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PSC2240

Fall 2020

International Political Economy

T/Th 12:45–2:00pm

<https://elearning.villanova.edu/>

Room: Online

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**Instructor: Ryan Weldzius, Ph.D.**

Office: TBD

Office Hours: Th 3-5:00pm (see sign-up)

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### **COURSE DESCRIPTION:**

Economics is the study of the production, distribution, and consumption of scarce resources. Political economy considers the role that the state plays in such production, distribution, and consumption. International political economy considers the flows of such production, distribution, and consumption across national borders, recognizing that not just national governments play a role, but foreign governments and international institutions must also be taken into account.

Questions we seek to answer in this course include: Why, in some periods, do most countries practice free trade (the half-century before World War I and the almost quarter-century since the collapse of the Soviet Union), but at other times wall off international markets (the 1930s, the Soviet bloc, many developing countries after World War II, and, to a certain extent, the U.S. today)? How and when do the leading countries of the world agree on the “rules of the road” of international trade and finance (today’s IMF and WTO), and what happens when they fail to agree? Why was international migration almost totally unrestricted between 1850 and 1914 but beginning in the 1920s strongly restricted (the U.S. and Europe tightened immigration, the Soviet bloc forbade emigration) and remains a salient issue in contemporary politics? Why do some countries choose to give up independent monetary authority and fix their exchange rates (gold standard, dollar pegs, the Euro area) while others choose to allow for a freely floating exchange rate (most countries today)? And what causes the occasional catastrophic collapses of the international economy (the crashes of 1929-31 and 2007-09, and the ongoing fallout from SARS-CoV-2)?

As we will see, causation runs both ways: the international economy affects, and is affected by, domestic and international politics. In the most extreme example, the collapse of the world economy in the 1930s led almost inevitably to World War II. But we will also see that U.S. populism (late 19<sup>th</sup> century and today), Latin American protectionism (1970s-2000s), and European social democracy (1930s-today) and populism (today), make a lot more sense in the context of the international economic changes of their time. We will also see that the

international economy and domestic politics are often profoundly affected by technology—by revolutions in transportation and communication, be they railroads, steamships, cargo containers, cheap air travel, or telegraph, telephone, and the internet.

The course is designed not just to understand these historical and contemporary challenges to international political economy, but also to stimulate your curiosity to pursue new research questions. An important goal of the course is to equip you with the analytical tools required to pursue such research.

### **LEARNING METHODOLOGY:**

To understand any of this, we will need a rudimentary grasp of international economics, which will be given primarily in the course lectures. There is no requirement for prior knowledge of economics, thus we will work through the ideas and theories at a slow pace. If you ever feel like I am moving too quickly, please let me know as there is a 99% chance that you are not alone. The main text of the course, Thomas Oatley's *International Political Economy* (6<sup>th</sup> Edition), will provide you with the theories and analytical methods for evaluating a host of substantive questions in IPE. Doing the readings prior to class will help you follow and participate in the class sessions. We will have 20 separate lectures for this course, so it will be important for you to not fall behind on readings, and if you miss lecture, to view the lecture slides and ask a classmate for any notes.

Our virtual class sessions will combine a mix of lecture and discussion, with occasional puzzles for you to grapple with as a group. Class slides will be made available after each session. The reason to provide the slides only after class is to keep you all engaged in an active learning mode. It is important for you not to be able to see the answers to puzzles until we have struggled through them as a group.

### **READINGS:**

The course readings will be drawn primarily from a single book—which is the most comprehensive in the field—but also a few academic articles, which will be made available on the course webpage. While normally a textbook should not change drastically between editions, the study of IPE has grown exponentially in the last decade, with this newest edition reflecting those updates. Thus, please purchase (or rent) the most recent edition (**6<sup>th</sup> Edition**), which we will read in full. The book will be available in the bookstore, or you may purchase it online.

- Oatley, Thomas. 2019. *International Political Economy* (6<sup>th</sup> Edition). New York: Routledge.

I also reserved an online version of the book through the Villanova library, which you can access [here](#).

## GRADE DISTRIBUTION:

- Mid-term examination (20%): TBD
- Final examination (30%): TBD
- In-class projects (30%): There are two class activities planned for the course that comprise the in-class project portion of the grade. These are described below.
- Class Participation (20%): I expect you all to engage the material prior to coming to class and asking at least one question or making one comment during the class meeting. Once you have participated, I may wait to call upon you again in order to allow a chance for all students to participate. I recommend that you think of questions and write them in the margins of your book while preparing the night before.

*Grade Scale:* 98-100, A+; 92-97, A; 90-91, A-; 88-89, B+; 82-87, B; 80-81, B-; . . . 0-60, F.

*Grade Appeals.* If you believe you received an incorrect grade on the midterm or final, you may formally appeal it to me. The appeal will consist of a one-page typed explanation that identifies the problem and presents a reasoned argument for the proposed change.

## OFFICE HOURS:

I am available for office hours on Thursdays between 3:00-5:00pm. Please sign-up for a time slot via the course Blackboard page. If you cannot make these times, please write to me in advance and we'll find a time that is suitable for us both.

I would also like to continue a conversation with you (individually) throughout the term. This will give us a chance to chat about the course, the elections, your future classes, etc. Thus, I will ask you to meet with me (virtually) on three occasions: (1) during the first week for a short introductory chat, (2) after the mid-term to check your progress, and (3) in the final week of class to address any looming questions you may have. I will have a separate sign-up sheet for these meetings.

## LEARNING SUPPORT, ACADEMIC INTEGRITY, AND ABSENCES:

*Office of Disabilities (ODS) and Learning Support Services (LSS):* It is the policy of Villanova to make reasonable academic accommodations for qualified individuals with disabilities. Go to the Learning Support Services website (<http://learningsupportservices.villanova.edu>) for registration guidelines and instructions. For physical access or temporarily disabling conditions, please contact the Office of Disability Services at (610) 519-4095 or email [stephen.mcwilliams@villanova.edu](mailto:stephen.mcwilliams@villanova.edu). Registration is needed in order to receive accommodations.

*Academic Integrity:* All students are expected to uphold Villanova's Academic Integrity Policy and Code. Any incident of academic dishonesty will be reported to the Dean of the College of Liberal Arts and Sciences for disciplinary action. For the College's statement

on Academic Integrity, you should consult the [Student Guide to Policies and Procedures](#). You may view the University's Academic Integrity Policy and Code, as well as other useful information related to writing papers, at the [Academic Integrity Gateway](#) web site.

*Absences for Religious Holidays:* Villanova University makes every reasonable effort to allow members of the community to observe their religious holidays, consistent with the University's obligations, responsibilities, and policies. Students who expect to miss a class or assignment due to the observance of a religious holiday should discuss the matter with their professors as soon as possible, normally at least two weeks in advance. Absence from classes or examinations for religious reasons does not relieve students from responsibility for any part of the course work required during the absence. See the [Provost's policies on religious holidays](#).

### **CLASS PROJECTS:**

To cement the intuition of various topics, students will participate in two in-lecture activities relating to a certain topic.

#### **US-China Trade Simulation (20% of final grade) - Week 5**

The first activity is a simulation of a US-China trade war and subsequent negotiations to take place Week 5. The goal is to optimize the trade gains for your team (country). The setting for the simulation is January 2017, just as President Trump enters office—i.e., the US-China trade war has not started with the tit-for-tat tariff increases. Students will be divided into equally-sized teams (number of teams to be decided in Week 2), with each student taking on the role of one of the following interests in either the US or China:

- 1 representative of agricultural interests
- 1 representative of manufacturing interests
- 1 representative of communications and technology interests
- 1 representative of financial interests

The individual group members, equipped with three weeks of IPE training, will consider the following issues when deciding on their strategy/policy:

- Market access: Can all US companies get into the Chinese market (remember to consider both goods and services), and will the US restrict China's access to the US market?
- Investment: How is each country restricting investment in their home country?
- Intellectual property: Concerns about IP theft/copying without paying for it.

- Technology: Controls and forced transfers.
- The trade deficit and loss of manufacturing jobs: From an economist's point of view these are not really things for negotiation, but in fact, these are the issues many US politicians focus on.

Prior to Class 9 (Tuesday, 15-Sept), each group will need to determine their respective demands and concessions. At the start of class on Tuesday, I will indicate which team will be the first movers. They will then have 5-minutes to determine their move and share with the other team. The other team will then have 10 minutes to decide on their counter-move and share with the other team. This will continue for another two rounds, each side having 10 minutes to respond. At the end of the three rounds, the trade war simulation will end and with the remaining time the teams will individually discuss their strategy for the trade negotiations, which will take part on Thursday. You should already have an idea on what your demands and concessions will be, but this time will allow you to consider the current environment post-trade war.

The trade negotiations will work similar to the trade war, except in one crucial way: prior to coming to class on Thursday, you need to summarize your demands in a diplomatic statement, which will be delivered at the start of class. This is not legally binding; it will merely present your demands to the other country. Be strategic! You may want to consider listing a few of your concessions (e.g., "we are willing to give a little on A if you are able to provide more of B."), but probably not too many in this initial document. Then, each team will have 10 minutes to discuss how they will proceed during the negotiations: can we push them on A with the hopes they'll concede on B; are we willing to concede at all on C; etc.).

The negotiations will proceed as a sequence of proposals and counter-proposals in which each team reviews the list presented by the other and decides amongst themselves where concessions are possible. I will hold each team to 10-minute rounds. There is a hard deadline to finalize a mutually-agreed upon deal between each pair of teams by the final 15 minutes of class. If a deal has not been reached, the status quo prevails. Students will spend the final portion of class presenting their deal.

At the end of the project, each student must type a 1-2 page memo that summarizes what they learned from the simulation (due by our class meeting on Tuesday 22-Sept). Note that this should not be a summary of what happened, but rather, a critique of the process (trade war followed by negotiations). Does this process seem realistic? Was it easy to reach an agreement? What can be done to reach cooperation earlier?

### **Currency Debates (10% of final grade) - Week 11**

The second activity will consist of students role playing as different historical/contemporary interests across two periods of change in the international monetary system. Students will be assigned to groups at the end of Class 22 (29 October 2020):

- U.S. (1890-1900): Greenback versus Gold Standard (class 21).

- Italy (today): Stay in the Euro versus Leave the Euro (class 22).

Each group, before coming to class, will determine the various arguments for their side. There are two readings for the week that all students should read. Each team must display an understanding of the lessons from the previous weeks, indicate they understand how these lessons relate to the current environment, and make a logical argument for their side. The debate will work as follows:

1. (0-10:00) The debate will consist of 5-minute opening arguments (each person in the group should speak).
2. (10:01-15:00) You will then have 5 minutes to discuss within your group how you will respond.
3. (15:01-25:00) Each side will then have 5-minutes to present counterarguments.
4. (25:01-35:00) The gallery will be allowed to ask questions to both sides; each student in the gallery should ask at least one question. Answers should be limited to 1 minute. At the end I'll ask the gallery to vote anonymously.
5. (40:01-75:00) Next debate following same sequence.

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**SCHEDULE:** The weekly schedule is subject to change.

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## **WEEK 1 - Introduction**

**Class 1:** (*18-Aug-20*) Introduction

- Read: Oatley - Preface.

**Class 2:** (*20-Aug-20*) What is International Political Economy?

- Read: Oatley - Chapter 1.
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## **WEEK 2 - Trade Institutions**

**Class 3:** (*25-Aug-20*) The WTO and the World Trade System

- Read: Oatley - Chapter 2.

**Class 4:** (*27-Aug-20*) The Political Economy of International Trade Cooperation

- Read: Oatley - Chapter 3.
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## **WEEK 3 - Trade Preferences & Politics**

**Class 5:** (*01-Sept-20*) A Society-Centered Approach to Trade Politics

- Read: Oatley - Chapter 4.

**Class 6:** (*03-Sept-20*) Race, Ethnicity, and Trade Preferences

- Read: Mutz, Diana, Edward Mansfield, and Eunji Kim. 2017. "Effects of Race on Attitudes toward International Trade: Economics or Symbolic Politics?"
  - Suggested reading: Gaikwad, Nikhar, and Pavithra Suryanarayan. 2018. "Attitudes Toward Globalization in Ranked Ethnic Societies."
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## **WEEK 4 - States and Trade Politics**

**Class 7:** (*08-Sept-20*) A State-Centered Approach to Trade Politics

- Read: Oatley - Chapter 5.

**Class 8:** (10-Sept-20) Industrial Policy and Contemporary US Politics

- Read: Stiglitz, Joseph E., Justin Yifu Lin, and Célestin Monga. 2013. “The Rejuvenation of Industrial Policy.” *World Bank: Policy Research Working Paper* 6628.
- Suggested reading: Joe Biden’s [plan](https://joebiden.com/supplychains/) to rebuild US supply chains: <https://joebiden.com/supplychains/>.
- Suggested reading: USTR Robert E. Lighthizer on Trump administration’s trade policy in [Foreign Affairs](#).

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**WEEK 5 - Trade Simulation**

**Class 9:** (15-Sept-20) US-China Trade War Simulation

- Read: Prepare with your group prior to the class meeting.

**Class 10:** (17-Sept-20) US-China Trade Negotiation Simulation

- Read: Prepare with your group prior to the class meeting.

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**WEEK 6 - Trade & Development**

**Class 11:** (22-Sept-20) Trade and Development I: Import Substitution Industrialization

- Read: Oatley - Chapter 6.

**Class 12:** (24-Sept-20) Trade and Development II: Neoliberalism and Institutionalism

- Read: Oatley - Chapter 7.

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**WEEK 7 - Mid-Term Examination**

**Class 13:** (29-Sept-20) Review for mid-term exam

- Read: Your notes! Come with questions about anything that is still confusing.

**Class 14:** (01-Oct-20) Mid-term Examination

- No class. Exam distributed at start of class. Due **October 2, 2020 by 1:00pm**.



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## WEEK 8 - Immigration

### Class 15: (06-Oct-20) Who is Against Immigration?

- Read: Mayda, Anne Marie. 2006. "Who is Against Immigration? A Cross-Country Investigation of Individual Attitudes Toward Immigrants." *The Review of Economics and Statistics* 88(3): 510-530.

### Class 16: (08-Oct-20) Open Trade, Closed Borders

- Read: Peters, Margaret E. 2015. "Open Trade, Closed Borders: Immigration in the Era of Globalization." *World Politics* 67(1): 114-154.

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## WEEK 9 - Multinational Corporations

### Class 17: (13-Oct-20) Multinational Corporations in the Global Economy

- Read: Oatley - Chapter 8.

### Class 18: (15-Oct-20) The Politics of Multinational Corporations

- Read: Oatley - Chapter 9.

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## WEEK 10 - International Monetary System

### Class 19: (20-Oct-20) The International Monetary System

- Read: Oatley - Chapter 10.

### Class 20: (22-Oct-20) Cooperation, Conflict, and Crisis in the Contemporary International Monetary System

- Read: Oatley - Chapter 11.

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## WEEK 10 - Exchange-Rate Politics

### Class 21: (27-Oct-20) A Society-Centered Approach to Monetary and Exchange-Rate Policies

- Read: Oatley - Chapter 12.

**Class 22:** (29-Oct-20) A State-Centered Approach to Monetary and Exchange-Rate Policies

- Read: Oatley - Chapter 13.

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## WEEK 11 - Currency Debates

**Class 21:** (03-Nov-20) Currency Manipulation Discussion

- No readings. Go vote. Come for a discussion on the elusive topic of currency manipulation.

**Class 22:** (05-Nov-20) Currency Debates

- Read: Frieden, Jeffrey A. 1994. "Exchange rate politics: Contemporary lessons from American history. *Review of International Political Economy* 1(1): 81-103.
- Read: "[Italy, Europe and the Global Recovery in 2021.](#)" Remarks by IMF Managing Director Kristalina Georgieva to Italy's National Consultation. June 13, 2020.
- Prepare with your group prior to the class meeting, prepare questions for other groups.

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## WEEK 12 - Developing Countries & Finance

**Class 23:** (03-Nov-20) Developing Countries and International Finance I: The Latin American Debt Crisis

- Read: Oatley - Chapter 14.

**Class 24:** (05-Nov-20) Developing Countries and International Finance II: The Global Capital Flow Cycle

- Read: Oatley - Chapter 15.

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## WEEK 13 - Challenges to Global Capitalism

**Class 25:** (10-Nov-20) Globalization and Nationalism

- Read: Obstfeld, Maurice. 2019. "Globalization and Nationalism: Retrospect and Prospect." Prepared for Italian Economic Association Annual Meeting, Palermo, Italy, October 24, 2019.

**Class 26:** (12-Nov-20) Backlash to Globalization

- Read: Walter, Stefanie. 2020. “The Backlash Against Globalization.” *Review article prepared for the Annual Review of Political Science 2021*.

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## **WEEK 14 - Inequality**

### **Class 27:** (17-Nov-20) Globalization, Inequality, and Politics

- Read: Dreher, Axel and Noel Gaston. 2008. “Has Globalization Increased Inequality?” *Review of International Economics* 16(3): 516-36.
- Read: Inglehart, Ronald. 2016. “Inequality and Modernization: Why Equality is Likely to Make a Comeback.” *Foreign Affairs* 95: pp.2-10.

### **Class 28:** (19-Nov-20) Review for comprehensive (take-home) final exam

- Read: Oatley - Chapter 16 (reviews the last three classes)
- Read: Your notes! Come with questions.