

**DHP P217****Global Political Economy  
Fall 2018**

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Office hours: Wednesday 1 PM – 3:30 PM or by appointment

**OVERVIEW**

Most people think that *the* question in international relations is the identifying the causes of war. Well, they're wrong. Violence represents only a tiny fraction of global interactions. On the other hand, goods, services, capital, labor, culture and ideas constantly cross borders. A bevy of international regimes, national authorities, non-governmental organizations, criminal syndicates, and private orders exist to promote, prohibit, or regulate these exchanges. Individuals have traded goods across territorial borders since the dawn of the city-state. Over time, individuals, firms, and states have altered their economic relations with each other, in response to changes in technology, ideology, and the distribution of power. What determines the direction, magnitude, governance, and fluctuation of these cross-border flows? How do these flows respond to structural change or exogenous shocks?

This course surveys the theories and issue areas of the global political economy, in the past, present and immediate future. The first section of the course will evaluate the existing concepts and theories used to explain the variations in international economic exchange over time. For example, the levels of global trade and capital flows were extremely high prior to World War I, sunk rapidly during the interwar period, increased after World War II, exploded after the end of the Cold War, and shrunk after the 2008 financial crisis. What causes these fluctuations in the international system? I have organized this section into a series of debates (systemic/domestic, ideas/interests) so as to better distinguish what these range of theories have in common and where they diverge.

The second section surveys various issue areas of the global political economy as a testing ground for the theories discussed in the first section. The issue areas that will be examined include: open economy macroeconomics, global finance, and migration. The goal of this section is threefold. First, you will actually have some facts to use in your arguments. Second, it should give you an opportunity to use the analytic tools provided in the first section. Third, it will help illuminate the feedback mechanisms that exist in the global political economy. Just as the global political economy is determined by the behavior of states, firms, and individuals, changes in the global economy affect these actors as well. There are myriad forms of the feedback effects between actors and outcomes in the global economy, many of which are addressed by comparative political economists.

The third section will look at topics of post-2016 debate in the global political economy to see whether the theories and models discussed previously can explain what's going on. How does our current understanding of the global political economy explain the political and policy responses to 2008 financial crisis? What is the role of the dollar in the post-Brexit global economy? Will corporate power continue to grow in the next decades? What is the future of the liberal economic order?

## COURSE REQUIREMENTS

This is a course that examines the political inputs that affect economic outcomes. You are interested in international business, so I am assuming you are already comfortable with basic ideas in economic theory. This means I'm expecting you to read terms like comparative advantage or fixed exchange rate and understanding what those terms mean. If you need to bone up, Krugman and Obstfeld's *International Economics* is a good read. To repeat: *this is not an economics course*. Rather, it is a course that asks how political actors cope with the logic of free and governed markets, and how capitalism in turn shapes and affects these political actors.

A note about the readings. This is a lecture course for Fletcher students. This means that I expect you to have done all of the readings in advance and that you are prepared to discuss them in class. I place great importance on this: you will note that 20% of your grade is determined by your class participation. Read *all* of the assigned materials before class meets. I am aware that this is not the only course you will be taking this quarter, and I have really, really tried to keep the number of pages per week down. Scanning the syllabus, you will probably believe this claim to be insincere, but trust me, there is a lot that is being left out.

You will have three written assignments for this class. The first paper, due in mid-October, is a 1,000 word essay on defining the great powers in the current global economy. The second paper, due right before Thanksgiving, is a 1,500 word analytical essay that argues which prior era of global political economy most closely resembles the current moment, and what that means for the future.

Finally, there will be a 24-hour take-home final. This is open-book and open-note, and designed to be relatively painless. All told, your grade in this course will be determined as follows:

Class participation	10%
First short paper	20%
Second short paper	30%
Final exam	40%

In accordance with federal and state law, Tufts University provides reasonable accommodations to students with documented disabilities. If you believe you require an accommodation, contact me after the first class session or e-mail [accessibility@tufts.edu](mailto:accessibility@tufts.edu) or [Catherine.Flynn@tufts.edu](mailto:Catherine.Flynn@tufts.edu).

## THE READINGS

### Required books

Mark Blyth and Matthias Matthijs, eds. *The Future of the Euro*. (New York: Oxford University Press, 2015).

Daniel W. Drezner, *The System Worked: How the World Stopped another Great Depression* (New York: Oxford University Press, 2014).

Jeffrey Frieden, *Global Capitalism* (New York: W.W. Norton, 2006).

Jeffrey Frieden, David Lake, and Lawrence Broz, eds., *International Political Economy*, 6<sup>th</sup> edition (New York: Norton, 2017).

## COURSE OUTLINE

### PART ONE: THEORETICAL APPROACHES

#### **I: What is political economy? How is political economy different from other aspects of world politics? (9/6)**

Jacob Viner, “Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries,” *World Politics* 1 (October 1948): 1-29.

Charles Lipson, “International Cooperation in Economic and Security Affairs,” *World Politics* 37 (October 1984): 1-23.

Joshua Aizenman, “The Impossible Trinity (aka The Policy Trilemma),” in Frieden, Lake and Broz.

**\*\*\*NO CLASS THE WEEK OF 9/11\*\*\***

#### **II: Operationalizing power and authority in the global political economy (9/18)**

Sean Starrs, “American Economic Power Hasn't Declined—It Globalized! Summoning the Data and Taking Globalization Seriously.” *International Studies Quarterly* 57 (December 2013): 817-830.

Arvind Subramanian, “The Inevitable Superpower,” *Foreign Affairs* 90 (September/October 2011): 66-78.

Randall Schweller, “Emerging Powers in an Age of Disorder.” *Global Governance* 17 (Fall 2011): 285-297.

#### **III: Contending Approaches: Realism vs. Liberalism (9/20)**

Robert Axelrod and Robert Keohane, “Achieving Cooperation Under Anarchy: Strategies and Institutions,” *World Politics* 38 (October 1985): 226-254.

Stephen D. Krasner, “State Power and the Structure of Foreign Trade,” in Frieden, Lake and Broz, eds.

Michael Mastanduno, “System Taker and Privilege Taker: U.S. Power and the International Political Economy,” *World Politics* 61 (January 2009): 121-154.

#### **IV: Contending Approaches: Systemic vs. Domestic (9/25)**

Robert Putnam, “Diplomacy and Domestic Politics: the Logic of Two-level Games,” *International Organization* 42 (Summer 1988): 427-460.

John W. Meyer, “Globalization: Sources and Effects on Nation States and Societies.” *International Sociology* 15 (June 2000): 233-248.

David A. Lake, “Open economy politics: A critical review.” *Review of International Organizations* 4 (Fall 2009): 219-244.

Ronald Rogowski, “Commerce and Coalitions: How Trade Affects Domestic Political Alignments,” in Frieden, Lake and Broz.

### **V: Contending Approaches: Ideas vs. Interests (9/27)**

John Gerard Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization* 36 (Spring 1982): 379-415.

Jeffrey Chwieroth, “Neoliberal Economists and Capital Account Liberalization in Emerging Markets,” *International Organization* 61 (April 2007): 443-463.

James Ashley Morrison, “Shocking Intellectual Austerity: The Role of Ideas in the Demise of the Gold Standard in Britain,” *International Organization* 70 (Winter 2016): 175-207.

Daniel W. Drezner, *The Ideas Industry* (New York: Oxford University Press, 2017), chapter four.

### **VI: States, Firms, and Networks (10/2)**

Richard Caves, “The Multinational Enterprise as an Economic Organization,” in Frieden, Lake and Broz.

David Vogel, “Private Global Business Regulation,” *Annual Review of Political Science* 11 (2008): 261-282.

Charli Carpenter, “Setting the Advocacy Agenda: Theorizing Issue Emergence and Nonemergence in Transnational Advocacy Networks,” *International Organization* 51 (March 2007): 99-120.

## **PART TWO: THE PAST**

### **VII: The first era of globalization – the 19<sup>th</sup> century (10/4)**

Frieden, *Global Capitalism*, pp. 1-27.

Cheryl Schonhardt-Bailey, “Free Trade: The Repeal of the Corn Laws,” in Frieden, Lake, and Broz, eds.

Peter Gourevitch, “International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873-1896,” in Frieden, Lake, and Broz, eds.

### **VIII: The first great rupture of globalization – the interwar period (10/9)**

Frieden, *Global Capitalism*, pp.127-154, 173-194

Barry Eichengreen, “The Political Economy of the Smoot-Hawley Tariff,” in Frieden, Lake and Broz.

### **IX: The Bretton Woods and post-Bretton Woods Eras (10/11-10/16)**

Frieden, *Global Capitalism*, pp.253-300, 339-391

Christina Davis, “International Institutions and Issue Linkage: Building Support for Agricultural Trade Liberalization,” in Frieden, Lake, and Broz, eds.

Michael Bailey, Judith Goldstein, and Barry Weingast, “The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade,” in Frieden, Lake, and Broz, eds.

### **X: The Washington Consensus (10/18)**

John Williamson, “A Short History of the Washington Consensus,” September 2004.

Jeffrey Frieden, “Globalization and Exchange Rate Policy,” in Frieden, Lake, and Broz, eds.

Daniel W. Drezner, *The System Worked*, chapter six.

Leilei Chen and Peri Silva, “Value-added exports and U.S. local labor markets: Does China really matter?” *European Economic Review* 101 (January 2018): 479-504.

**XI: The 2008 Financial Crisis (10/23-10/25)**

Carmen Reinhart and Kenneth Rogoff, “Banking Crises: An Equal Opportunity Menace.” NBER Working Paper No. 14587, December 2008.

Michael Lewis, “The End,” *Portfolio*, December 2008. At <http://www.mutualfundsbulletin.com/docs/PortfolioMagazineArticle.pdf>.

Simon Johnson, “The Quiet Coup,” *The Atlantic*, May 2009.

Drezner, *The System Worked*, chapter 1-2.

Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York: Viking), introduction.

**10/22: FIRST PAPER ASSIGNMENT DUE.****PART III: THE PRESENT****XII: The Great Recession, Populist Nationalism, and the New Normal (10/30)**

Drezner, *The System Worked*, chapters 3, 6-7.

Manuel Funke, Moritz Schularick, and Christoph Trebesch, “Going to Extremes: Politics after Financial Crises, 1870–2014,” *European Economic Review* 88 (September 2016): 227–60

Judith Goldstein and Margaret Peters, “Nativism or Economic Threat: Attitudes toward Immigrants during the Great Recession,” *International Interactions* 40 (May 2014): 376-401.

**XIII: The Euro, Fiscal Policy and the Politics of Sovereign Debt (11/1)**

Blyth and Matthijs, *The Future of the Euro*, chapters 2, 6, 8, 11-12.

Mark Copelovitch, Jeffrey Frieden, and Stefanie Walter, “The Political Economy of the Euro Crisis,” in Frieden, Lake, and Broz, eds.

**XIV: The Global Political Economy of Migration (11/6)**

Gary Freeman and Alan Kessler, “Political Economy and Migration Policy,” in Frieden, Lake, and Broz, eds.

Giovanni Facchini, Anna Maria Mayda, and Prachi Mishra, “Do Interest Groups affect US Immigration Policy?” in Frieden, Lake, and Broz, eds.

Margaret Peters, “Trade, foreign direct investment, and immigration policy making in the United States,” *International Organization* 68 (October 2014): 811-844.

Sari Pekkala Kerr et al, “Global Talent Flows,” NBER working paper 22715, October 2016.

### **XV: Trade Wars (11/8)**

Drezner, *The System Worked*, chapter 4.

Sean Ehrlich, “The Fair Trade Challenge to Embedded Liberalism,” in Frieden, Lake, and Broz, eds.

Dani Rodrik, “What do Trade Agreements Really Do?” *Journal of Economic Perspectives* 32 (Spring 2018): 73-90.

Donald Trump’s Inaugural Address, January 20, 2017.

Augustin Carstens, “Global market structures and the high price of protectionism,” Remarks at the Federal Reserve Bank of Kansas City’s 42nd Economic Policy Symposium, Jackson Hole, WY, August 2018.

**11/13: NO CLASS**

## **PART IV: THE FUTURE**

### **XVI: Corporate Power and Political Risk in the 21<sup>st</sup> Century (11/15-11/20)**

John Chipman, “Why Your Company Needs a Foreign Policy,” *Harvard Business Review* 94 (September 2016): 36-45.

Robert Litan and Ian Hathaway, “Is America Encouraging the Wrong Kind of Entrepreneurship?” *Harvard Business Review*, June 13, 2017.

Zsófia Barta and Alison Johnston, “Rating Politics? Partisan Discrimination in Credit Ratings in Developed Economies,” *Comparative Political Studies* 51 (2018): 587–620.



DeLoecker, Jan, and Jan Eeckhout, “The Rise of Market Power and the Macroeconomic Implications,” NBER Working Paper 23687, August 2017.

John Lanchester, “You Are the Product,” *London Review of Books*, August 17, 2017, pp. 3-10.

Ben White, “Why Isn’t Wall Street Freaking Out About Trump?” *Politico*, March/April 2018.

### **XVII: The Future of the Dollar (11/27)**

Jeffrey Frieden, “The Governance of International Finance,” in Frieden, Lake, and Broz, eds.

Barry Eichengreen, “Number One Currency, Number One Country?” *The World Economy* 36 (April 2013): 363–374.

Daniel W. Drezner, “Targeted Sanctions in a World of Global Finance.” *International Interactions* 41 (Summer 2015): 755-764.

Jonathan Kirshner, “Bringing Them All Back Home? Dollar Diminution and U.S. Power.” *The Washington Quarterly* 36 (Fall 2013): 27–45.

### **XIX: The Future of Economic Growth and Economic Inequality? (11/29)**

Chrystia Freeland, “The Rise of the New Global Elite,” *The Atlantic*, January/February 2011.

Lawrence Summers, “The Age of Secular Stagnation,” *Foreign Affairs* 95 (March/April 2016): 2-9.

John Van Reenen, “Increasing Differences between firms: Market Power and the Macro-Economy.” Paper presented at the Federal Reserve Bank of Kansas City’s 42nd Economic Policy Symposium, Jackson Hole, WY, August 2018.

Philippe Aghion, Benjamin F. Jones, and Charles I. Jones, “Artificial Intelligence and Economic Growth,” NBER Working Paper No. 23928. National Bureau of Economic Research, October 2017.

**12/4: NO CLASS**

### **XX: The Future of the Global Economic Order? (12/6)**

G. John Ikenberry, “The End of the Liberal International Order?” *International Affairs* 94 (January 2018): 7-23.

Paul D. Miller, “Non-‘Western’ Liberalism and the Resilience of the Liberal International Order.” *The Washington Quarterly* 41 (Summer 2018): 137-153.

Allan Bently, Srdjan Vucetic, and Ted Hopf, “The Distribution of Identity and the Future of International Order: China’s Hegemonic Prospects,” *International Organization*, forthcoming.

**XXI: Complexity, Resiliency, and Catastrophe (12/7: NOTE SPECIAL TIME)**

Scott Page, “Are We Collapsing? A Review of Jared Diamond’s *Collapse: How Societies Choose to Fail or Succeed*,” *Journal of Economic Literature* 43 (December 2005): 1049-1062.

Sergey Buldyrev *et al*, “Catastrophic cascade of failures in interdependent networks,” *Nature* 464 (April 2010): 1025-1028.

Dirk Helbing *et al*, “Will Democracy Survive Big Data and Artificial Intelligence,” *Scientific American*, February 25, 2017.

Joel Achenbach, “The Century of Disasters,” *Slate*, May 13, 2011.

**FINAL EXAM: 24-HOUR TAKE-HOME, STARTING TUESDAY, DECEMBER 11<sup>th</sup> AT 10:00 AM.**