

INTERNATIONAL UNIVERSITY OF JAPAN
 Graduate School of International Relations
Academic Year: 2016/2017
Term: Winter

Course	Course code: DCC 5020	Course title: International Political Economy	
Name of Instructor	N. S. Cooray		Credit Number: 2
Instructor's contact Information	Office # 428	Office Hours: ¹ Wednesday: 4:30-16:30	Email: cooray@iuj.ac.jp
Class Schedule Day / Time	Wednesday: 10:30-12:00, 13:00-14:30		

Course Description:

As we live in a globalising and increasingly interdependent world, understanding of the roles and behaviour of markets, states and institutions, and civil society is vitally important. It is believed that International Political Economy (IPE) provides a solid foundation for those who are attempting to comprehend the above mentioned roles and behaviour, and key regional and global issues that will affect everyday life of individuals. The IPE is an interdisciplinary academic field within international relations which draws inputs from international politics, international economics, cultural studies, and history. From a theoretical standpoint, IPE examines the interactions and tensions within four structures: (a) Production and Trade, (b) Finance and Monetary, (c) Knowledge and Technology, and (d) Security. These structures or frameworks are the underlying foundation of the IPE. This course aims to familiarize students with the theories and dynamic linkages among markets, states and institutions, and civil society in the regional and global context. The course covers major theories, concepts and issues of IPE including, international institutions, international trade, international finance, international development, and consequences and controversies of globalisation. This course is open for any IUJ student.

Learning Objectives:

During or after the course learning partners will be able:

1. To familiarize with the theories and dynamic linkages among markets, states and institutions, and civil society in the regional and global context.
2. To acquire depth and breadth knowledge in the subject of IPE, as well as overall critical thinking skills;

¹ All learning partners are encouraged to share their opinion, suggestion and difficulties in a relaxed atmosphere with course instructor. Arrangements can also be made to consult on an individual or group basis as needs arise.

3. To grasp new concepts and reasons analytically and to critically assess global and local challenges;
4. To synthesize ideas, views and evidence and to gain effective skills for leadership in government, private sector, NGOs and international organisations; and
5. To apply IPE in understanding business and international relations decision making.

Topic based specific learning objectives will be presented in every class.

Career Relevance:

Students who would like to work and are working in government, private sector, funding organization and international organization need to know how people make decisions and interact with one another. This course provides necessary tools and solid foundation to know how decisions are made. IPE also examines the roles and behaviour of institutions such as the IMF, World Bank, and International Organization and therefore provide students with critical understanding of global business, politics and international affairs.

Course Context or Rationalization:

This course provides discussion relating to the following courses such as International Politics, International Economic System and Order, and Foreign Policy Analysis in political economy perspective. In real world, political decision may dominate in the short-run than economic rational and therefore political economy perspective is vital in understanding economic (public) policy, foreign policy and other real world issues.

Delivery Methods:

- (a) Class room lectures;
- (b) In class discussion;
- (c) Reading assignments from Internet, books and journals;
- (d) Other assignments and participants' presentations; and
- (e) Case studies.

Assessment:

The course grade will be based on the followings, with weights in parentheses:

- (1) Assignments and constructive class participation (15%)
- (2) Presentations (15%)
- (3) Quizzes (5-7, 20%)
- (4) Final term paper (50%)

Prerequisite:

The course is open to any IUJ students are interested in understanding real world economic (or public) policy and business decision making processes. No prior knowledge in economics

is required for this course but strong desire and genuine effort to learn are prerequisites.

Textbook(s)
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It is quite difficult to cover the whole spectrum of International Political Economy by a single volume. But if pressed to select one book, the following could be a single volume.

Balaam, D., & Dillman, Bradford (2014). *Introduction to International Political Economy* (6 ed.). New Jersey: Pearson Education.

Class
Outline

1. First week: Introduction to International Political Economy
What is International Political Economy? In the introductory session we attempt to answer this question, stressing the fundamental nature of IPE and its multidimensional character. We briefly explore the history of IPE through a discussion of the three main IPE viewpoints or perspectives-namely, economic liberalism, mercantilism, and structuralism. This discussion provides students with a basic vocabulary and some theoretical tools that are useful in understanding any IPE issue. This will also help students to see more clearly the roots of IPE in the past and its relevance to the contemporary world.

Required readings:

Balaam, D., & Dillman, B. (2014). *Introduction to International Political Economy* (5 ed.). New Jersey: Pearson Education. pp. 1-20.

Cohen, B. J. (2007). The transatlantic divide: Why are American and British IPE so different? *Review of International Political Economy*, 14 (2), 197-219.

Recommended readings:

Cohn, T. H. (2010). *Global Political Economy: Theory and Practice* (5 ed.). Pearson Education. pp. 2-16.

Gilpin, R. (2001). *Global Political Economy*. Princeton and Oxford: Princeton University Press. Pp.25-45.

Gilpin, R. (2000). *The Challenge of Global Capitalism: The World Economy in the 21st Century*. Princeton and Oxford: Princeton University Press. Pp. 3-14.

Oatley, T. (2010). *International Political Economy* (3 ed.). New York: Pearson Education. pp. 1-21.

Ravenhill, J. (2005). The study of global economy. In J. Ravenhill, *Global Political Economy*. New York: Oxford University Press. pp. 3-27.

Strange, S. (1988). *States and Markets*. London: Pinter Publishers. pp. 1-42.

2. Second week: "Laissez-Faire, Laissez-Passer": The Liberal International Political Economy Perspective

This lecture outlines the liberal perspective on International Political Economy (IPE), linking today's rise of the economic liberal view to its historical roots. We trace the broader idea of liberalism from eighteenth century France, through nineteenth century England, to today's world of the twenty-first century. Along the way we listen to the words of some of the most famous political economists, Adam Smith, David Ricardo, John Maynard Keynes, Friedrich Hayek, and Milton Friedman.

Required readings:

- Balaam, D., & Dillman, B. (2014). *Introduction to International Political Economy* (5 ed.). New Jersey: Pearson Education. pp. 28-55.
- Cohn, T. H. (2010). *Global Political Economy: Theory and Practice* (5 ed.). Pearson Education. pp. 77-102.

Recommended readings:

- Pease, K.-K. S. (2010). *International Organisations*. Boston: Pearson. pp. 41-72.
- Streeten, P. (1993). Markets and states: Against minimalism. *World Development*, 21 (8), 1281-1298.
- Taylor, L. (1997). The revival of the liberal creed-the IMF and the World Bank in a globalized economy. *World Development*, 25 (2), 145-152

Presentations by participants

Caporaso, J. A. and D. P. Levine (2009). The Classical Approach. Theories of Political Economy, Cambridge University Press: Chapter 2, 7-32.

Caporaso, J. A. and D. P. Levine (2009). Neoclassical Political Economy. Theories of Political Economy, Cambridge University Press: Chapter 4, 79-99.

3. Third Week: Wealth and Power: Mercantilism and Economic Nationalism
Mercantilism is the oldest and from an historical standpoint perhaps the most important IPE theoretical perspective. The central focus of

mercantilism is the problem of security and the role of the state and the market in providing and maintaining a nation's security in all forms. In this lecture, we explore many of the political–philosophical ideas associated with classical mercantilism, realism, and neo-mercantilism. We follow a chronology that covers how and why mercantilist ideas evolved from the sixteenth century to this day. We then discuss a number of neo-mercantilist policies related to the debate about how much the state should or should not interfere in markets in the face of globalization and the recent financial crisis.

Required readings:

Balaam, D., & Dillman, B. (2014). Wealth and Power: The Mercantilist Perspective. In *Introduction to International Political Economy* (5 ed., pp. 56-80). New Jersey: Pearson Education.

Cohn, T. H. (2010). The Realist Perspective. In *Global Political Economy: Theory and Practice* (5 ed., pp. 55-76). Pearson Education.

Recommended readings:

Fallows, James (1994). *Looking at the Sun*. New York: Pantheon.

Fallows, James. (1990). *More Like Us: Putting America's Native Strengths and Traditional Values to Work to Overcome the Asian Challenge*. Boston: Houghton Mifflin.

Hamilton, Alexander (1991). "Report on Manufactures," in George T. Crane and Abba Amawi, *The Theoretical Evolution of International Political Economy: A Reader*. New York: Oxford University Press, pp. 37–47.

Heckscher, Eli F. (1955). *Mercantilism*. Rev. ed., 2 vols. New York: Macmillan.

Kuttner, Robert (1991). *The End of Laissez-Faire*. New York: Knopf, 1991.

List, Friedrich (1966). *The National System of Political Economy*. New York: Augustus M. Kelley.

Reich, Robert B. (1991). *The Work of Nations*. New York: Knopf, 1991.

Streeten, P. (1993). Markets and states: Against minimalism. *World Development*, 21 (8), 1281-1298.

Taylor, L. (1997). The revival of the liberal creed—the IMF and the World Bank in a globalized economy. *World Development*, 25 (2), 145-152.

Thurow, Lester (1991) *Head to Head: The Coming Economic Battle Among Japan, Europe, and America*. New York: William Morrow.

Viner, Jacob (1948) "Power versus Plenty as Objectives of Foreign Policy

in the Seventeenth and Eighteenth Centuries," *World Politics* 1 (Oct. 1948), pp. 1–29.

Presentations by participants

Caporaso, J. A. and D. P. Levine (2009). *Keynesian Political Economy. Theories of Political Economy*, Cambridge University Press: Chapter 5, 100-125.

4. Fourth week: Marx, Lenin, and the Structuralist Perspective

We discuss structuralism which includes the ideas of Marx and Lenin in addition to contemporary thinkers in this analytical framework. Structuralism has its roots in the ideas of Karl Marx but today encompasses a much broader group of scholars and activists. While most structuralists do not share the commitment to a socialist system as envisioned by some Marxists, they do believe that the current global capitalist system is unfair and exploitative and can be changed into something that distributes rewards in a more just manner.

Karl Marx remains one of the most imposing figures in the history of political economy. With the collapse of communism in Russia and Eastern Europe, it is tempting to conclude that "Marx is dead" and to move on to other, easier pursuits. However, ideas that originated with Marx remain very much alive today. Theories that incorporate notions of class struggle, exploitation, imperialism, and technical change, to name just a few, remain important tools of IPE analysis. We also present two alternative perspectives of mainstream IPE theory-constructivism and feminism.

Required readings:

Balaam, D., & Dillman, B. (2014). Economic Determinism and Exploitation: The Structuralist Perspective. In *Introduction to International Political Economy* (5 ed.). New Jersey: Pearson Education. pp. 81-105.

Recommended readings:

Griffin, K., & Gurle, J. (1985). Radical Analyses of Imperialism, the Third World, and the Transition to Socialism: A Survey Article. *Journal of Economic Literature*, 23 (3), 1089-1143.

Hobsbawm, E. (2011). *How to Change the World: Reflections on Marx and Marxism*. New Haven and London: Yale University Press.

Presentations by participants

Caporaso, J. A. and D. P. Levine (2009). *Maxian Political Economy. Theories of Political Economy*, Cambridge University Press: Chapter 3, 55-78.

5. Fifth week: Political Economy of Production and International Trade Policy
International production and trade is one of the international political economy's oldest and most controversial subjects. To review, the production and trade structure is the set of relationships between states and other actors such as international businesses that determine what is produced, where, by whom, how, for whom, and at what price.

Together with the international financial, technological, and security structures, trade links nation-states and other actors, furthering their interdependence, which benefits but also generates tension between states and different groups within them. Controversies about international trade stem from the compulsion of nation-states and business enterprises to capture the economic benefits of trade, while limiting its negative political, economic, and social effects on producer groups and society in general.

An attempt is made in this lecture to survey a variety of developments and changes that have occurred in the post-World War II production and trade system in which officials in the Northern industrialized developed nations have sought ways to liberalize the international trade system-that is, to reduce the level of protectionist barriers.

Required readings:

Balaam, D., & Dillman, B. (2014). The Production and Trade Structure. In *Introduction to International Political Economy* (5 ed., pp. 130-155). New Jersey: Pearson Education.

Krugman, P. R., & Obstfeld, M. (2009). The Political Economy of Trade Policy. In *International Economics: Theory and Policy* (8 ed., pp. 212-249). Pearson International.

Krugman, P. R., & Obstfeld, M. (2009). Trade Policy in Developing Countries. In *International Economics: Theory and Policy* (8 ed., pp. 250-265). Pearson International.

Krugman, P. R., & Obstfeld, M. (2009). Controversies in Trade Policy. In *International Economics: Theory and Policy* (8 ed., pp. 266-286). Pearson International.

Recommended readings:

Gilpin, R. (2001). *Global Political Economy*. Princeton and Oxford: Princeton University Press.

Oatley, T. (2010). The Political Economy of International Trade Cooperation. In *International Political Economy* (3 ed., pp. 46-70). New York: Pearson Education.

Winham, G. R. (2005). The evolution of the global trade regime. In J. Ravenhill, *Global Political Economy* (pp. 88-115). New York: Oxford University Press.

Mid-term examination

6. Sixth week: Managing the Global Economy Since World War II: The International Monetary and Finance Structure

The international money and finance structure connects global uses of money and credit and therefore conditions developments in the other three IPE structures i.e. (a) production and trade, (b) security, and (c) knowledge and technology. This structure reflects a complex web of political and economic agreements, understandings, institutions, and relationships that help determine the values of different national currencies in terms of other currencies, and that establishes a set of rules as to how much, how often, and under what terms money moves into and out of national economies. With our discussion students should be able to grasp the essential features of the international finance and exchange rate systems.

Required readings:

Balaam, D., & Dillman, B. (2014). The International Monetary and Finance Structure. In *Introduction to International Political Economy* (5 ed.). New Jersey: Pearson Education. pp. 156-82.

Bernanke, B. S. (2010). Rebalancing the Global Recovery. <http://www.federalreserve.gov/newsevents/speech/bernanke20101119a.pdf>

Krugman, P. R., & Obstfeld, M. (2009). The International Monetary System, 1870-1973. In *International Economics: Theory and Policy* (8 ed., pp. 502-531). Pearson International.

Obstfeld, M., & Taylor, A. M. (2004). Globalization in Capital Markets: A Long-Run Narrative. In *Global Capital Markets: Integration, Crisis, and Growth* (pp. 126-171). Cambridge: Cambridge University Press.

Recommended readings:

Cohn, T. H. (2010). *Global Political Economy: Theory and Practice* (5 ed.). Pearson Education. pp. 17-50.

Gilpin, R. (2001). *Global Political Economy*. Princeton and Oxford: Princeton University Press. pp. 97-102, 234-260, and 377-402.

Oatley, T. (2010). *International Political Economy* (3 ed.). New York: Pearson Education. pp. 215-259.

Pease, K.-K. S. (2010). *International Organisations*. Boston: Pearson. pp. 151-175.

Ravenhill, J. (2005). The study of global economy. In J. Ravenhill, *Global Political Economy*. New York: Oxford University Press. pp. 151-175.

Ritzer, G. (2010). *Globalization: A Basic Text*. Singapore: Wiley-Blackwell. pp. 171-206.

7. Seventh week: Current Global Financial Imbalances: Causes, Consequences, and Solutions

The massive deficit in the U.S. trade and current accounts is one of the most striking features of the current global financial structure and, to some observers, one of the most worrying. The current account in 2006, both in absolute size and relative to GDP, reached \$811 billion, and 6.1 percent of GDP, respectively. If sum up the current account deficits of all nations that are running deficits in the world economy, the U.S. deficit accounts for about 70 percent of the total. While some observers claim that the U.S. economy can continue to have trade deficits of this magnitude for years-some would say for decades-into the future. The growth of China's current account surplus has been a key counterpart to the widening US deficit. In this lecture, we discuss the causes, consequences and solution for global financial imbalances.

Required readings:

Cooper, R. N. (2008). Global Imbalances, Globalization, Demography, and Sustainability. *Journal of Economic Perspectives* , 22 (3), 93-112.

Corden, W. M. (2007). Those Current Account Imbalances: A Skeptical View. *The World Economy*, 30 (3), 363–82.

Feldstein, M. (2008). Resolving the Global Imbalance The Dollar and the U. S. Saving Rate. *Journal of Economic Perspectives*, 22 (3), 113–125

Recommended readings:

Cline, W. R. (2009). *Long-Term Fiscal Imbalances, US External Liabilities, and Future Living Standards*. Peterson Institute for International Economics. pp. 1-24.

Cooper, R. N. (2009). The Fate of the Dollar. *Peterson Institute for International Economics, Policy Brief PB 09-21*, pp. 1-6.

Corden, M. W. (2009). China's Exchange Rate Policy, Its Current Account Surplus, and the Global Imbalances. *The Economic Journal*, 119 (541), 1-17.

Presentations by participants

8. Eighth week: The IPE of International Debt and Financial Crises

Global financial markets and monetary issues now transcend national borders; they are the form and substance of the global financial structure. The cases of rules about capital mobility and currency exchange rates associated with the globalization and deregulation of finance has since the 1980s predominantly reflected the interests of the industrialized developed states and some of the international organizations (IOs) they sponsor such as the International Monetary Fund (IMF) and World Trade Organization (WTO), Transnational Corporations (TNCs), investment banks, and other institutions and agencies. The global financial crises demonstrate the vulnerability of all nations to some combination of a debt-finance predicament. Recently many developed countries have experienced type of financial crisis caused in part by investment bubbles and currency speculation. Debt is another important aspect of the international finance and monetary structure and that is the focus of this lecture.

Required readings:

Balaam, D., & Dillman, B. (2014). International Debt and Financial Crises. In *Introduction to International Political Economy* (6 ed., pp. 178-206). New Jersey: Pearson Education.

Buiter, W., & Srinivasan, T. (1987). Rewarding the Profligate and

Punishing the Prudent and Poor: Some Recent Proposals for Debt Relief. *World Development Journal* , 15 (3), 411-417.

JubileeDebtCampaign. (2009). *A New Debt Crisis Assessing the Impact of the Financial Crisis on Developing Countries*. London.

kahler, M. (1985). Politics and International Debt: Explaining the Crisis. *International Organization* , 39 (3), 1-26.

Obstfeld, M., & Taylor, A. M. (2004). Globalization in Capital Markets: A Long-Run Narrative. In *Global Capital Markets: Integration, Crisis, and Growth* (pp. 126-171). Cambridge: Cambridge University Press.

Recommended readings:

Bogdanowicz-Bindert, C. A. (1986). The Debt Crisis: The Baker Plan Revisited. *Journal of Interamerican Studies and World Affairs* , 28 (3), 33-45.

Cohn, T. H. (2010). International Development. In *Global Political Economy: Theory and Practice* (5 ed., pp. 296-340). Pearson Education.

Cooper, G. (2008). *The Origin of Financial Crises*. New York: Vintage Books.

Dunaway, S. (March 2009). *Global Imbalances and the Financial Crisis*. New York: Council on Foreign Relations Center for Geoeconomic Studies.

Financial Crisis Inquiry Commission. (2011). *The Financial Crisis Inquiry Report*. New York: Public Affairs.

Kindleberger, C. P. (2000). *Manias, Ranics, and Crashes* (4 ed.). NewYork: John Wiley and Sons, Inc.

Rajan, R. G. (2010). *Fault Lines: How Hidden fractures Still Threaten the World Economy*. Princeton and oxford: Princeton University Press.

Ravenhill, J. (2005). The study of global economy. In J. Ravenhill, *Global Political Economy*. New York: Oxford University Press.

Reinhart, C. M., & Rogof, K. S. (2010). From Financial Crash to Debt Crisis. *NBER Working Paper Series, Working Paper 15795* , 1-48.

Shiller, R. J. (2008). *The Subprime Solution*. Princeton and Oxford: Princeton University Press.

Presentations by participants

9. Ninth week: International Development Conundrum: Choices Amidst

Constraints

A pervasive problem of the international political economy is the tension that exists between the industrialized countries of the North and the less developed countries (LDCs) of the South. A major source of that tension is a series of issues related to what is commonly referred to as the "development dilemma." For much of the twentieth century the overwhelming majority of the world's population who live in developing nations have not experienced the kind of economic prosperity and affluence the vast majority of people in developed countries have. An obvious question is: given the great amount of wealth produced in the world each year, why have so many less developed countries remained impoverished, "underdeveloped," or "undeveloped"?

The issue of development has confronted most of the LDCs since the middle of the twentieth century, when many of them formally became independent nations. There are many theories about the causes of underdevelopment and how to remedy it. In this lecture, we examine some of those theories and explore other aspects of the development dilemma. It provides a brief overview of the broad economic, political, and social disparities that distinguish the developed nations from the newly developing and the less developed nations. Discussion turns to the origin of these gaps-the historical context and situations that resulted in the depressed circumstances that many LDCs find themselves in.

Required readings:

Balaam, D., & Dillman, B. (2014). The Development Conundrum: Choices Amidst Constraints. In *Introduction to International Political Economy* (6 ed., pp. 266-29). New Jersey: Pearson Education

Cohn, T. H. (2010). International Development. In *Global Political Economy: Theory and Practice* (5 ed., pp. 296-340). Pearson Education.

Recommended readings:

Chang, H.-J. (2002). *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press.

Cohn, T. H. (2010). International Development. In *Global Political Economy: Theory and Practice* (5 ed., pp. 296-340). Pearson Education.

Collier, P. (2007). *The Bottom Billion*. New York: Oxford University Press.

Easterly, W. (2006). Homegrown Development. In *The White Man's Burden* (pp. 341-366). New York: The Penguin Press.

Gilpin, R. (2001). *Global Political Economy*. Princeton and Oxford: Princeton University Press.

Rodrik, D. (1996). Coordination failures and government policy: A model with applications to East Asia and Eastern Europe. *Journal of International Economics*, 40, 1-22.

Rodrik, D. (2006). Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's "Economic Growth in the 1990s: Learning from a Decade of Reform. *Journal of Economic Literature*, 44 (4), 973-987.

Sachs, J. D. (2005). Our Generation's Challenge. In *The End of Poverty: Economic Possibilities for Our Time* (pp. 347-368). New York: The Penguin Press.

Stiglitz, J. (2006). The Promise of Development. In *Making Globalisation Work* (pp. 25-60). London: Penguin Books.

Todaro, M. P., & Smith, S. C. (2011). Comparative Economic Development. In *Economic Development* (pp. 37-108). Harlow: Addison Wesley.

Todaro, M. P., & Smith, S. C. (2011). Contemporary Models of Development and Underdevelopment. In *Economic Development* (pp. 155-200). Harlow: Addison Wesley.

Presentations by participants

10. Tenth week: The Globalisation of World Economy: Consequences and Controversies

We examine the scale and scope of illicit transactions in the global economy. Illicit transactions are transfers of goods and services across borders in defiance of the laws of at least one of the states. IPE analysts often overlook or discount exchanges that occur in "shadow" economies, black markets, and informal economies. Drug trafficking, human trafficking, money laundering, smuggling, and other nefarious processes have a significant impact on economic growth, social stability, and human dignity. The students are encouraged to pay closer attention to the effects of these processes on national development and global processes. We also pay attention key structural causes of illicit global activities, including globalization, greed, technological change, and survival motives.

Required readings:

Balaam, D., & Dillman, B. (2014). *The Illicit Global Economy: The Dark*

Side of Globalization. In *Introduction to International Political Economy* (5 ed., pp. 382-405). New Jersey: Pearson Education.

Oatley, T. (2010). Globalization: Consequences and Controversies. In *International Political Economy* (3 ed., pp. 356-380). New York: Pearson Education.

Recommended readings:

Boudreaux, D. J. (2008). *Globalization*. Westport: Greenwood Press.

Pease, K.-K. S. (2010). *International Organisations*. Boston: Pearson.

Ravenhill, J. (2005). The study of global economy. In J. Ravenhill, *Global Political Economy*. New York: Oxford University Press.

Ritzer, G. (2010). *Globalization: A Basic Text*. Singapore: Wiley-Blackwell.

Final Examination