Political Science 231  
International Political Economy  
*Spring 2006*  
Mondays, 1-4 p.m.  
153 Kaufman Hall  

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**DESCRIPTION OF THE COURSE**

Traditionally, international relations studied how states interacted strategically and militarily. Today, we are at least as interested in their economic interactions – in international trade, investment, migration, and currency flows – and in how international economic relations affect, and are affected by, international and domestic politics and structures of governance. These issues are at the heart of the field known as International Political Economy; and as cross-border trade and investment have become easier – as “globalization” has intensified in an economic sense – they have become more acute.

As its name implies, IPE lies at the intersection of international economics and international politics (with a large dollop of domestic politics thrown in). No one can do good IPE without a firm grasp of the basics of international trade theory from economics, and readings from that area constitute a good third of the materials of this course. (Those who have already studied that subject intensively should regard this section as a refresher, and as an opportunity to help others.)

I have asked the book store to stock 25 copies each of three required books, and to treat a fourth as optional (ordering 15 copies). Other readings will be available by web links in the syllabus and on the course web page. The required books are:

- Grieco and Ikenberry, *State Power and World Markets* – the best basic text in IPE I have found so far  
• Keohane and Milner, eds., *Internationalization and Domestic Politics* – now a
decade old and somewhat dated, but still addressing in a focused way the
major theoretical issues.

Recommended is:

IMHO the best basic text, but many competitors (e.g., Salvatore), or older
editions of Krugman and Obstfeld, will serve as well and will be more cost-
effective. Students who already have studied international economics will not
need to buy, but those who lack that background will find this, or a similar
text, indispensable. We are putting two copies on Graduate Reserve at URL.

**Course Requirements and Grading**

I will ask each participant in the course, including auditors, to co-present (as
part of a group) on one week’s readings (including any homework assignments), and to
participate fully in each week’s discussion. Those taking the course for credit will be
asked, additionally, to submit either (a) a short research note on an agreed topic relevant
to the course or (b) a survey of important recent research (particularly working papers or
recently published articles) that extends or builds on one of the topics of the course.
(Each week’s optional additional readings will provide possible leads.) Final grades in
the course will be calculated as:

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<tr>
<th>Component</th>
<th>Percentage</th>
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<tr>
<td>In-class presentation</td>
<td>15%</td>
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<tr>
<td>Participation</td>
<td>50%</td>
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<tr>
<td>Final paper</td>
<td>35%</td>
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In your interest and in fairness to your colleagues, grades of “Incomplete” will be
allowed only on the basis of extreme personal hardship (illness, death in the family, etc.).
SCHEDULE OF TOPICS AND READINGS

Week 1

What is IPE, and how should we study it?

Grieco and Ikenberry (hereafter: GI), chap. 1
Krugman and Obstfeld (hereafter: KO), chap. 2
Frieden and Lake (hereafter: FL), intro and chaps. 1 and 5
Keohane and Milner (hereafter: KM), part I
Overview of IPE issues for a general audience, with particular emphasis on trade policy

Week 2

Basic theory of international trade: the Ricardian single-factor, two-good model

GI, pp. 19-36 (a helpful overview for those with no background)
KO, chaps. 1 and 3 (or comparable treatment in another text)
Overview of trade theories, including Ricardian theory and intro to H-O

You’ll find it helpful in making sure that you have a grasp of these concepts to do some of the homework problems at the end of KO chap. 3, e.g. nos. 1-5.

Week 3

Basic theory continued: two- and three-factor models (Heckscher-Ohlin, Ricardo-Viner, Samuelson-Jones); comparative advantage and factor specificity; distributinal effects of trade

GI, pp. 37-56
KO, chaps. 4 and 5 (or comparable treatment in another text)

Try also KO (or similar text) homework problems, e.g., chap. 4, nos. 2 and 7, and chap. 5, nos. 2, 3, 5, and 9

For those who want to delve further into specific topics, the following optional readings:
More on H-O theory can be found at:
http://internationalecon.com/v1.0/ch60/60c010.html
International economics encyclopedia on H-O

More on Viner’s specific factors model:
http://internationalecon.com/v1.0/ch70/70c200.html
International economics encyclopedia on Viner

More on Samuelson’s addition to H-O theory:
through JSTOR. Stable URL: http://links.jstor.org/sici?sici=0315-
4890%28193905%295%3A2%3C195%3ATGFIT%3E2.0.CO%3B2-L
Reaction to Viner’s model and beginnings of factor-price model

through JSTOR. Stable URL: http://links.jstor.org/sici?sici=0020-
6598%28196710%298%3A3%3C286%3ASOFE%3E2.0.CO%3B2-R
Re-presentation of factor-price model

Week 4  Welfare and distributional effects of trade policies (tariffs, quotas, etc.);
trade and economic growth

GI, pp. 244-257
FL, part V
KO, chaps. 8-10, (or comparable treatment in another text) including
appendices to chaps. 8 and 9
Economic Journal 114:493 (February): F22-49. Available at:
http://siteresources.worldbank.org/DEC/Resources/TradeGrowthPovertyEJFe
ature.pdf  Effect of globalization on growth and poverty

Optional additional readings:

Economic Perspectives 9:3 (Summer): 57-80. Available through JSTOR.
Stable URL: http://links.jstor.org/sici?sici=0895-
3309%28199522%299%3A3%3C57%3AHTHUW%3E2.0.CO%3B2-A
Continuation of Wood’s 1994 book

Discussion of distribution of benefits from tariffs, quotas


Rodrik’s critique of “trade is good” literature


Life cycle analysis of welfare effects from free trade, distributional effects on young vs. old

Week 5

**Trade in factors: migration and cross-border investment; how foreign investment affects growth**

GL, pp. 258-287

FL, part VI

KM, part IV

KO, chaps. 7 and 22 (or comparable treatment in another text), appendices to chap. 7, and representative homework problems, e.g. chap. 7, nos. 1 and 4


**Optional** additional readings on specific topics:


Outsourcing and outcomes of outsourcing


IMF discussion of the pluses and minuses of FDI for developing countries
Week 6  **International financial flows and currency issues: gold standard, fixed vs. floating rates, balance of payments, role of central banks**

GI, chap. 3  
KO, chaps. 12-14 (or comparable treatment in another text)  
FL, part IV

**Optional** additional readings:

*Discusses present US trade imbalance relative to conditions under the gold standard, interwar gold standard, Bretton Woods*  

*Contrasts “BW II” with original BW, contends present conditions are not sustainable*

Week 7  **International institutions, money, and trade: Bretton Woods, GATT, WTO, IMF, etc.**

GI, chaps. 4 and 9  
KO, chaps. 18 and 19 (or comparable treatment in another text)

**Optional** (but probably too nasty to miss) additional readings:

*The most influential attack on the IMF, from a former insider*

*The down-and-dirty rebuttal to Stiglitz’s down-and-dirty attack*
Week 8  Preferential trading areas (PTAs), e.g. European Union, NAFTA, Mercosur: economies-of-scale trade, monopolistic competition

GI, chap. 5
KO, review pp. 232-236; and chaps. 6 and 20 (or comparable treatment in another text)
Asks whether PTAs and alliances are more likely to increase trade. Empirical evidence suggests yes.

Optional additional readings:

Solid review of theory concerning whether PTAs are trade promoting or diverting

Review of PTA, customs union theory. Not as tight as Krueger, but lots of information

Week 9  Globalization’s effects: smaller states, less sovereignty, constrained policy, ethnic conflict?

KM, part II
FL, part VII
http://www.law.yale.edu/outsid/html/Public_Affairs/450/yls_article.htm
Summarizes argument of Chua’s World on Fire
Michelle Goldberg, (favorable) review of World on Fire, Salon, 13 January 2003: http://www.salon.com/books/review/2003/01/13/democracy/
Peter Lurie, “A Problematic New View On Why They Hate Us, And What to Do About It,” (unfavorable) review of World on Fire, Findlaw, 11 April 2003: http://writ.news.findlaw.com/books/reviews/20030411_lurie.html
Overview and review: “backlash” against globalization?

GI, chap. 7
KO, chap. 11 (or comparable treatment in other text)


Why alleviating developing-world poverty is good for developed countries, too