

PLIR 4380 – REVISION 2

America in a World Economy: Structures, Processes, and Institutions of the International Political Economy

GIBSON 342 T & R 2:00-3:15 (1400-1515h) Fall 2010

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office hours T/R 3:20 - 4:30 (1520-1630h) and also by appointment

This course introduces you to some of the basic principles of international political economy (IPE), and then investigates America's role in structuring that IPE in the 20th century. It focuses on the relationship between the pursuit of power and the construction of the institutional structures and common social purpose that express that power by governing global flows of money, goods and labor. We will pay special attention to

- How these institutions reflected US foreign and domestic political goals in the 1930s and 1940s
- How international shifts in the location of production in the post WW II period in turn induced changes in these institutions beginning in the 1970s
- How the struggle for relative and absolute political and economic advantage affected the evolution of these institutions and the social purposes that animated these institutions

In particular we will look at the tension between market pressures to disperse or concentrate various forms of economic activity, state efforts to enhance or resist those pressures, and of course, *cui bono*. In this context, we will closely examine post-World War II global commodity chains, US decline (?) and Asian ascent, the internationalization of production and finance, and the current trend towards "regional integration." This year we will pay particular attention to the relationship between Asian economic growth and US efforts to finance its position of global predominance.

Please note that I am out of town on 2 September, and 5-7, 14 October – there will be guest lecturers or we will rearrange the schedule. This is the price of writing a timely book.

REQUIREMENTS

Stuff you'll do:

- **THREE SHORT PAPERS** (5 pp or 1250 words each @ 25% each = 75%):
 1. *mechanics:*
 1. these papers can be done any week, but you must turn in at least 1 by **9:00 AM 6 October**, and the second by **9:00 AM 28 October**. The last one is due no later than **9 AM November 30**. You may hand them all in during the first 4 weeks if you prefer. Any late papers will be automatically failed – no exceptions, no excuses. Ok, if you die I will probably not fail you.
 2. papers must be emailed to me as a WORD or WORD PERFECT or OPEN OFFICE document, or a **commentable** PDF. Emails/Papers with viruses will be failed automatically.
 2. *content:* in effect, think of yourself as preparing a legal brief. Papers should

address the readings for the week in which they are submitted (thus you can hand in a paper on the morning of the Tuesday, for any given week). They should *briefly* summarize the readings, preferably organized by issue areas rather than authors. Then they should stake out a position about the readings and issues:

1. what seems most likely to be true?
 2. what motivate(d)s various actors (and authors) to stake out the policies (analyses) they do?
 3. what is at stake for the national interest of the US in this situation (feel free to state what you think that national interest is or should be)
 4. why might other state and non-state actors oppose US policies with respect to this issue?
 5. you are trying to learn how to think strategically about the ideas that motivate actors and structure their interests, the way they make common cause with other people sharing the same interests, and the institutions and organizations they use to attain those interests
3. *data*: papers that back up their claims with consistent (as opposed to anecdotal) quantitative data will be viewed more favorably than those that just blather.
4. *resources*: You may bring any external sources you wish to bear on these papers, consistent with the honor code and common sense. Of course, pillaging Wikipedia or the Craigslist “rants and raves” will probably not give you any novel or useful content and I will assess this correspondingly; academics prize academic quality and style work, not journalism.
- **ALTERNATELY**: you may do one comprehensive paper on a topic of your choice that relates strongly to the course content (pre-arranged with me before **1 October 2010**.)
 1. If you don’t negotiate a topic in advance I will **NOT** accept the paper.
 2. This paper is due **2 December 2010**
 3. This is a risky strategy as you will **NOT** get much feedback unless you send in drafts along the way.
 - **CLASS PARTICIPATION** (20%) Have you done the readings when you were not compelled to do so for your paper? Understood it? Asked intelligent and stupid questions? Challenged the professor’s ridiculous statements?
 - **course evaluations** (5%) done via toolkit at the end of the semester – the system gives me a list of names of those completing evaluations, but not the evaluations themselves

Research aids:

1. [OECD \(rich country data\) statistics portal](#) (UVA computers and via proxy server)
2. [SourceOECD](#) (another great on line resource for anything to do with OECD countries and others – navigate to “statistics” tab at top or “most used interactive services” to left)
3. comprehensive, up to date foreign debt statistics:
http://devdata.worldbank.org/sdmx/jedh/jedh_home.html
4. WTO trade statistics: http://www.wto.org/english/res_e/statis_e/statis_e.htm
5. Highly disaggregated, country by commodity and commodity by country data great for a first crack at a commodity chain: <http://www.intracen.org> navigate to “countries” tab at top or “products and services” tab at top and then “international trade statistics” on left
6. UN statistics: <http://unstats.un.org/unsd/>

7. UN commodity trade website: <http://unstats.un.org/unsd/comtrade/>
8. On-line databases from UVa: <http://fisher.lib.virginia.edu/collections/stats/>
9. [EU data \(Eurostat\)](#) portal
10. A really useful compendium: [Paul Hensel's page](#)

Class rules: attendance is not mandatory, but obviously will affect your participation grade; unspell-checked or agrammatic papers automatically lose points; diskette, computer, and other IT related excuses not accepted; interviews, sports, and other **scheduled** events are **not** acceptable excuses; everything else is negotiable.

READINGS

1. *Books:*
 - a. There is no required Textbook.
 - b. An advanced degree in economics is **not** required for the course. But you might want to look at the sections in Balaam & Veseth, *Introduction to International Political Economy*, that explain the basics of balance of payment accounting and foreign exchange, etc. This will be helpful if you slept through Econ 2010-2020. Or you can skim through any basic economics textbook paying special attention to the sections on the basics of supply and demand, Keynesian demand management, the terminology of national income accounting, balance of payment accounting and foreign exchange rates.
 - c. Students wanting some kind of synoptic overview should read one of: Spero and Hart, *Politics of International Economic Relations* (detailed but dreadfully boring); Robert Gilpin, *Political Economy of International Relations* (a classic) or *Challenge of Global Capitalism*; Schwartz, *States vs Markets* (much illumination about what interests the professor); Jeffrey Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (same terrain as Schwartz, but only 1880 on and less theoretical)
2. *Articles:*
 - a. All the Journal / Magazine articles / chapters are on reserve via Collab
3. *Recommended:*
 - a. Students with an interest in particular topics should see the instructor for further readings and/or consult the “recommended” books/articles in the syllabus.
 - b. Gregory Millman’s *Vandal’s Crown* is a superb (for students unfamiliar with academic speak, that means he makes the same arguments I do) and readable account of international monetary institutions from around 1900 to 1994. Unfortunately it is out of print. However, if you have the time/money you might want to look for it at www.bookfinder.com or Alibris.
 - c. Paul Blustein’s two books – *The Chastening* and *And the Money Kept Rolling In* – are particularly good on the Asian/Global debt crisis 1997-98 and the Argentine debt crisis post 2000, though of course being a journalist too focused on personalities. Many copies on line, mostly under \$10.
 - d. Charles Ferguson, *Trillion Dollar Meltdown* is a good blend of analytic narrative and fact on the run up to the housing/finance crisis.
 - e. Because we will pay particular attention to commodity chains, I strongly recommend Leah Hagar Cohen, *Glass, Paper, Beans* (GN450.C65 1997), available both used and

- new, because it is a reasonably short, beautifully written explanation of commodity chains at the human level. Available used for less than \$6.
- f. I hear that [Subprime Nation](#) is a really good book

The COURSE

24 August: *distribution of syllabi, and an explanation of the course*

Syllabus is here: <http://www.people.virginia.edu/~hms2f/PLIR4380-F10-syl.pdf>

It's helpful to read Max Weber, "Class, Status, and Party" (no it's not about the Greek system) if you have not done so yet.

26-30 August *Origins of 20th century US Hegemony: the 19th Century economy, the Depression and the reconstruction of the Atlantic Economy.* What was the 19th century world economy like; why did it collapse; what was Asia's place in this economy; domestic sources of US foreign economic policy post WW I and WW II; political compromises to reestablish world economic order; why the post war international economy allowed states to dominate markets temporarily; relationships between security and economic concerns.

1. J G Ruggie: "International Regimes, Transactions and Change," in S Krasner, ed., *International Regimes* (or in *International Organization* 36:2, Spring 1982)
2. Jeffrey Frieden, "Sectoral Conflict and US Foreign Economic Policy, 1914-1940," *International Organization* 42:1, Winter 1988, pp. 59-90
3. James Womack et al., *The Machine that Changed the World*, ch 2
4. G. John Ikenberry, "Rethinking the Origins of American Hegemony," *Political Science Quarterly* 104:3, 1989, pp. 375-400
5. Christopher Layne, "America as European Hegemon," *The National Interest* Summer 2003 #72 pp. 17-30

Recommended: Franz Schurmann, *Logic of World Power*, Greg Nowell, *Mercantile States and the World Oil Cartel*, John Ikenberry, *For Reasons of State*; Victoria de Grazie, "Mass Culture and Sovereignty: The American Challenge to European Cinemas 1920-1960," *Journal of Modern History* 61:1, March 1989, pp 53-87 (or if you want the whole schmeer, her very interesting book: *Irresistable Empire*) Also very useful: "A Job at Ford's", video #2 (I think) of PBS series, *The Great Depression* (VIDEO .VHS7621); Fritz Lang, *Metropolis* (The single best movie, ever, about what happened in the 1920s-1940s, [VIDEO .DVD02793](#)). The whole Arrighi and Selden book, *The Resurgence of East Asia: 500, 150, and 50 Year Perspectives*, is also useful, as is Charles Sabel and Michael Piore, *Second Industrial Divide*.

NO CLASS September 2 – APSA meetings

MONEY

7-9 September: *Bretton Woods and the International Monetary System*

BW de jure vs BW defacto; conflicts between domestic and international macro-economic imperatives; the end of capital controls; money as a political and economic weapon in trilateral bargaining; Mundell-Flemming Trilemma; states vs. money markets:

1. Eric Helleiner, *States and the Reemergence of Global Finance* ch 2-3
2. Jonathan Kirchner, "Dollar primacy and American power: What's at stake," *Review of International Political Economy* 15:3 August 2008: 418–438
3. Ricardo Hausmann, "Should There Be Five Currencies or One Hundred and Five?" *Foreign Policy* Fall 1999, pp. 65-72

Recommended: Louis Pauly, "The Political Foundations of Multilateral Economic Surveillance," *International Journal* 47, Spring 1992, pp. 293-327

14-16 September: the end of state control: did it jump or was it pushed? Plus trilateral bargaining: the US, Japan and Germany (Europe) tussle over money

1. Jeffrey Frieden, "Invested Interests: The Politics of National Economic Interests in a World of Global Finance," *International Organization*, 45:4, Autumn 1991
2. John Goodman and Louis Pauly, "The Obsolescence of Capital Controls?" *World Politics* 46:1, 1993, pp. 50-82
3. Benjamin Cohen, "The Triad and the Unholy Trinity," In R. Higgott, et al., *Pacific Economic Relations in the 1990s* pp.133-158
4. Zanny Beddoes, "World Economy," *Economist Survey* 9 October 2008

21-23 September: the European response – EMU and the SEA/SIM

1. John O'Sullivan, "Holding together: The Euro Area," *Economist* 11 June 2009
2. Niall Ferguson & Laurence J. Kotlikoff, "The Degeneration of EMU (European Monetary Union)," *Foreign Affairs*, March-April 2000 79:2 p110
3. Kathleen McNamara, "A rivalry in the making? The Euro and international monetary power," *Review of International Political Economy* 15:3 August 2008: 439–459
4. George Soros, "The Crisis and the Euro," *New York Review of Books* August 2010

Recommended: Peter Gowan, "Neoliberal Cosmopolitanism," *New Left Review* 11, September-October 2001, pp. 79-93

Resources: Fred Bergsten, *Dilemmas of the Dollar*; Eric Helleiner, *States and the Reemergence of Global Finance*; C Randall Henning, *Currencies and Politics in the United States, Germany and Japan*; Robert Mundell, 'Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates', *Canadian Journal of Economics and Political Science*, 29: 1963 pp. 475-485.

TRADE

28 – 30 September *Bretton Woods and Trade*

1. I.M. Destler, *American Trade Politics* ch 1, 2 & 4 (institutions, demand)
2. John Stremlau, "Clinton's Dollar Diplomacy," *Foreign Policy* 97, Winter 1994/5, pp. 18-

- 35 (policy in the 1990s)
3. C. Ford Runge, "Agrivation: the Farm Bill from hell," *The National Interest* Summer 2003 #72, p85-94

OCTOBER 5-7th NO CLASS – watch video lectures

PEOPLE on the move

5 – 7 October: Immigration

1. Adam Roberts, "Migration: Open Up," *Economist* 3 January 2008
2. James Goldsborough, "Out-of-Control Immigration," *Foreign Affairs*, Sept-Oct 2000 79:5 p89
3. James Kurth, "Migration and the Dynamics of Empire," *The National Interest* Spring 2003, pp. 5-16
4. James Kurth, "The Late American Nation," *The National Interest* Fall 2004, pp. 117-126
5. Mike Davis, "Magical Urbanism: Latinos Reinvent the US Big City," *New Left Review* 234, March-April 1999, pp. 3-43

Recommended: Williamson and O'Rourke, *Globalization as History*, Jeannette Money, "No Vacancy: Political Geography of Immigration Control," *International Organization* 51:4, Autumn 1997, pp. 685-720; anything by James Hollifield or Saskia Sassen (see also under Sassen-Koob); Hatton and Williamson, "An End to Third World Migration" NBER

OCTOBER 12th Reading Break

OCTOBER 14th NO CLASS – watch video lecture

14 October: Trade, Workers, and the End of Keynesianism

1. Jay Mazur, "Labor's New Internationalism," *Foreign Affairs*, Jan-Feb 2000 79:1 p79
2. Greg Nowell, "Walmart World versus Hilferding's Finance Capital," *Perspectives on Global Development and technology* 8, 2009, pp. 315-346
3. Don Peck, "How a New Jobless Era Will Transform America," *The Atlantic Monthly* 2010
4. Sarah Anderson, "The Equity Factor and Free Trade: What the Europeans Can Teach Us," *World Policy Journal* 20:3, Fall 2003

Recommended: Ronald Libby, *Protecting Markets*, ch 4-6, Helen Milner, *Resisting Protectionism*, Robert Wolfe, *Farm Wars: Political Economy of Agricultural Trade*; Victoria de Grazie, *Irresistible Empire*; Aida Hozic, *Hollyworld: Space, Power and Fantasy in the American Economy*. This would be a good week to watch Lang, *Metropolis*.

MULTINATIONAL FIRMS: capital on the move

19 – 21 October: Commodity Chains

the unexpected consequences of BW monetary and trade arrangements; multinationalism vs

transnationalism vs globalization; commodity chains and the product cycle as a fundamental analytic tool

1. Gary Gereffi, *Commodity Chains and Global Capitalism* ch 5 (a different way to look at it)
2. Gereffi, Humphrey, and Sturgeon, "Governance of Global Commodity Chains," *Review of International Political Economy* 12:1, February 2005, pp. 78-104
3. Matthew Bishop, "A Bigger World," *Economist* 20 September 2008
4. you tube: car assembly: <http://youtube.com/watch?v=3CzuQ3DtsPc> (high tech fully automated by ABB for Renault) and <http://youtube.com/watch?v=2ZZ9RnTeI70> (low tech – Kia in Eastern Europe)
5. you tube: aircraft assembly: <http://youtube.com/watch?v=LbEiHGZtCFA>

26 – 28 October: *US MNCs abroad, then and now + Globalized or nationally based MNCs today?*

1. Simon Reich, "Regulating Foreign Investment: Europe and the US," *International Organization* 43:4, Autumn 1989, pp. 543-584 (fights to control autos)
2. Gary Gereffi, *Commodity Chains and Global Capitalism* ch 9 (some real chains)
3. Louis Pauly and Simon Reich, "National Structures and Multinational Behavior," *International Organization* 51:1, Winter 1997, pp. 1-30

Recommended: Robert Gilpin, *US Power and the MNC*; Paul Krugman and Edward Graham, *FDI in the US*;

2 – 4 November: *From the Oil shock to two debt crises, or, was Keynesianism mishandled in the 3rd world? How did the oil shock and industrialization in the 3rd world affect the global monetary and financial system; domestic sources of LDC development policy; the debt crisis; domestic sources of US policy; resolution (?) of the 1980s debt crisis; onset of the 1990s Asian crisis*

Oil, the End of Bretton Woods, and Global Conflicts for Market Shares and the Restructuring of the World Economy

1. Geoffrey Barraclough, "Wealth and Power: The Politics of Food and Oil," *New York Review of Books* 7 August 1975, p. 23-29 (oil shock #1, and the war of the worlds...)
2. Charles Carr, "Energy: The power and the glory," *Economist* 19 June 2008
3. Charles Fairbanks, "Being there. (Bases of Debate: America in Central Asia)," *The National Interest* Summer 2002, #72, p39-54 (the last great frontier? – in materials under 'bacevich/fairbanks')
4. Andrew J. Bacevich, "Steppes to empire. (Bases of Debate: America in Central Asia)," *The National Interest* Summer 2002, #72, p39-54 (ditto – in materials under 'bacevich/fairbanks')
5. Selig S. Harrison, "Gas and Geopolitics in Northeast Asia: Pipelines, Regional Stability, and the Korean Nuclear Crisis," *World Policy Journal* 19:4, Winter 2002/03 (oil and nukes come together)

Recommended

1. Ahmed Rashid, “The New Struggle in Central Asia,” *World Policy Journal* 19:4, Winter 2000/01, pp. 33-45 (other players)

Resources: Daniel Yergin, *Energy Future*; Daniel Yergin, *The Struggle*; John Blair, *The Control of Oil* (1960s); Nowell, *Mercantile States*

THREE DECADES OF FINANCIAL CRISES

9 – 11 November *Investment, lending and the 1980s & 1990s debt crises*

1. Jeffrey Frieden, “3rd World Indebted Industrialization” *International Organization* 35:3, Summer 1981 (where did the money go)
2. B. Cumings, “Origins of the development of the NE Asian...” *International Organization* 38:1, winter 1984, p 1-40 (IPE of Asian development)
3. Moises Naim, “Washington Consensus or Washington Confusion?” *Foreign Policy*, Spring 2000 p86 (US policy re the debt crises)
4. Ross P. Buckley, “The Rich Borrow and the Poor Repay: The Fatal Flaw in International Finance,” *World Policy Journal* 29:4, Winter 2002/03
5. Richard Rosecrance, “Croesus and Caesar: the essential transatlantic symbiosis,” *The National Interest* Summer 2003, #72, p31-35

16 – 18 November: *The US and (or versus?) Japan (and China?) in Asia and the 1997 crisis* how did the rise of the NICs affect the BW trade system; what role did Japan (as the first ‘super-NIC’) play; what role did TNCs play, was went wrong anything new? How did conflict and cooperation between the US and Japan play out in Asia. And the rise (and rise) of China.

1. Gary Gereffi, *Commodity Chains and Global Capitalism* ch 8, 10 (US FDI and chains)
2. Robert Wade, “From Miracle to ‘Cronyism’: Explaining the Great Asian Slump,” *Cambridge Journal of Economics* 22, 1998, pp. 693-309
3. Taggart Murphy, “Japan’s Economic Crisis,” *New Left Review* 1, January-February 2000, pp. 25-52
4. *Economist*, “Outsourcing,” 11 November 2004 (news)
5. *Economist*, “The New Titans,” 2006 (news)
6. George Gilboy, “The Myth Behind China’s Miracle,” *Foreign Affairs* July-August 2004

Recommended: (strongly recommended) Kaoru Sugihara, “The East Asian path of development: a long term perspective,” in Arrighi and Selden, *The Resurgence of East Asia: 500, 150, and 50 Year Perspectives*, pp. 78-124

THE CURRENT CRISIS

23 November *Background and concerns*

1. R Taggart Murphy, “East Asia’s Dollars,” *New Left Review* 40, July-August 2006, pp.

39-64

2. Roger Altman, “The Great Crash, 2009: A Geopolitical Setback for the West” *Foreign Affairs*, January/February 2009

NOTE: November 25 THANKSGIVING HOLIDAY

30 November – 2 December: *China, America, and the persistence of power as the core goal*

1. Robert Brenner, “The World Economy at the Turn of the Millenium: Boom or Crisis?” *Review of International Political Economy* 8:1, Spring 2001, pp 6-44
2. Charles Carr: “The Financial crisis,” *Economist*, 2009
3. James Miles, “A Wary respect – US – China Relations,” *Economist* 22 October 2009

(strongly recommended): Arrighi et al., “Historical Capitalism, East and West,” in Arrighi and Selden, *The Resurgence of East America: 500, 150, and 50 Year Perspectives*, pp. 259-333 (this is a hard reading!); Gerard Dumenil and Dominique Levy, *NLR* 30, November-December 2004, pp. 105-133 or Gerard Dumenil and Dominique Levy, “The Economics of US Imperialism at the Turn of the 21st Century,” *Review of International Political Economy* 11:4 October 2004, pp. 657–676

8 December: *Round up and conclusions*

1. Herman Schwartz, “American Hegemony Before and After the Financial Crisis,” in Martijn Konings, ed., *Beyond the Subprime Headlines: Critical Perspectives on the Financial Crisis*, London: Verso
2. Hung Ho-Fung, “China: America’s Head Servant?” *New Left Review* 60, November 2009

**= > FINAL: NO FINAL EXAM < =
PLEASE DO YOUR COURSE EVALUATIONS**