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Course Description:

This course in *political economy* explores how political management of the domestic and international economy has evolved in response to “globalization”. In particular, it emphasizes the economic, political, and societal pressures on publics and policymakers that accompany the globalization of markets (i.e., increasing international economic interdependence), and the likely consequences for modern political economies.

Our exploration of this evolving political management of the domestic and international economy will proceed *via* thorough exposition of a series of political-economy texts, supplemented by a few additional articles and chapters.

Our approach is interdisciplinary, primarily economics and political science, and decidedly academic.

We begin, accordingly, with an overview of what are *political economy* and *positive social science*.

Then we start our substantive exploration with selections from Tufte’s classic text, *Political Control of the Economy*, setting the bases for how we might understand economic policymaking as policymakers responding to their incentives, given their tools, and how those tools work in that political-economic context. Here: democratic incumbent policymakers, with incentives given by their electoral competition for office, and with economic policy tools that can affect voters’ behavior to enhance the policymakers’ probabilities of gaining or retaining office.

We continue with Hibbs’ classic *The American Political Economy*, which elaborates the partisan incentives of elected policymakers in macroeconomic management. Hibbs emphasizes differences in the relative economic preferences of the core constituencies of left and right parties, and how these different relative preferences shape the tradeoffs alternative left or right partisan policymakers will prefer to make in macroeconomic management.

We will use these classic texts also to motivate pedagogical pauses, as necessary, to work through important methodologies (e.g., basic regression analysis) and theories (e.g., the basics of fiscal and monetary macroeconomic management).

With these substantive and methodological bases established, we next follow Clark’s consideration in *Capitalism, Not Globalism* of electoral and partisan macroeconomic management in an era of globalization, and in particular an era of highly mobile capital, under alternative exchange-rate regimes and central-banking institutions. Some important methodological and theoretical tools and models will again be explicated along the way, including “interaction effects” in theoretical and empirical models and the Mundell-Fleming model of macroeconomic management in the open economy with high capital mobility and varying exchange-rate regimes.

Next, we consider, through the lens of Hays’ *Globalization & the New Politics of Embedded Liberalism*, the nature and thorniness of the “globalization dilemma”. Rodrik’s “globalization dilemma”, popularized in his book, *Has Globalization Gone Too Far?*, is that increasing international economic integration both (a) exposes populations to greater economic risks (of external origin), thereby increasing demands on governments to somehow to redress those risks, and (b) increases constraints on governments from raising revenues to fund policies and support institutions that could address those popular concerns. Hays shows how both the severity of the risks/concerns and the tightness of the funding constraints induced by increased globalization vary depending on domestic political-economic conditions; thus, Rodrik’s globalization dilemma is thornier in some contexts than others. Interestingly, the horns of that dilemma are sharper, in Hays’ analysis, in the Anglo-Saxon political economies that had been the main forces behind the “Embedded Liberalism” (as popularized by Ruggie: trade liberalization embedded in compensatory economic and social domestic and international policies). In this segment, again, some important theoretical and methodological building blocks arise; here: the basic Ricardian trade theory of comparative advantage and the Stolper-Samuelson distributional implications of the Heckscher-Ohlin factor-based comparative-advantage trade theories; basic political theories and models of the broad differences between majoritarian and proportional democracies; and perhaps some sophisticated empirical methods appropriate for modeling “interdependence”, which lies at the core of globalization and particularly the tax competition underlying governments’ funding constraints in that half of the globalization dilemma.

Finally, we conclude with three week-long modules surveying some of some critical remaining topics: globalization and the political economy of international trade and finance; globalization and inequality & development; and globalization and political-economic anxieties, tensions, & options. In this segment of the course, class will follow more closely from selections

of recent academic articles or chapters on these topics, against a background of recommended, optional, additional reading from three very recent, more discursive (i.e., less academic) texts by three extremely prominent economists on the consequences and concurrences of globalization: Stiglitz' *Making Globalization Work* (sequel to his *Globalization & Its Discontents*), Rodrik's *The Globalization Paradox* (sequel to the aforementioned *Has Globalization Gone Too Far?*), and Bhagwati's 2007 re-release of his 2004 *In Defense of Globalization*. (Stiglitz', Rodrik's, Bhagwati's books are not required, but you may find reading these, their latest salvos in the ongoing global discussions and debates about globalization, very interesting and thought-provoking as we cover our final three modules.) In these topical modules, we will again introduce and explicate as needed some basic theories of international finance and of economic development, and some of the evidence regarding them.

As this overview survey attests, the course content spans multiple methods and disciplines, with theories and methods from modern political science and economics naturally being most central. (This is, after all, a course in *political economy*.) Although some of these theories, models, and methods are highly sophisticated, courses in these parts of political science or economics, or in their associated theoretical or empirical methods, are not prerequisites for this class; instead, important topics like trade theory, open-economy macro-economics, international finance; comparative governmental and societal organization and institutions; game theory and regression analysis will be introduced and sufficiently explicated within the course over the semester as they arise.

Course Assignments:

In addition to the **reading assignments**—which students are expected to have read (with care & thought) before class—and the **class sessions** (where students are expected to *attend, attune, and engage*), the class has 10 almost-weekly short **quizzes** via CTools, an in-class **midterm**, and a **final exam** as scheduled by LS&A.

The short quizzes are not intended to be especially difficult or onerous, but more as a quick check, for yourself as well as for me, of your grasp of the key concepts, arguments, evidence, and/or methods from the preceding week(s)'s class sessions. Quizzes will generally post on the Thursday of the weeks indicated, around noon, and be due Sunday evening. The midterm and final are more probing, with the midterm covering material from the first half of the course and the final focusing on the second half, although it may reference material from the first half to some extent. More information on the exams will be made available during the semester.

Grading:

Quizzes 50% total (5% each); **Mid-Term** 20%; **Final** 30%.

Required Texts: All readings are from the required texts, available at the usual bookstores, or from articles or book chapters, available on-line from the course CTools site. (9-pt numbers = ISBN-13, & Amazon Prime-new/lowest-used/kindle prices from Dec. 2011.)

Hibbs, Douglas, *The American Political Economy: Macroeconomics and Electoral Politics*, Harvard University Press, 1987. 1978. (978-0674027367: \$39.50/\$10.47)

Clark, William Roberts, *Capitalism, Not Globalism: Capital Mobility, Central Bank Independence, and the Political Control of the Economy*, University of Michigan Press, 2003. (978-0472031160: \$26.95/\$3.57)

Hays, Jude C., *Globalization and the New Politics of Embedded Liberalism*, Oxford University Press, 2009. (978-0195369328: \$28.95/\$9.00/\$15.92)

Frieden, Jeffrey A., Lake, David A., Broz, J. Lawrence, eds. *International Political Economy: Perspectives on Global Power and Wealth*, W. W. Norton & Co., 2010 (5th ed.). (978-0393935059: \$47.25/\$32.06.00/\$35.55(rent:\$19.27)).

Optional Texts for Recommended, Additional Readings:

Stiglitz, Joseph E., *Making Globalization Work*, W.W. Norton, 2007. (978-0393330281: \$11.58/\$4.36/\$9.87)

Rodrik, Dani, *The Globalization Paradox*, W.W. Norton, 2012. (978-0393341287: \$12.21/\$11.97/\$11.69)

Bhagwati, Jagdish N., *In Defense of Globalization*, Oxford University Press, 2007. (978-0195330939: \$11.23/\$5.05/\$9.99)

PS389/CICS301: Weekly Course Schedule:

Week 1: Wednesday, 1/4/12—Welcome, Course Description (Note Set 00).

Week 2a: Monday, 1/9/12—Introduction to *Political Economy* and *Positive Social Science* (Note Set 01 through to p.22, inclusive).
(The rest of set 01, and sets 01a and 01b have “optional, additional material” status.)

Week 2b: Wednesday, 1/11/12—Intro to *Pol Econ & Pos Soc Sci*; Intro/Motivation for Tufte, *Political Control of the Economy*.

Week 3a: Monday, 1/16/12—**MARTIN LUTHER KING, JR. DAY**

Week 3b: Wednesday, 1/18/12—Tufte, *Political Control of the Economy*, chs. 1-2, pp. 3-64 (CTools) **Quiz 1**

Week 4a: Monday, 1/23/12—Tufte, *Political Control of the Economy*, chs. 1-2, pp. 3-64 (CTools) (Note Set 02a, pp. 1-23, 27-35)
(Optional: chs. 4-5, pp. 71-136 (CTools); Corresponding Note Sets 02a pp. 24-26, 36-43, and all of 02b also ‘optional, additional material’ status.)
—Intro/Motivation for Hibbs, *The American Political Economy*, pp. 1-12 (Note Set 03a, pp. 1-3).

[Henceforth, lecture note sets are covered as highlighted for emphasis, greyed for omitted or heavily de-emphasized, and neutral for perhaps covered cursorily without emphasis.]

Week 4b: Wednesday, 1/25/12—Hibbs, *The American Political Economy*, Start ch. 1, pp. 13-42 (Note Set 03a). **Quiz 2**

Week 5a: Monday, 1/30/12—Hibbs, *The American Political Economy*, Finish ch. 1, pp. 13-42 (Note Set 03a).

Week 5b: Wednesday, 2/1/12—Hibbs, *The American Political Economy*, chs. 2-start ch. 3, pp. 43-124 (Note Set 03b) **Quiz 3**

Week 6a: Monday, 2/6/12—Hibbs, *The American Political Economy*, finish ch. 3-start ch. 5, pp. 127-184 (Note Set 03c).

Week 6b: Wednesday, 2/8/12—Hibbs, *The American Political Economy*, finish ch. 5-8, pp. 185-279 (Note Set 03d). **Quiz 4**

Week 7a: Monday, 2/13/12—Clark, *Capitalism, Not Globalism*, ch.1, pp. 1-1139; Globalization & Policy Competition; Trade & Comparative Advantage (Note Set 04a).

Week 7b: Wednesday, 2/15/12—Clark, *Capitalism, Not Globalism*, ch.2, pp. 12-39; Central Bank Independence, Capital Mobility, Exchange-Rate Regime (IS-LM-BoP) & Context-Conditional Political Cycles (Note Set 04b).. **Quiz 5**

Week 8a: Monday, 2/20/12—Clark, *Capitalism, Not Globalism*, ch. 3, pp. 41-84; Review Globalization & Convergence and Comparative Advantage; Review IS-LM-BoP & Context-Conditional Political Cycles; Understanding Basic Regression, Extending that Understanding to Regressions Reflecting Context-Conditionality (Note Sets 04a-04c, 01a).

Week 8b: Wednesday, 2/22/12—Clark, *Capitalism, Not Globalism*, ch. 4, pp. 85-104; Evidence for Context-Conditional Political Cycles (Note Set 04c). **Quiz 6**

[If time & inclination after completing coverage of *Capitalism, Not Globalism*, we may discuss: RECOMMENDED: Franzese, R. 2003. “Multiple Hands on the Wheel: Empirically Modeling Partial Delegation and Shared Control of Monetary Policy in the Open and Institutionalized Economy,” *Political Analysis* 11(4):445-74. (CTools) (Note Set 04d).]

Optional, Additional Reading: Franzese, R. 2002. ‘Electoral & Partisan Cycles in Economic Policies & Outcomes,’ *Annual Reviews of Political Science* 5: 369-421. (CTools)

Franzese, R., & Mosher, J. 2002. “Comparative Institutional Advantage: The Scope for Divergence within European Economic Integration,” *European Union Politics* 3(2):177-204. (CTools)

Winter Break! Have a nice vacation!

Week 9a: Monday, 3/5/12—MidTerm Review Session

Week 9b: Wednesday, 3/7/12—**MidTerm Exam** **MidTerm Exam**

Week 10a: Monday, 3/12/12—Hays, *Globalization & the New Politics of Embedded Liberalism*, Preface-ch. 1, pp. vii-ix, 3-24. (Topics to be covered also include (1) previous era of globalization, late-19th/early-20th C, & its collapse 1920-1950; and (2) Trade Theory, the Stolper-Samuelson Theorem, & the postwar-settlement/class-compromise of Embedded Liberalism.)

Week 10b: Wednesday, 3/14/12—Hays, *Globalization & the New Politics of Embedded Liberalism*, ch. 1, pp. 3-24. **Quiz 7**

Week 11a: Monday, 3/19/12— Hays, *Globalization & the New Politics of Embedded Liberalism*, ch. 2, pp. 25-64.

Week 11b: Wednesday, 3/21/12—Hays, *Globalization & the New Politics...*, chs. 2-3, pp. 25-99. **Quiz 8**

Week 12a: Monday, 3/26/12—Hays, *Globalization & the New Politics...*, chs. 3-5, pp. 65-149

Week 12b: Wednesday, 3/28/12—*Module 1a: Globalization & International Trade Political Economy*

Frieden, J.A., Lake, D.A., Broz, J.L. 2010. *International Political Economy*, 5th ed., chs. 19, 22-23, pp. 337-64, 393-421.

Scheve, K., Slaughter, M. 2004. "Economic Insecurity and the Globalization of Production," *American Journal of Political Science* 48(4):662-74. (CTools)

—. 2001. "What Determines Individual Trade-Policy Preferences?" *Journal of International Economics* 54(2):267-92. (CTools)

Optional, Additional Reading: Bhagwati, *In Defense of Globalization*, Preface-Ch. 1; Stiglitz, *Making Globalization Work*, Preface-Ch. 1; Rodrik, *The Globalization Paradox*, Intro-Ch. 3. **Quiz 9**

Week 13a: Monday, 4/2/12—*Module 1b: Globalization & International Monetary Political Economy*

Frieden, J.A., Lake, D.A., Broz, J.L. 2010. *International Political Economy*, 5th ed., chs. 16-18, pp. 286-336.

Optional, Additional Reading: Bhagwati, *In Defense of Globalization*, Ch. 2-4; Stiglitz, *Making Globalization Work*, Ch. 2-3; Rodrik, *The Globalization Paradox*, Ch. 3-4.

Week 13b: Wednesday, 4/4/12—*Module 2: Globalization and Inequality & Development* [Continue]

Frieden, J.A., Lake, D.A., Broz, J.L. 2010. *International Political Economy*, 5th ed., chs. 25, 27-28, pp. 447-67, 474-504.

Optional, Additional Reading: Bhagwati, *In Defense of Globalization*, Ch. 5-8; Stiglitz, *Making Globalization Work*, Ch. 4-5; Rodrik, *The Globalization Paradox*, Ch. 5-6.

In addition to Dollar, ch. 25 in FLB above, the major positions on the globalization & inequality question:

Bhalla, S.S. 2002. *Imagine There's No Country: Poverty, Inequality, and Growth in the Era of Globalization: Two Policy Briefs*. Institute for International Economics. (CTools)

versus Wade, R. 2004. "Is Globalization Reducing Poverty and Inequality?" *World Development* 32(4):567-89. (CTools)

with two attempts at something like a compromising / synthesizing summary review:

Ravallion, M. 2003. "The Debate on Globalization, Poverty, and Inequality: Why Measurement Matters." *International Affairs* 79(4):739-53. (CTools)

Brune, N., Garrett, G. 2005. "The Globalization Rorschach Test: International Economic Integration, Inequality, and the Role of Government." *Annual Review of Political Science* 8:399-423. (CTools).

and a very recent update using latest revised & improved data:

Milanovic, B. 2012. "Global inequality recalculated and updated: the effect of new PPP estimates on global inequality and 2005 estimates," *Journal of Economic Inequality* 10:1-18. (CTools).

Optional, Additional Reading: Bhagwati, *In Defense of Globalization*, Ch. 9-12; Stiglitz, *Making Globalization Work*, Ch. 6-7; Rodrik, *The Globalization Paradox*, Ch. 7-8. **Quiz 10**

Week 14a: Monday, 4/9/12—*Module 3: Globalization Anxieties, Tensions, and Options*

Fischer, S. 2003. "Globalization and Its Challenges," *American Economic Review* 93(2):1-30. (CTools)

Stiglitz, J. 2003. "Globalization and Development," *Taming Globalization*, Ch. 2, pp. 47-67. (CTools)

Krueger, A. 1998. "Why Trade Liberalization is Good for Growth." *The Economic Journal* 108(450): 1513-22. (CTools)

Rodrik, D. 2001. "Trading in Illusions," *Foreign Policy* 123(Mar-Apr): 55-62. (CTools)

Optional, Additional Reading: Bhagwati, *In Defense of Globalization*, Ch. 13-14; Stiglitz, *Making Globalization Work*, Ch. 8-9; Rodrik, *The Globalization Paradox*, Ch. 9-10.

Week 14b: Wednesday, 4/11/12—*Module 3: Globalization Anxieties, Tensions, and Options*

Frieden, J.A., Lake, D.A., Broz, J.L. 2010. *International Political Economy*, 5th ed., chs. 29-32, pp. 507-81.

James, H. 2002. *The End of Globalization: Lessons from the Great Depression*. Cambridge: Harvard UP. Chs. 1 and 6, "The End of Globalization and the Problem of the Depression" and "Can It Happen Again?" (CTools)

Optional, Additional Reading: Bhagwati, *In Defense of Globalization*, Ch. 15-Afterword; Stiglitz, *Making Globalization Work*, Ch. 10-Afterword; Rodrik, *The Globalization Paradox*, Ch. 11-Afterword.

Week 15a: Monday, 4/16/12—Final Review

FRIDAY, APRIL 20, 1:30pm-3:30pm **Final Exam**