

National Research University - Higher School of Economics

Faculty of World Economy and International Affairs

Course Syllabus and Description

**Global Political Economy and Interaction between
Business and Politics**

Master of International Business Program

38.04.02 Management

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Global Political Economy and Interaction between Business and Politics

COURSE DESCRIPTION

Pre-requisites:

World Economy
International Relations
Foundations of Managerial Economics
International Business Research

Course type: elective

Abstract: After several years of having international security dominating the political discourse, international political economy has returned with vengeance.

This course will introduce students to the broad questions motivating the academic field of international political economy: Whose interests are served by the liberalization of trade and finance? What impact can multilateral organizations like the World Bank, International Monetary Fund and World Trade Organization have on the economic policies of member states and the functioning of the global economy? What determines the policies or rules promoted by these organizations? What motivates foreign aid policies? What is “globalization”? How can we assess its impacts on different countries and populations?

LEARNING OBJECTIVES

The course is designed to: (1) provide a general introduction to central issues treated by IPE, (2) survey existing interpretations of social, political and economic developments in the world with a focus on Russia’s interests and participation, and (3) examine these developments within the framework of the contemporary literature in international political economy.

Students will be required to understand and analyze the academic literature, and then apply academic insights to some of the most pressing policy debates. Should government offset the welfare costs of globalization and if so, how? Which priorities should be protected despite free trade liberalization? Is free trade fair trade? How should the World Bank and IMF be reformed to meet the needs of the international political economy in the 21st century? How should the international community address the current financial crisis? How should the international community address the current food crisis? What is the appropriate balance between government regulation and market freedom?

LEARNING OUTCOMES

The course is aimed at developing the following knowledge and skills:

- Knowledge and Understanding
- A. Knowledge and understanding of:

1. historical and theoretical issues at the forefront of the discipline of international political economy, together with familiarity with appropriate bibliographical sources;
2. the epistemological and methodological principles in their application to the study of IPE;
3. key ontological, theoretical, and methodological problems of IPE;
4. current challenges to international order, cooperation, identity, social formations, and global issues, and possible strategies to address them;
5. the changing role of the state in the context of globalization and regional integration and the implications for international peace and security;
6. how to carry out an independent research project and write in a scholarly manner demonstrating familiarity with academic conventions deal with complex issues both systematically and creatively, make sound judgments in the absence of complete data, and communicate their conclusions clearly;
7. advanced knowledge of International Relations and politics as approached in a different academic environment and from a different intellectual tradition

- Skills and Other Attributes

B. Intellectual skills:

1. general research skills, especially bibliographic and computing skills;
2. gather, organize and deploy evidence, data and information from a variety of secondary and some primary sources;
3. identify, investigate, analyze, formulate and advocate solutions to problems;
4. develop reasoned arguments, synthesize relevant information and exercise critical judgement,
5. reflect on, and manage, their own learning and seek to make use of constructive feedback from peers and staff to enhance their performance and personal skills;
6. manage their own learning self-critically;
7. ability to perform effectively in another academic environment and a different linguistic and cultural setting.

C. Subject-specific skills:

1. applying concepts, theories and methods used in the study of international relations, the analysis of political events, ideas, institutions and practices;
2. evaluating different interpretations of political issues and events;
3. describing, evaluating and applying different approaches to collecting, analysing and presenting political information;
4. developing a good understanding of the main epistemological issues relative to research in the social sciences, including some major theoretical and epistemological debates in the social sciences, such as explanation of and understanding the differences between positivist, realist and other accounts of social science and the practical implications of the major alternative philosophical positions in the social sciences for research;

COURSE PLAN AND READING LIST

№	Topics	Contact Hours			Homework	Hours total
		Lectures	Seminars	Total		
1	International Political Economy	2		2	2	4

2	Research Agenda of IPE: 1970 – 2010. IPE in Russia	4		4	4	8
3	International Trade. Political regulation of International Trade. Russia's Accession to WTO	4		4	2	8
4	World Financial System. Origins of International Currencies and International Financial Systems. Imbalances accumulating in the Current International Financial System	4		4	2	8
5	Prospect for the Reform of International Financial Institutions. Russia's interests in the International Financial System	2		2	4	6
6	Globalization, Regionalization. Criticism of Globalization	2		2	4	6
7	Growth, Inequality, Development, Aid, Debt and Development	2		2	4	6
8	Political Management of International Investment: Keeping the Gates of Domestic Financial Market.	2		2	4	6
9	Trade and Economic Sanctions: their efficiency in the Modern World. Economic War	2		2	4	6
10	Multinational Corporations and the Internationalization of Production. Political and Market Strategy of the Company. Policy of Social Responsibility	2		2	4	6
11	Globalization and Current Problems in International Political Economy	2		2	4	6
12	Russia's interests in the world political-economic system		2	2	4	6
13	Concluding Seminar: The Future of the World Political, Economic and Financial Order		2	2	4	6

	Research Project			-	30	30
	Total	28	4	32	90	112

1. International Political Economy

IPE theory and method

Major Concepts of IPE

Liberalism

Economic Nationalism

Critical Theories

Reading:

J.Frieden, R. Lake. International Politics and International Economics. Reader

S. Krasner. Sovereignty. Reader

R. Gilpin. The Nature of International Political Economy.

[Barber, Benjamin. "Jihad Vs. McWorld"](#) Atlantic Monthly Mar. 1992: 53-65.

2-3. Research Agenda of IPE: 1970 – 2010. IPE in Russia.

The legacy: Adam Smith, John Stuart Mill, Karl Marx; The Interwar divergence:

Professionalisation; micro-economics vs politics of war and peace; The Post-War II incipient debate:

- *The 1970s: The emergence of IPE as a distinct field of study*

The Study of the EC and other regions: Integration theory, ne-functionalism (Mitrany, Haas)

-how to account for such high levels of cooperation , voluntary agreements and role of non-state actors

-transnational communities, identity formation, communication (Deutsch)

The end of US led global growth: economy is political collapse of BW; OPEC: the politics of economic choices

-The NIEO: the politics of the global economic order

-GATT, Japan and the new protectionism: the political economy of trade

-Détente and Trade

- *Economic Interdependence and transnational relations :*

Disaggregating "the state" (not a unified rational actors): Pluralism and bureaucratic politics (Dahl)

Ties across borders not controlled by the state

MNEs (Vernon; Cooper)

Cost and benefit of interdependence for state autonomy (Keohane and Nye)

Defense of state-centred paradigm (Gilpin and Krasner)

Hegemonic Stability: Power and liberalism

English school of IPE (Susan Strange)

- *The 1980s-2000s: IPE takes central stage*

The coming of age of Multinational Corporations

FDI- Enters globalisation

Explosion of financial sphere; the rise of trade in services

The Reagan revolution on the neo-liberal ideology
The advent of structural conditionality; WTO round
The deepening of economic integration: state policies and regulations in question
The new liberal challenge: Regime theory and neo-liberal institutionalism
role of ideas and shared understandings, expectations
analogies from economic theory (transaction costs; market failure); game theory (Axelrod; Oye)

Reading:

Benjamin Cohen. *International Political Economy: An Intellectual History* (2008)

Stanislav L. Tkachenko *The study of international political economy in Russia. Communist and Post-Communist Studies* 37 (2004) 111–120

4-5. International Trade. Political regulation of International Trade. Russia's Accession to WTO

International Trade and its Effects;
The economics of trade;
Comparative Advantage; The Heckscher-Ohlin model
The economics of trade protection
Tariffs and quotas
Domestic pressures – societal or institutional
International political or economic factors
International economics
International politics and institutions
Protection vs. trade liberalization
Trade and domestic income distribution
International institutions, unilateralism, and regionalism
Trade-related measures toward the environment, social and labor policy
Trade-related policies, i.e. exchange rates

Reading:

Smith, Adam. "Excerpts from *The Wealth of Nations*.", Reader

Hamilton, Alexander. "Excerpts from *Report on Manufacturers* Reader

Frieden, Jeffrey A. and David A. Lake. "International Politics and International Economics". Reader

P. Cronin. *The Doha Round*. Reader.

6-7. World Financial System. Origins of International Currencies and International Financial Systems. Imbalances accumulating in the Current International Financial System.

Monetary systems
Base or standard
The operation of an international monetary system
The gold standard
Floating rates
The political economy of exchange rate policy

The regime
Explaining exchange rate outcomes
The collapse of the classical liberal order
The decline of the United Kingdom
World War I as a turning point
Reconstruction of the international economic system
The Rise of Bretton Woods and a new liberal order
Explaining the new order: four perspectives

Reading:

B. Eichengreen. “Hegemonic Stability Theories of the International Monetary System” Reader
B. Cohen. Monetary Governance in a Globalized World. Reader
S. Goddard. The International Monetary Fund. Reader
Kishore Dash. The Asian Economic Crisis and the Role of the IMF. Reader
O. Babarinde. The Euro Debuts: European Money, Global Money, or Both? Reader
R. Picciotto. The New World Bank for a New Century. Reader

8. Prospect for the Reform of International Financial Institutions. Russia’s interests in the International Financial System.

Political Responses to Financial Crises: Rescues v. Bailouts, Letting it Burn, Regulation, etc.
How can governments prevent financial crises?
How should governments respond to financial crises?
How are the World Bank and IMF controlled?
What should they be doing today? How should they be reformed?
What is the best way to accomplish that reform?
Are international institutions infringing on state sovereignty?

Reading:

Charles P. Kindleberger. *Manias, Panics and Crashes: A History of Financial Crises*. (Basic Books, 1989), chapter 8-10.
Stanley Fischer. “On the Need for an International Lender of Last Resort.” *Journal of Economic Perspectives* 1999 (13): 85-104. <http://www.jstor.org/stable/pdfplus/2647014.pdf>
Barry Eichengreen. 2002. *Financial Crises and what to do about them*. (New York: Oxford University Press).
Barry Eichengreen. “Anatomy of a Crisis” September 18, 2008.
http://www.econ.berkeley.edu/~eichengr/anatomy_fin_crisis_9-18-08.pdf
Michael Bordo. “An Historical Perspective on the Crisis of 2007-2008” November 2008.
Available at: http://michael.bordo.googlepages.com/An_Historical_perspective.pdf
United Nations, 2009. Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System. New York: United Nations.
Eichengreen, B., 2009. *Out of the Box Thoughts about the International Financial Architecture*. Washington, D.C.: IMF Working Paper.

9. Globalization, Regionalization. Criticism of Globalization.

Globalization and its discontents
Globalization and income distribution

Globalization, global problems, and global management
Globalization and national sovereignty
The crisis
Origins of the crisis
Course and effects of the crisis
International Trade and the Developing Countries
The typical economic growth path and its trade policy implications
Import substituting industrialization (ISI)
Policies and Effects
Export-oriented Industrialization (EOI)
The turn toward EOI and “globalization”
Explaining the policies and the changes

Reading:

T. Kearney [“Measuring Globalization.”](#) Reader
[Stanley Kurtz, "The Future of 'History'"](#) Reader
R. Keohane, J. Nye. Realism and Complex Interdependence. Reader.
C. Gore. The Rise and Fall of the Washington Consensus as a Paradigm for the Developing Countries. Reader.
S. Strange. The Westfailure System. Reader

10. Growth, Inequality, Development, Aid, Debt and Development

Why are there poor countries?
Three perspectives
What should be done?
Marxism vs Modernization Theory
Economic Determinism vs. Politics
Geographic Determinism vs Politics

Reading:

V. I. Lenin, Imperialism <http://www.marxists.org/archive/lenin/works/1916/imp-hsc/index.htm>
Warren, B. (September-October 1973). "Imperialism and Capitalist Industrialization." *New Left Review* **81**: 3-44. <http://www.newleftreview.org.ezpprod1.hul.harvard.edu/?view=1522>
Domar, E. D. (1970). "The Causes of Slavery or Serfdom: A Hypothesis." *The Journal of Economic History* **30**(1): 18-32. <http://www.jstor.org.ezpprod1.hul.harvard.edu/stable/2116721?seq=1>
Sachs, J. (2001). "Tropical Underdevelopment" NBER Working Paper 8119. Cambridge MA, National Bureau of Economic Research. http://www.nber.org.ezpprod1.hul.harvard.edu/papers/w8119.pdf?new_window=1
http://www.nber.org.ezpprod1.hul.harvard.edu/papers/w9305.pdf?new_window=1
Patrick Symmes, "History in the Unmaking," *Newsweek* Feb19, 2010
<http://www.newsweek.com/id/233844>

11. Political Management of International Investment: Keeping the Gates of Domestic Financial Market.

Political Management of the Export of Capital
Political Influence on International Financial and Trade Institutions
Political Aspects of Currency Regimes
Foreign Aid

Reading:

Gary Shiffman, James Jochum. *Economic Instruments of Security Policy: Influencing Choices of Leaders*. N.Y., 2011

12. Trade and Economic Sanctions: their efficiency in the Modern World.
Economic War

Sanctions and general policies
A tool in political arsenal
Forms of sanctions
History of sanctions
Legitimacy of sanctions
Political objectives of sanctions
Limitations on sanctions
Ethics of sanctions
Effectiveness of sanctions

Reading:

Gary Clyde Hufbauer. *Economic sanctions reconsidered*, various editions

13. Multinational Corporations and the Internationalization of Production. Political and Market Strategy of the Company.

Multinational Corporations and the Internationalization of Production
Defining foreign direct investment
The causes of FDI
The OLI approach: ownership, location, internalization
The political economy of FDI
Domestic societal factors
Domestic institutional factors
International economic factors
International political factors
Stages in the political economy of MNC-LDC relations

Reading:

Shah Tarzi, "Third World Governments and Multinational Corporations: Dynamics of Host Bargaining Power," Reader

Zachary Elkins, Andrew Guzman, and Beth Simmons "Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1959-2000," Reader

Dan Drezner, "Globalization and Policy Convergence," Reader

Nye, Joseph S. Jr., *Multinational Corporations in World Politics*. Reader

Drucker, Peter F., *Multinationals and Developing Countries: Myths and Realities*. Reader

14. Globalization and Current Problems in International Political Economy

Inequality

Globalization and Environment

New approaches to Globalization

National Policy Autonomy

Reading:

Jeffrey A. Williamson, "Globalization and Inequality, Past and Present", 1996

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=3394#

Jeffrey Frankel, "The Environment and Globalization," NATIONAL BUREAU OF ECONOMIC RESEARCH, 2003 <http://www.nber.org/papers/w10090>

Kenneth Scheve and Matthew Slaughter, "A New Deal for Globalization,"

<http://www.foreignaffairs.com/articles/62641/kenneth-f-scheve-and-matthew-j-slaughter/a-new-deal-for-globalization>

Dani Rodrik, "How to Save Globalization From its Cheerleaders," *The Journal of International Trade and Diplomacy* 1 (2), Fall 2007: 1-33 pp. 546-566

http://dev.wcfia.harvard.edu/sites/default/files/Rodrick_HowToSave.pdf

15. Russia's interests in the world political-economic system (structured discussion)

Russia's trade interests

Russia's interests in reforming the world financial order

Russia's regional interests in forming the local markets

Materials for discussion can be found at:

<http://www.wto.ru/>

<http://archive.kremlin.ru/eng/text/docs/2009/03/213995.shtml>

16. Concluding Seminar: The Future of the World Political, Economic and Financial Order.

Final Paper

Suggested Research Topics

1. Crisis of the Euro Zone: its implications
2. Major problems facing regional economic agreements
3. Political order and the strength of National Currency.
4. Domestic responses to Globalization
5. What will replace the Washington Consensus
6. Economic perspectives of Eurasian Union and SCO.
7. Ways to reform international financial institutions

8. Perspectives of the successful completion of the Doha round
9. Advantages and disadvantages of being in WTO in Russia
10. Effectiveness of the mechanisms of global economic governance
11. Effectiveness of international sanctions.
12. Is there a probability of wars for resources
13. Is there a crisis of the European social state
14. How would you describe the economic role of China in the world
15. How to bridge the gap between financial markets and real economy

The students are invited to come up with their own topic of research!!!

METHODS OF INSTRUCTION

Students are required to complete all assigned readings before class and come prepared to contribute actively to each class session. The reading load is quite heavy. I think this will be made more manageable by the fact that we have two vacation days and two days of in-class presentations when there are no assignments. Students enrolled in this course should have already developed the skill of reading academic articles efficiently, in order to understand and assess the argument and use of evidence as quickly and thoroughly as possible. If you have not developed that skill, you will need to develop it early on. For the purposes of this class, students should read most articles in 1 - 1.5 hours in order to understand the argument, assess the evidence and develop their own opinion.

You should begin thinking about your research paper immediately. I will provide more details in class, and will be available outside of class to discuss possible topics. All research papers are expected to be motivated by a clear, researchable question and use ample empirical evidence to support claims. These are papers of 2500-3000 words (seven to ten pages). Some broad topics for papers include:

- Consider the rise of regionalization (regional trade agreements, currency agreements, etc.). Does this present a challenge to the globalization arguments?
- Can industrial policy mediate the effects of globalization? Are there other policy tools that are more effective?
- Foreign direct investment.
- Sovereign funds.
- Sovereign debt.

Please note: Given the nature of the course and the examinations, you are strongly urged to do all reading in advance, as assigned on the reading list. Failure to do so will impede your ability to profit from the lectures, and to perform well in section participation and on the examinations. Notice that the quantity of readings varies from topic to topic. You are strongly urged to read ahead when the reading load is lighter. Requirements for the course are as follows:

Attendance and participation. Class attendance is strongly recommended. In class you have the opportunity to ask clarifying questions regarding specific readings, lectures, and concepts. Class attendance and participation count for 30 percent of your final grade. Classes will meet weekly for an hour and a half.

The course concludes with an essay describing the results of students' research.

GRADING SYSTEM AND GUIDELINES FOR KNOWLEDGE ASSESSMENT

Final grade is calculated from grades for:

- Essay—0.7;
- Lecture attendance—0.3;

For each of the above aspects of evaluation the student receives, correspondingly, on a 10-point scale:

- For essay— $0.7 \times Q1$;
- For lecture attendance— $0.3 \times Q2$;

where $Q1, Q2$ are grades on a 10-point scale.