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International Political Economy

Graduate Lecture

Module Content:

This lecture offers an introduction to current research topics in the field of International Political Economy (IPE). After introducing what it means to study IPE in the age of globalization, the course addresses four major themes of current IPE research.

- 1) In the first part on *international trade*, we will learn about the opportunities and challenges that come with the intensifying exchange of goods across the globe.
- 2) In the second part on *international finance*, we will focus on how global financial flows interact with political and economic stability, instability, and crises.
- 3) In the third part on *international development*, we will learn about global economic inequality and understand its links to development cooperation and migration.
- 4) In the fourth part on *international institutions*, we will focus on the role that international institutions and organizations play in the globalized economy.

Learning Outcomes:

- Students are familiar with the basic concepts and definitions applied in current research on IPE.
- Students can explain the assumptions and predictions of standard IPE theories in the areas of international trade, international finance, international development, and international organization.
- Students can evaluate the academic contribution of current IPE research and can relate it to classic academic debates in the IPE literature.
- Students are able to evaluate the strengths and weaknesses of the empirical methods that are applied in current IPE research.
- Students can develop their own research question linked to current IPE research and a research design that is suited to examine this question.

Reading Material

In addition to the literature listed in the course schedule below, the following reading material is recommended.

Course handbook:

- Oatley, Thomas. 2018. *International Political Economy: Interests and Institutions in the Global Economy*, Sixth Edition. Routledge.

Additional good handbooks:

- Frieden, Jeffrey, David Lake, and Lawrence Broz. 2017. *International Political Economy: Perspectives on Global Power and Wealth*, Sixth Edition. Norton.
- Ravenhill, John. 2016. *Global Political Economy*. Oxford University Press.
- Walter, Andrew and Sen, Gautam. 2009. *Analyzing the Global Political Economy*. Princeton University Press

Most relevant journals for current IPE research:

- The general-interest journals in political science (*APSR, AJPS, JoP, BJPS*)
- The general-interest journals in economics (*AER, QJE, JPE, RES, Econometrica*)
- *International Organization*
- *Review of International Organizations*
- *Journal of International Economics*
- *Journal of Development Economics*

Most relevant conference homepages:

For the most recent IPE research, consult the homepages of IPES and PEIO, the two most important IPE conferences:

- www.internationalpoliticaleconomysociety.org
- www.peio.me

Course Schedule

(* indicates mandatory reading)

Part I: International Political Economy in the Age of Globalization

1. Introduction: The field of International Political Economy

- *No mandatory reading
- Oatley 2018: Chapter 1
- Frieden, Jeffrey. 2012. "The modern capitalist world economy: A historical overview." In: *The Oxford Handbook of Capitalism*, ed. Dennis Mueller: Oxford University Press.
- Ruggie, John Gerard. 1982. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order." *International Organization* 36(2): 379–415.

2. Globalization: Anatomy of a mega-trend

- *Held, David and Andrew McGrew. 1999. Globalization. *Global Governance*, 5(4), 483-496.
- *Gygli, Savina, Florian Haelg, Niklas Potrafke and Jan-Egbert Sturm, 2019, The KOF Globalisation Index – Revisited, *Review of International Organizations*.
- Keohane, Robert O., and Joseph S. Nye. 2000. "Introduction." In *Governance in a Globalizing World*, eds. Joseph S. Nye and John D. Donahue. Brookings Institution.
- Friedman, Thomas. 2005. *The World is Flat*. New York. (Focus on chapter: Ten Forces that Flattened the World.)
- Dreher, Axel, Noel Gaston, and Pim Martens. 2008. *Measuring Globalization – Gauging Its Consequences*. Springer.
- Lake, David A. 2009. "Open economy politics: A critical review," *Review of International Organizations* 4: 219-244.

Part II: International Trade

3. The Economics of Trade

- *Oatley 2018: Chapter 3. pages 45-53 & 69-80
- *Autor, David H., David Dorn, and Gordon H. Hanson. 2016. “The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade.” *Annual Review of Economics* 8(1): 205–40.
- Kanbur, Ravi. 2013. “Globalization and inequality.” In: *Handbook of Income Distribution*, eds. A. Atkinson and F. Bourguignon. North-Holland.
- Melitz, Marc J. 2003. “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity.” *Econometrica* 71(6): 1695–1725.
- Helpman, Elhanan, Oleg Itshoki, and Stephen Redding. 2010. “Inequality and Unemployment in a Global Economy.” *Econometrica* 78(4): 1239–83.
- Grossman, Gene M, and Elhanan Helpman. 2015. “Globalization and Growth.” *American Economic Review* 105(5): 100–104.

4. The Politics of Trade

- *Milner, Helen and Keiko Kubota. 2005. “Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries.” *International Organization* 59: 107-143.
- *Walter, Stefanie. 2010. “Globalization and the Welfare State: Testing the Microfoundations of the Compensation Hypothesis.” *International Studies Quarterly* 54(2): 403–26.
- Hiscox, Michael J. 2002. “Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade Legislation.” *American Political Science Review* 96 (3): 593–608.
- Mansfield, Edward, and Diana Mutz. 2009. “Support for Free Trade: Self-Interest, Sociotropic Politics, and Out-Group Anxiety.” *International Organization* 63 (3): 425–57.
- Nooruddin, Irfan, and Nita Rudra. 2014. “Are Developing Countries Really Defying the Embedded Liberalism Compact.” *World Politics* 66(4): 603–40.

5. The Backlash Against Globalization

- *Colantone, Italo, and Piero Stanig. 2018. "The Trade Origins of Economic Nationalism: Import Competition and Voting Behavior in Western Europe." *American Journal of Political Science* 62(4): 936–53.
- *Inglehart, Ronald, and Pippa Norris. 2017. "Trump, Brexit, and the Rise of Populism: Economic Have-Nots and Cultural Backlash." *Harvard Kennedy School Research Working Paper* 16-026.
- Margalit, Yotam 2011. "Costly Jobs: Trade-related Layoffs, Government Compensation, and Voting in U.S. Elections," *American Political Science Review* 105: 133-152.
- Jensen, Bradford J, Dennis Quinn, and Stephen Weymouth. 2017. "Winners and Losers in International Trade: The Effects on U.S. Presidential Voting," *International Organization* 71 (3): 423-457.

Part III: International Finance

6. The Political Economy of International Finance

- *Oatley 2018: Chapter 10
- *Ahlquist, John, Mark Copelovitch, and Stefanie Walter. 2020. "The Political Consequences of External Economic Shocks: Evidence from Poland." *American Journal of Political Science* 64(4): 904–20.
- Tomz, Michael and Mark Wright. 2013. "Empirical Research on Sovereign Debt and Default." *Annual Review of Economics* 5: 247–72
- Cruces, Juan and Christoph Trebesch. 2013. Sovereign defaults: The price of haircuts. *American Economic Journal: Macroeconomics* 5(3), 85-117.
- Pandya, Sonal. 2016. "Political Economy of Foreign Direct Investment: Globalized Production in the Twenty-First Century," *Annual Review of Political Science* 19: 455-475
- Elkins, Zachary, Andrew T. Guzman, and Beth A. Simmons. 2006. "Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960-2000." *International Organization* 60 (4): 811-846.
- Jensen, Nathan M. 2008. "Political Risk, Democratic Institutions, and Foreign Direct Investment." *Journal of Politics* 70 (4): 1040-1052.
- Simmons, Beth A. 2014. "Bargaining over BITs, Arbitrating Awards: The Regime for Protection and Promotion of International Investment." *World Politics* 66 (1): 12-46.
- Jeffrey Frieden. 2016. "The Governance of International Finance," *Annual Review of Political Science* 19.

7. Financial Crises

- *Frieden, Jeffrey and Stefanie Walter. 2017. Understanding the Political Economy of the Eurozone crisis. *Annual Review of Political Science* 20: 25-37.
- *Funke, Manuel, Moritz Schularick, and Christoph Trebesch. 2016. Going to extremes: Politics after financial crises, 1870–2014. *European Economic Review*, 88, 227-260.
- Copelovitch, Mark, Jeffrey Frieden, and Stefanie Walter. 2016. “The Political Economy of the Euro Crisis,” *Comparative Political Studies* 47 (7): 811-840
- Walter, Stefanie 2016. “Crisis Politics in Europe: Why Austerity Is Easier to Implement in Some Countries Than in Others,” *Comparative Political Studies* 47 (7).
- Bechtel, Michael, Jens Hainmueller and Yotam Margalit. 2017. Policy design and domestic support for international bailouts. *European Journal of Political Research*, 56(4), 864-886.

Part IV: International Development

8. The Global Distribution of Wealth, Income, and Poverty

- *World Bank. 2016. *Poverty and Shared Prosperity 2016: Taking On Inequality*. Washington, DC: World Bank Group. Chapters: Overview and Chapter 4.
- *Lakner, Christoph and Branko Milanovic. 2016. “Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession.” *World Bank Economic Review* 30(2): 203–32.
- Alvaredo, Facundo, Lucas Chancel, Thomas Piketty, Emmanuel Saez, Gabriel Zucman. 2017. “Global Inequality Dynamics: New Findings from WID.World.” *American Economic Review* 107(5): 404–9.
- Hammar, Olle, and Daniel Waldenström. 2020. “Global Earnings Inequality, 1970–2018.” *The Economic Journal* 130(632): 2526–45.
- Acemoglu, Daron, Johnson, Simon, James A. Robinson. 2005. Institutions As A Fundamental Cause Of Long-Run Growth. *Handbook Of Economic Growth*. Elsevier.
- Ravallion, Martin. 2018. “Inequality and Globalization: A Review Essay.” *Journal of Economic Literature* 56(2): 620–42.

9. The Political Economy of Development Cooperation

- *Radelet, Steven 2006: A Primer on Foreign Aid, *Center of Global Development Working Paper* 92.
- *Bermeo, Sarah. 2017. Aid allocation and targeted development in an increasingly connected world. *International Organization*, 71(4), 735-766.
- Burnside, C., & Dollar, D. (2000). Aid, policies, and growth. *American Economic Review*, 90(4), 847-868.
- Easterly, W., Levine, R., & Roodman, D. (2004). Aid, policies, and growth: comment. *American Economic Review*, 94(3), 774-780.
- Werker, Eric D., Faisal Z. Ahmed and Charles Cohen. 2009. How is Foreign Aid Spent? Evidence from a Natural Experiment. *American Economic Journal: Macroeconomics* 1 (2): 225- 244.
- Milner, Helen V., and Dustin H. Tingley. 2015. *Sailing the Water's Edge The Domestic Politics of American Foreign Policy*. Princeton University Press.
- Milner, Helen V., and Dustin H. Tingley. 2013. "The Choice for Multilateralism: Foreign Aid and American Foreign Policy." *Review of International Organizations* 8(3): 313–41.

10. International Migration

- *Clemens, Michael A. 2011. Economics and Emigration: Trillion-Dollar Bills on the Sidewalk? *Journal of Economic Perspectives* 25(3): 83-106.
- *Steinmayr, Andreas. 2020. "Contact versus Exposure: Refugee Presence and Voting for the Far-Right." *The Review of Economics and Statistics*.
- Dustmann, Christian, Kristine Vasiljeva, and Anna Piil Damm. 2019. "Refugee Migration and Electoral Outcomes." *Review of Economic Studies* 86(5): 2035–91.
- Dinas, Elias, Konstantinos Matakos, Dimitrios Xefferis, and Dominik Hangartner. 2019. "Waking Up the Golden Dawn: Does Exposure to the Refugee Crisis Increase Support for Extreme-Right Parties?" *Political Analysis* 27(2): 244–54.

Part V: International Institutions

11. The Bretton Woods Institutions: The IMF and The World Bank

- (*)Reinhart, Carmen M., and Christoph Trebesch. 2016. "The International Monetary Fund: 70 Years of Reinvention." *Journal of Economic Perspectives* 30(1): 3–28.

- (*)Ravallion, Martin. 2016. "The World Bank: Why It Is Still Needed and Why It Still Disappoints." *Journal of Economic Perspectives* 30(1): 77–94.
- Barnett, Michael, and Martha Finnemore. 2004. *Rules for the World*. Cornell: Cornell University Press: Introduction and IMF chapter.
- Lang, Valentin F. 2020. "The Economics of the Democratic Deficit: The Effect of IMF Programs on Inequality." *Review of International Organizations*.
- Nelson, Stephen. 2014. "Playing Favorites: How Shared Beliefs Shape the IMF's Lending Decisions." *International Organization* 68(2): 297–328.
- Kersting, Erasmus K., and Christopher Kilby. 2016. "With a Little Help from My Friends: Global Electioneering and World Bank Lending." *Journal of Development Economics* 121: 153–65.

12. The Political Economy of International Organizations

- *Nielson, Daniel L., and Michael J. Tierney. 2003. "Delegation to International Organizations: Agency Theory and World Bank Environmental Reform." *International Organization* 57(2): 241–76. (read only pp. 241-253)
- *Lang, Valentin F., and Andrea F. Presbitero. 2018. "Room for Discretion? Biased Decision-Making in International Financial Institutions." *Journal of Development Economics* 130: 1–16.
- Abbott, Kenneth W., and Duncan Snidal. 1998. "Why States Act through Formal International Organizations." *Journal of Conflict Resolution* 42(1): 3–32.
- Stone, Randall W. 2013. "Informal Governance in International Organizations: Introduction to the Special Issue." *Review of International Organizations* 8(2): 121–36.
- Dreher, Axel, and Valentin F. Lang. 2019. "The Political Economy of International Organizations." In *The Oxford Handbook of Public Choice, Volume 2*, eds. Roger Congleton, Bernard Grofman, and Stefan Voigt. New York: Oxford University Press, 607–52.

13. International Disintegration and Contested Global Governance

(Please read two of the following texts. Your choice!)

- (*)Walter, Stefanie. 2021. "The Backlash Against Globalization." *Annual Review of Political Science* 24(1): 421–42.
- (*)Keohane, Robert O., Stephen Macedo, and Andrew Moravcsik. 2009. "Democracy-Enhancing Multilateralism." *International Organization* 63(1): 1–31.

- (*)Gartzke, Erik, and Megumi Naoi. 2011. "Multilateralism and Democracy: A Dissent Regarding Keohane, Macedo, and Moravcsik." *International Organization* 65(3): 589–98.
- (*)Rodrik, Dani. 2012. "The Political Trilemma of the World Economy." In: *The Globalization Paradox*, Oxford University Press.
- Ikenberry, G. John. 2018. "The End of Liberal International Order?" *International Affairs* 94(1): 7–23.
- Gray, Julia. 2018. "Life, Death, or Zombie? The Vitality of International Organizations." *International Studies Quarterly* 62(1): 1–13.
- De Vries, Catherine, Sara Hobolt, and Stefanie Walter. "Politicizing International Cooperation. The Mass Public, Political Entrepreneurs, and Political Opportunity Structures." *International Organization*, *forthcoming*

14. Concluding Session

- *No mandatory reading