International Political Economy (IPE) 2019 Syllabus

Instructor: Glenn Eric Andre Diesen
Office: To be announced
Office Hours: To be announced
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Course Description
IPE is a field that explores the interaction between domestic and international factors as well as political and economic forces that shape/change international relations. The topics include IPE theoretical perspectives, international trade theories and regimes, global monetary/financial regimes, cross-border investment and production, international development, and various globalization issues. Some of important contemporary IPE issues will be discussed during the class with mandatory/voluntary student presentation.

Course Objective
- Understand the key topics, concepts, and issues of IPE
- Differentiate various theoretical perspectives of IPE
- Understand global/regional trade regimes and related IPE issues
- Examine the international monetary and financial relations and the mechanism of global financial crisis
- Explore the debates over globalization and its impacts

Grading
- In class midterm exam 30%
- In class final exam 30%
- Quiz 10%
- Debate 20%
- Attendance & class participation 10%
Special Features for speaking (debating) capacity enhancement course

This course is specially designed for improving students’ basic capacities for speaking and debating. Throughout the designated team debates arranged during the class, students are expected to train and advance their skills, techniques, and capacities for constructing, presenting, and persuading their arguments, as well as rebutting, criticizing, and disproving others’ arguments. All students are mandatorily required to participate in the group debates (scheduled 8-9 times) at least once, and the group debates will be conducted as a tournament format.

The tentative topics for student debate will be as followed:

Debate 1: Ideologies of IPE (Realism vs. Liberalism, which perspective is more persuasive?)
Debate 2: International collaboration and coordination (Can International Institutions overcome cooperation problems?)
Debate 3: Rogowski, Commerce and Coalition (Factor model vs. Specific factors model: Which trade model explains and predicts better?)
Debate 4: What will be the future of WTO: Optimistic vs. Pessimistic?
Debate 5: East Asian Regionalism (TPP vs. RCEP: Which institutional design works better in the East Asian region?)
Debate 6: Impossible (Unholy) Trinity (Capital mobility vs. fixed exchange rate vs. monetary policy: Which of the two elements should be adopted in specific situations?)
Debate 7: 2008 Global Financial Crisis (What is the cause of crisis: China vs. US)
Debate 8: Globalization of production networks: Global Value Chain, Pros and Cons
Debate 9: Globalization and Inequality (Race to the Bottom, true or false?)

Course hours

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Accommodations for students with disabilities
I am available to discuss appropriate academic accommodations that may be required for student with disabilities. Requests for academic accommodations are to be made during the first three weeks of the semester, except for unusual circumstances, so arrangements can be made.

Academic Integrity
Each student in this course is expected to abide by the Kyung Hee University Code of Academic Integrity. Any work submitted by a student in this course for academic credit will be the student's own work.

You are encouraged to study together and to discuss information and concepts covered in lecture and the sections with other students. You can give "consulting" help to or receive "consulting" help from such students. However, this permissible cooperation should never involve one student having possession of a copy of all or part of work done by someone else, in the form of an e-mail, an e-mail attachment file, a USB, or a hard copy.

Should copying occur, both the student who copied work from another student and the student who gave material to be copied will both automatically receive a zero for the assignment. Penalty for violation of this Code can also be extended to include failure of the course and University disciplinary action.

During examinations, you must do your own work. Talking or discussion is not permitted during the examinations, nor may you compare papers, copy from others, or collaborate in any way. Any collaborative behavior during the examinations will result in failure of the exam, and may lead to failure of the course and University disciplinary action.

Disclaimer
This syllabus is a living document and subject to revision. Whenever the syllabus is revised it will be posted to the KLAS and an email will be sent to all class participants informing them of the posting and indicating what has been revised. This version of the syllabus was generated on March 2, 2017.

Lecture Schedule and Key Questions

1. Week 1
What is IPE?

What were the principal factors that determined the severity of the recession of 2008-9?
How did the gold standard operate automatically to bring the payments position of countries into equilibrium?

2. **Week 2**
Theoretical Perspectives of IPE

Which theoretical perspective is more compelling in explaining recent IPE phenomena?

3. **Week 3**
International collaboration and coordination (I)

Why does globalization increase the pressure for international collaboration?

4. **Week 4**
International collaboration and coordination (II)

Can enforcement really be carried out in international political economy?

5. **Week 5**
Domestic Politics and IPE (I)

If the economic case for trade liberalization is so strong, why is it that governments continue to impose barriers to trade and are engaged so frequently in trade disputes?

6. **Week 6**
Domestic Politics and IPE (II)

What types of electoral and policymaking institutions tend to mitigate the effects of lobbying by protectionist groups when it comes to the determination of trade policy? Are electoral systems based on proportional representation likely to generate less protection than plurality systems?

7. **Week 7**
International Trade theory and Global Trade regimes

What are the basic components of the international trade regime? Give examples.

What was the role of the developing countries in the Uruguay Round negotiation? Why was it historically significant?

8. **Week 8**
Midterm Exam

9. **Week 9**
Regionalism and Regional Trade regimes

How does the pattern of recent RTAs differ from that of the 1960s and 1970s?

Why might companies lobby for liberalization at the regional rather than the global level?
10. Week 10
International Monetary and Financial Regimes (I)

Is a hegemonic leader necessary for a stable international monetary and financial system to exist?

11. Week 11
International Monetary and Financial Regimes (II)

Will the SDR ever become the dominant reserve currency in the world? What would be the costs and benefits?

12. Week 12
Global Financial Crisis (I)

What causes financial crises, and why do some quickly spread around the world?

How durable are current political constraints on multilateralizing and formalizing better instruments for managing and resolving financial crises?

13. Week 13
Global Financial Crisis (II)


14. Week 14
Key issues of Globalization (I)

Will the nation State survive or demise in the future?

15. Week 15
Key issues of Globalization (II)

What are the advantages and disadvantages of the various ways of examining the extent of inequality within and between countries?

16. Week 16
Final Exam
Textbook


Other Readings


Weekly plan

**Week 1: What is IPE?**

Levels of analysis, 4 approaches of IPE (domestic/international, political/economic)

Lecture plan:
- Course organization
- What is IPE?
  - Levels of analysis
  - 4 approaches of IPE (domestic/international, political/economic)
  - Three IPE Ideologies (theories, theoretical perspectives)
- Four Perspectives of IR
- A Brief History of World Economy
  - 17C-18C (Pre-1914)
  - Inter-War Period (1914-1945): Economic chaos
  - Post-1945: Bretton Woods System
  - Collapse of Bretton Woods System
  - Global Financial Crisis (2008)

Readings:


**Week 2: Theoretical Perspectives of IPE**

Realism (Economic Nationalism), Liberalism, and Marxism

Lecture plan:
- Three Ideologies of IPE
  - Gilpin / Cohn
  - Realism: economic nationalism
  - Liberalism: three variants
  - Marxism: other leftist theories
- Realist (Economic Nationalist) Perspective
  - The Mercantilist
  - Realism and the Industrial Revolution
  - The Revival of Realist IPE (Gilpin)
  - Hegemonic Stability Theory
- Liberalist Perspective
  - Basic Tenets of the Liberal Perspective
  - Orthodox Liberalism
  - The Influence of John Maynard Keynes (1883-1946)
  - Keynesian Liberalism in the Postwar Period
  - A Return of Orthodox Liberalism
  - Liberalism and Institutions (Liberal Institutionalism)
  - Regime Theory
- Marxist Perspective
  - Karl Marx: (1818-1883)
    - Historical materialism
  - Vladimir Ilyich Lenin (1870-1924)
    - Imperialism
  - Dependency theory
  - World System theory (Wallerstein)

**Student debate 1: Ideologies of IPE (Realism vs. Liberalism)**

*What will be the future of Global Economy? Which perspective offers a better prediction?*

Reading:

Extra Reading:

**Week 3: International collaboration and coordination (I)**

*IR debates over Prisoners’ dilemma (realist vs. institutionalist); how can/cannot states overcome intrinsic problems of international cooperation?*

Lecture plan:
- Globalization
- The Need for International Cooperation
- Game Theoretic Approach
  - The Prisoners’ Dilemma
  - The Stag Hunt
  - Battle of the Sexes
- Solutions for Cooperation
- The Formation of Institutions
- Institutional Design
Reading:

**Week 4**

**International collaboration and coordination (II)**

Applying game models (such as Prisoners’ dilemma, Battle of Sexes, Chicken, Deadlock) to the analysis of real world IPE issues (e.g. trade war b/w the US and China)

Lecture plan:
- Solutions for Cooperation
- The Formation of Institutions
- Institutional Design

**Student debate 2: International collaboration and coordination (Can IIIs overcome cooperation problems?)**

Reading:

**Week 5: Domestic Politics and IPE (I)**

**Economic/political theories of domestic preferences, collective action problems**

Lecture plan:
- Introduction
- Foreign Economic Policy Issues
  - Trade, Immigration, Foreign Investment, Exchange Rates
- Economic Factors (economic interests, preferences)

Reading:

**Week 6: Domestic Politics and IPE (II)**

The effects of political institutions on foreign economic policy, two level games
Lecture plan:
- Political Factor (the effect of domestic politics institutions) – preference aggregation, representation (delegation, implementation)
  ■ Types of Political Systems, Electoral rules, Legislatures and Policy-making Rules, Bureaucratic Agencies
- Complications to Analysis
  ■ Information and Ideas, Policy and Issue Linkages, International Bargaining

Student debate 3: Rogowski, Commerce and Coalition (Factor model vs. Specific factors model)
How can we apply Rogowski’ model to current trade war?

Reading:

Extra reading:

Week 7: International Trade theory and Global Trade regimes

Historical developments from GATT to the WTO, Institutional features of the WTO and its dispute settlement system

Agenda:
- Historical Developments of Global Trading System
- What Is WTO (World Trade Organization)? What Has Changed from GATT to WTO?
- WTO Dispute Settlement System: Can Rule Control Power?

Student debate 4: The future of WTO (Optimistic vs. Pessimistic)

Reading:

Extra readings:

Week 8 Mid-term exam
Week 9: Regionalism and Regional Trade regimes

Types and developments of regionalism (European integration); Comparison between European model and other regional models

Lecture plan:
- Introduction: Definition/Type
- Why Regionalism? Economic/Political reasons
- History of Regionalism
- Regionalism and Multilateralism (WTO)
- IR theories and Regionalism

Student debate 5: East Asian Regionalism (TPP vs. RCEP)
Critical evaluation on various ideas over East Asian Regionalism, such as TPP, RCEP, CJK FTA, etc.

Reading:

Week 10: International Monetary and Financial Regimes (I)

Historical changes of monetary regime from gold standard to Bretton Woods system to the post-BW system

Lecture plan:
- Introduction: What is IMS? Key Concepts
- Historical Changes of IMS:
  - International Gold Standard (1870-1914)
  - The Interwar Period (1914-1944)
  - Bretton Woods Monetary System (1945-1971)
  - Nixon Shock (1971) and the Collapse of BW system (1973)
  - Post BW system (1973-)
- Unholy Trinity (Impossibility theorem)
- Global imbalance and 21C global monetary order (or disorder)

Reading:
Week 11: International Monetary and Financial Regimes (II)

Lecture plan:
- Unholy Trinity (Impossibility theorem)
- Global imbalance and 21C global monetary order (or disorder)

Student debate 6: Unholy Trinity (Capital Mobility vs. Fixed Exchange Rate vs. Monetary Policy)

Why can’t three elements hold together at the same time? Which combination should be adopted?

Reading:

Extra Reading:

Week 12: Global Financial Crisis (I)

Cause and effects of financial crisis, comparison between 1980s Latin American Debt Crisis, 1997/8 East Asian Financial Crisis, and 2008 Global Financial Crisis

Lecture plan:
- Introduction
- National Politics and International Markets
- Variety of Financial Crises
- Cases of Global Financial Crisis
- Crisis Prevention
- Crisis Management and Resolution

Reading:

Week 13: Global Financial Crisis (II)

2008 Global Financial Crisis and European Fiscal Crisis

Lecture plan:

The Causes and Effects of 1980 Latin American Crisis
The Causes and Effects of 1997/8 East Asian Financial Crisis


**Student debate 7: 2008 Global Financial Crisis (cause of crisis: China vs. US)**

*What is the cause of the 2008 Crisis? Moral hazard, global imbalance, etc.*

Readings:


**Week 14: Key issues of Globalization (I)**

**Globalization of production and investment, Global Value Chain**

Lecture plan:
- Globalization
- Globalization Debates
  - Sovereignty at bay
  - Race to the bottom

Reading:

**Week 15: Key issues of Globalization (II)**

**Globalization and Inequality and wrapping up**

Lecture plan:

Varieties of Capitalism
Global civil society
Global Value Chain

Readings:

**Student debate 9: Globalization and Inequality (Race to the Bottom, true or false?)**

**Week 16: Final Exam**
1. Among the four contending perspectives on IPE (classified by Frieden and Lake), __________________________ emphasizes the importance of constraints external to individual nations, but global socioeconomic factors rather than political ones, e.g. international developments in technology, telecommunications, finance, and production.

2. Gilpin uses the term “ideology” to refer to the conflicting systems of thoughts and beliefs. In his categorization, three ideologies of IPE are ________________, ________________, and ________________.

3. Before 1914, the rapid growth of economic integration was facilitated by the international adoption of ________________, which requires a country to fix the price of its domestic currency in terms of a specific amount of gold.

4. ________________ refers to the compromise that governments made after 1945 between safeguarding their domestic economic objectives, especially a commitment to maintaining full employment on the one hand, and an opening up of the domestic economy for the restoration of international trade and investment on the other.

5. The realist political economy is primarily concerned with how changes in the distribution of international power affect the form and type of international economy. The best known realist approach to this question is the theory of ________________, which holds that an open international economy – e.g. free exchange of goods, capital, and services – is most likely to exist when a single dominant power is present to stabilize the system.

6. The World System Theory argues that a state’s status and place is determined in the international division of labor in a world capitalist system. Immanuel Wallerstein (1980) uses ________________, ________________, and ________________ for categorizing a state’s status in the global economy.

7. In his The General Theory of Employment, Interest, and Money, ________________ called on government to implement fiscal policies to increase demand, and he supported government investment in public projects. His view that the state should intervene in the economy differed from the laissez-faire doctrine of orthodox liberalism.

8. Marx and Engels predicted that contradictions within capitalism would contribute to poverty of working class, surplus production, economic downturns, and the collapse of capitalism. Lenin then cited ________________ to explain why capitalism survived, asserting that colonies provided the “metropole” states with a cheap source of raw materials.

9. Murphy and Nelson’s differentiation between the ________________ school and the ________________ school of IPE recognizes competing transatlantic methodologies and attempts to divide the field in relation to the major underlying analytical themes derived from these methodological differences.

10. ________________ (game or model) demonstrates how an individually rational behavior can lead to suboptimal outcomes, and why cooperation is difficult to achieve. This is why realists argue that even in positive-sum games, where all parties can achieve gains, cooperation remains unlikely. The security dilemma faced by states is quite similar to it.
Sample Quiz 2

2nd Quiz: International Political Economy  Prof. Don Moon

Student ID Number and Name ___________________________________________

--Fill the blanks using appropriate word(s) (one point per each question).

1. A second important GATT rule was the prohibition against quantitative restrictions in Article XI. The theory of the GATT was to delegitimize the use of protectionist measures other than ____________.

2. The WTO agreement provided that members would accept the WTO and the various other Agreements as a single piece, and would be obliged to bring their domestic laws into conformity with those Agreements. This commitment incorporated the well-known concept of _______________ that crystallized during the Uruguay Round negotiation.

3. ________________ goes beyond the removal of barriers to trade within the region to adopt a common set of policies towards imports from countries outside the region. This includes agreement on a common level of tariffs ("common external tariff") on all extra-regional imports.

4. Countries that enter into a free trade agreement inevitably are concerned that non-members should not exploit the benefits they provide to their partners. To prevent free trade areas from causing trade deflection of this type, their members typically adopt what are called rules of ________________.

5. According to _________________ theory, the pre-1914 international financial and monetary regime remained stable as long as it was sustained by UK, which performed such roles as the provision of stable international lending, the maintenance of an open market for foreign goods, and the stabilization of financial markets during crises.

6. The ____________________________ (write the full name) of 1934 produced a revolution in US and even international trade policy. Its central element was that it empowered the president to lower tariffs up to 50 percent from Smoot-Hawley levels in the course of trade negotiations with other countries.

7. The GATT principle of ____________________________ (write the full name) required that any advantage—such as a lowered tariff—granted to another contracting party would immediately be accorded to all other contracting parties. This obligation attacked the practice of bilateral tariff preferences, which were commonly employed for political reasons before the WWII.

8. In a situation where tariff reductions created an especially difficult political problem in any contracting party, the GATT also allowed for nations to backtrack on their commitments for a period of time (temporary exemption from obligations) to permit the orderly adjustment of domestic markets. This measure is called ________________.

9. According to “Unholy Trinity” by Cohen, there exists the intrinsic incompatibility of three key desiderata of governments: exchange rate stability (fixed exchange rate), private-capital mobility, and ____________________________.

10. Most of the theorizing in international relations on regionalism has concentrated on the European experience. The early years of European integration inspired the development of ________________ theoretical analysis (Hass 1958; Lindberg 1963). This approach suggested how a regional grouping could generate a momentum of its own (spillover effect) that would lead to a deepening of co-operation.
Sample Mid-term Questions 1

International Political Economy (IPE) Mid-term Exam
Professor: Don Moon

I. Identify the following terms in two sentences. For each, explain the concept, discuss the significance, or give examples if necessary (Each answer is worth 3 points: 3 X 4 = 12).

(1) Contradiction of Capitalism (Marx)
(2) Battle of Sexes Game
(3) Specific Factors Model (Ricardo-Viner model)
(4) Log rolling

II. Which one is more protectionist than the other, and why? Explain it briefly (Total 3 points).

(1) Small electoral district vs. Large electoral district
(2) President vs. Legislative Body (National Assembly or Congress)
(3) Ministry of Foreign Affairs vs. Ministry of Industry & Energy

III. Discuss the following question with complete sentences (Total 7 points).

Compare orthodox liberalism (economic/classical liberalism), interventionist liberalism (Keynesianism), and neo-liberalism. In your comparison, discuss the historical evolution, different understanding on the role of governments (states), and different understanding on global economic order (Total 7 points).

IV. Discuss the following question with complete sentences (8 points).

In Commerce and Coalition, Rogowski argues that (a) Depending on factor endowment, class cleavages (labor vs. capital/land) or urban-rural cleavages (capital/labor vs. land) emerge as trade expands or decreases, and (b) those who enjoy a sudden increase in wealth and income will thereby be enabled to expand their political influence.

Assuming that Rogowski’s arguments are right, predict what would happen if the US and Vietnam reached an FTA (Free Trade Agreement) in the TPP (Trans-Pacific Partnership) negotiations. The US is a capital-rich country with high land-labor ratio, and Vietnam is a capital-poor country with low land-labor ratio (draw a 2X2 table).
Sample Mid-term Questions 2

International Political Economy (IPE) Class B
Mid-term Exam Professor: Don Moon

I. Identify the terms below in two to three sentences. For each, identify the concept, describe the significance, or give some examples if necessary. (Each answer is worth 3 points: 3 X 4 = 12).

   (1) Multilateralism (Ruggie)
   (2) Chicken Game
   (3) Portfolio Investment vs. Foreign Direct Investment
   (4) Two-level Game

2. Discuss the following question with complete sentences (8 points).

IPE scholars and international economists (IEs) see “Free Trade Game” quite differently. IPE scholars claim that free trade has a commitment problem, that is, both states prefer free trade to mutual protectionism, but each state’s most preferred outcome is to access the other’s market freely but to protect its own market. The opposite (opening its market without getting access to other’s market) is the worst outcome. On the other hand, IEs claims opening one’s domestic market is always a better option than protectionism, irrespective of its partner’s policy, and the best result is, of course, to open both countries’ market simultaneously.

Based on the preference ordering above, draw the “IPE-version of Free Trade Game” model and “IE-version of Free Trade Game” model respectively, and find the equilibrium of each game.
I. Identify the following terms in two to three sentences. For each, identify the concept, give examples, or expand briefly to show that you know what it means. (Each answer is worth 3 points) (3 X 6 = 18)

(1) The principle of non-discrimination (under the GATT/WTO)
(2) Safeguards (Article XIX of the GATT)
(3) Common Market (one type of regionalism)
(4) Global Imbalance
(5) The three logics of Economic Globalization (by Garnett)
(6) Purchasing Power Parity (PPP)

2. Discuss the following question with complete sentences (10 points).

What are the major changes from the GATT system to the WTO? And discuss the current status of the Doha Rounds, focusing on the contentious outstanding issues.

3. Discuss the following question with complete sentences (12 points).

Explain the evolution of the international monetary /financial system from classical gold standard (before WWI) to the Bretton Woods system (after WWII) to Post-Bretton Woods system (after mid-1970s). In your explanation, discuss which aspect of the “impossible (unholy) trinity” had been adopted or abandoned by countries in each period.
KIC 2017-2 International Political Economy (IPE) Final Exam
Professor: Don Moon (donmoon@khu.ac.kr) (total 40 points)

I. Identify the following terms in (about) three sentences. For each, explain the term/concept and/or expand briefly to address the essential aspects of it. (Each answer is worth 4 points) (4 X 5 = 20)

5. Spaghetti Bowl Effect
6. IMF Quota
7. Unholy (impossible) Trinity
8. Bretton Woods II and Global Imbalance
9. Race to the Bottom

2. Discuss the following question with complete sentences (10 points).

The graph above is the number of disputes filed under the GATT/WTO.

1. Discuss why the number of the disputes has drastically increased since 1995 (5 points).
2. The number of trade disputes after 2008 Global Financial Crisis has not increased significantly. Discuss why (5 points).

3. Discuss the following question with complete sentences (10 points).

Compare Latin American Economic Crisis in 1980s, East Asian Financial Crisis in 1997/98, and Global Financial Crisis in 2007/08, in terms of the nature, developments, and consequences of each crisis.