic Expansion and National Security in Pre-World War I Europe.” *International Organization* 53 (2): 195–231.

**Week 13 (May 2): Research Design Presentations**

**Week 14 (May 9): Research Design Presentations**

## 9 Recent IPE Books

- Bauerle Danzman, Sarah. 2019. *Merging Interests: When Domestic Firms Shape FDI Policy*. Cambridge: Cambridge University Press.
- Carnegie, Allison. 2015. *Power Plays: How International Institutions Reshape Coercive Diplomacy*. New York, NY: Cambridge University Press.
- Dean, Adam. 2016. *From Conflict to Coalition: Profit-Sharing Institutions and the Political Economy of Trade*. New York, NY: Cambridge University Press.
- Frieden, Jeffrey. 2014. *Currency Politics: The Political Economy of Exchange Rate Policy*. Princeton, NJ: Princeton University Press.
- Guisinger, Alexandra. 2017. *American Opinion on Trade: Preferences without Politics*. New York: Oxford University Press.
- Jensen, Nathan, and Edmund Malesky. 2018. *Incentives to Pander: How Politicians Use Corporate Welfare for Political Gain*. United Kingdom; New York, NY: Cambridge University Press
- McDowell, Daniel. 2016. *Brother, Can You Spare a Billion? The United States, the IMF, and the International Lender of Last Resort*. New York: Oxford University Press.
- Milner, Helen, and Dustin Tingley. 2015. *Sailing the Water’s Edge: The Domestic Politics of American Foreign Policy*. Princeton, NJ: Princeton University Press.
- Pandya, Sonal. 2013. *Trading Spaces: Foreign Direct Investment Regulation, 1970-2000*. New York, NY: Cambridge University Press.
- Pelc, Krzysztof. 2016. *Making and Bending International Rules: The Design of Exceptions and Escape Clauses in Trade Law*. New York, NY: Cambridge University Press.
- Peters, Margaret. 2017. *Trading Barriers: Immigration and the Remaking of Globalization*. Princeton, NJ: Princeton University Press.
- Rickard, Stephanie. 2018. *Spending to Win: Political Institutions, Economic Geography, and Government Subsidies*. Cambridge, United Kingdom ; New York, NY: Cambridge University Press.
- Steinberg, David. 2015. *Demanding Devaluation: Exchange Rate Politics in the Developing World*. Ithaca ; London: Cornell University Press.

- Vreeland, James, and Axel Dreher. 2014. *The Political Economy of the United Nations Security Council: Money and Influence*. New York, NY: Cambridge University Press.
- Walter, Stefanie. 2013. *Financial Crises and the Politics of Macroeconomic Adjustment*. Cambridge: Cambridge University Press.
- Wellhausen, Rachel. 2015. *The Shield of Nationality: When Governments Break Contracts with Foreign Firms*. New York, NY: Cambridge University Press. Press.