

INTERNATIONAL RELATIONS 545
THE INTERNATIONAL POLITICAL ECONOMY OF DEVELOPMENT

Prof. Carol Wise

Fall Semester 2006

TH 6:00-9:00 pm

Office Hours: FRIDAY 2:00-5:00 pm

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Course Objectives

Political economy concerns the behavior of markets, the behavior of states and other authorities, and especially the interplay between the two. This graduate seminar provides a critical introduction to advanced scholarship on international political economy (IPE), the interaction of states and markets in a global context. With a focus on development and the IPE, the course will ask the following questions: Taking the international setting as a constant, what accounts for the varying choice of development strategies between states over time? Can empirical links be drawn between the pursuit of a given strategy and the highly differential political economic performance between states in the IPE? What light do longstanding conceptual debates about development shed on the nature of a given country's development strategy? The seminar will proceed with an overview of current debates about development patterns within the IPE; we will then explore the conceptual terrain, including such approaches as modern and neoclassical political economic analysis, sectoral arguments, and institutional-statist paradigms; the remainder of the seminar will be spent analyzing actual development paths, with particular attention paid to the explanatory frameworks advanced and the comparative outcomes witnessed between the "early" industrializers and those states that came much later to this game. Throughout the seminar, an overriding goal will be to inform our discussion through the integration of conceptual thinking about development with empirical analysis of the various international development trajectories that have emerged over time.

Grading and Assignments

Grades will be assigned on the basis of class participation and preparation, two critical literature review essays and a written, take home, final exam:

(1) Preparation, Participation & Leading Class Discussions (30% of your grade)

- All students are expected to have completed the readings before each class, and to be prepared to answer questions on the material when called upon. If you miss a class, you will not receive any credit for that week for class participation.
- Each student is assigned to lead discussions twice, once in the first half of the course and the other time in the second half. Discussion leaders will prepare a discussion

and provide a first cut at answering questions posed on the material. Your critical literature review (see point two below) can serve as the guidepost for your discussion.

- *Remember: you will be leading the discussion, not the instructor.*

(2) Two Critical Literature Reviews (40% of your grade)

- Students are to write two critical literature reviews (no more than 10 double-spaced pages each) analyzing the readings assigned in a particular week of your choice. The first one must be completed before October 19, and the second before November 30.

(3) Final Take-Home Exam (30% of your grade)

- A take-home exam will be distributed on the last day of class. You must return the exam to me by December 7 at 5:00 pm. It can be placed in my mail box in the SIR office (VKC 330) or sent by e-mail to cwise@usc.edu

Disability Disclaimer

Students requesting academic accommodations based on disability are required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP when adequate documentation is filed. Please be sure the letter is delivered to me (or to TA) as early in the semester as possible. DSP is open Monday-Friday, 8:30-5:00. The office is in Student Union 301 and their phone number is (213) 740-0776.

Readings

Except for the four required books listed below, all of the assigned readings have been posted on-line and can be downloaded from the USC blackboard system under the name and number of this course. The following books are required reading for the course and are available at the USC bookstore (they can also be purchased at Amazon.com):

- S. Bradford and R. Lawrence, *Has Globalization Gone Far Enough?* Washington, DC: Institute for International Economics, 2004.
- A. Kohli, *State-Directed Development*. New York, NY: Cambridge University Press, 2004.
- D. North, *Institutions, Institutional Change and Economic Performance*. New York, NY: Cambridge University Press, 1990.
- D. Rodrik, ed., *In Search of Prosperity: Analytical Narratives on Economic Growth*. Princeton, NJ: Princeton University Press, 2003.

CLASS SCHEDULE AND READING ASSIGNMENTS

August 24

1.Introduction and Overview of the Course

August 31

2. IPE and Development: The Problematique

- D. Acemoglu, S. Johnson, and J. Robinson, "Reversal of Fortune: Geography and Institutions in the Making of the Modern World," *Quarterly Journal of Economics* 117 (2002): 1231-1294.
<http://firstsearch.oclc.org/WebZ/FSFETCH?fetchtype=fullrecord:sessionid=sp02sw15-46392-egmlmpvg-kvbuf3:entitypagenum=3:0:recno=3:resultset=4:format=FI:next=html/record.html:bad=error/badfetch.html:entitytoprecno=3:entitycurrecno=3:numrecs=1>
- W. Easterly, *The Elusive Quest for Growth*. Cambridge, MA: MIT Press, 2002, pp. 5-85. [PDF](#)
- L. Pritchett, "A Toy Collection, a Socialist Star, and a Democratic Dud? Growth Theory, Vietnam and the Philippines," in D. Rodrik, ed., *In Search of Prosperity: Analytical Narratives on Economic Growth*. Princeton, NJ: Princeton University Press, 2003, pp. 123-151.
- D. Rodrik, *Has Globalization Gone Too Far?* Washington, DC: Institute for International Economics, 1999, pp. 1-48; 69-88. [PDF](#)
- A. Subramanian and D. Roy, "Who Can Explain the Mauritian Miracle? Meade, Romer, Sachs, or Rodrik?" in D. Rodrik, ed., *In Search of Prosperity*, pp. 205-243.

THE CONCEPTUAL TERRAIN

September 7

3. Neoclassical Assumptions

- D. Diermeier et al, "Credible Commitment and Property Rights," in D. Weimer, ed., *The Political Economy of Property Rights*. New York, NY: Cambridge University Press, 1997, pp. 20-42. [PDF](#)
- R. Hausmann, "Venezuela's Growth Implosion: A Neoclassical Story?" in D. Rodrik, ed., *In Search of Prosperity*, pp. 244-270.
- A. Kreuger, "Government Failure in Development," in J. Frieden, M. Pastor, and M. Tomz, eds., *Modern Political Economy and Latin America*. Boulder, CO: Westview Press, 2000, pp. 10-17. [PDF](#)
- A. Przeworski and F. Limongi, "Modernization: Theories and Facts," *World Politics* 49 (1997): 155-183.
http://muse.jhu.edu/journals/world_politics/v049/49.2przeworski.html
- D. Rodrik, *The New Global Economy and Developing Countries: Making Openness Work*. Washington, DC: Overseas Development Council, 1999, pp. 1-41. [PDF](#)

September 14

4. Modern Political Economy

- B. Geddes, “Uses and Limitations of Rational Choice,” in J. Frieden, M. Pastor, and M. Tomz, eds., *Modern Political Economy and Latin America*, pp. 81-94. [PDF](#)
- M. Hoff and J. Stiglitz, “Modern Economic Theory and Development,” in G. Meier and J. Stiglitz, eds., *Frontiers of Development Economics*. New York, NY: Oxford University Press, 2001, pp. 389-460. [PDF](#)
- P. Keefer, “What Does Political Economy Tell Us About Development—and Vice Versa?” *Annual Review of Political Science* 7 (2004): 247-272. [PDF](#)
- M. Olson, *The Logic of Collective Action; Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press, 1997, pp. 1-97. [PDF](#)
- D. Rodrik, “Introduction: What Do We Learn From Growth Narratives?” in D. Rodrik, ed., *In Search of Prosperity*, pp. 1-19.

September 21

5. Sectoral Analysis

- J. Frieden, “Sectoral Conflict and US Foreign Economic Policy, 1914-1940,” *International Organization* 42 (1988): 59-90.
<http://links.jstor.org/sici?sici=0020-8183%28198824%2942%3A1%3C59%3ASCAFEP%3E2.0.CO%3B2-R>
- T. Karl, *The Paradox of Plenty*. Berkeley and Los Angeles: University of California Press, 1997, pp. 1-67. [PDF](#)
- R. Rogowski (1989), *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton, NJ: University Press, pp. 3-20. [PDF](#)
- M. Shafer, *Winners and Losers: How Sectors Shape the Development Prospects of States*. Ithaca, NY: Cornell University Press, 1994, pp. 1-48. [PDF](#)
- J. Williamson, “Globalization, Labor Markets and Policy Backlash in the Past,” *Journal of Economic Perspectives* 12 (1998): 51-72.
<http://links.jstor.org/sici?sici=0895-3309%28199823%2912%3A4%3C51%3AGLMAPB%3E2.0.CO%3B2-1>

September 28

6. Statist & Institutional Approaches

- H. J. Chang, “The Economic Theory of the Developmental State,” in M. Woo-Cumings ed., *The Developmental State*. Ithaca, NY: Cornell University Press, 1999, pp. 182-199. [PDF](#)

- P. Hall and R. Taylor, “Political Science and the Three New Institutionalisms,” *Political Studies* 5 (1996): 936-957. [PDF](#)
- A. Kohli, *State-Directed Development*. New York: Cambridge University Press, 2004, pp. 1-26.
- G. Menil, “History, Policy, and Performance in Two Transition Economies: Poland and Romania,” in D. Rodrik, ed., *In Search of Prosperity*, pp. 271-294.
- D. North, *Institutions, Institutional Change and Economic Performance*. New York, NY: Cambridge University Press, 1990, read all but chapters 12-14.
- D. Rodrik, A. Subramanian, and F. Trebbi, “Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development,” *Journal of Economic Growth* 9 (2004): 131-165.
<http://www.springerlink.com/media/6p8qd4xuvk0qghjhpq0x/contributions/j/3/1/7/j3171744234772tx.pdf>

IPE & DEVELOPMENT IN RETROSPECT

October 5

7. Industrialization in Early Developers

- A. Gerschenkron, *Economic Backwardness in Historical Perspective*. Cambridge, MA: Harvard University Press, 1962, pp. 5-30, 353-364. [PDF](#)
- P. Katzenstein, *Small States in World Markets*. Ithaca, NY: Cornell University Press, 1985, chaps. 1 & 2. [PDF](#)
- B. Moore, *Social Origins of Democracy and Dictatorship*. Boston, MA: Beacon Press, 1993 (reprint), chap. 1. [PDF](#)
- T. Skocpol, *States and Social Revolutions*. New York, NY: Cambridge University Press, 1979, chaps. 1 & 2. [PDF](#)

October 12

8. Policy Making and Welfare States as Early Developers

- P. Culpepper, “Employers, Public Policy, and the Politics of Decentralized Cooperation in Germany and France,” in P. Hall and D. Soskice, eds., *Varieties of Capitalism*. New York, NY: Oxford University Press, 2001, pp. 275-306. [PDF](#)
- M. Estevez-Abe, T. Iversen, and D. Soskice, “Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State,” in P. Hall and D. Soskice, eds., *Varieties of Capitalism*, pp. 145-183. [PDF](#)
- D. King and B. Rothstein, “Institutional Choices and Labor Market Policy: A British-Swedish Comparison,” *Comparative Political Studies* 26 (1993): 147-177. [PDF](#)

- B. Silberman, *Cages of Reason: The Rise of Rational States in France, Japan, the United States, and Great Britain*. Chicago, IL: University of Chicago Press, 1993, pp. 363-410. [PDF](#)
- T. Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*. Oklahoma: University of Oklahoma Press, 2003, pp. 41-60. [PDF](#)

October 19 First Critical Review & Leading of Class Discussion Completed

9. State-Building in Late Developers

- P. Evans, "Predatory, Developmental, and other Apparatuses: A Comparative Political Economy Perspective on the Third World State," *Sociological Forum* 4 (1989): 561-587.
<http://links.jstor.org/sici?sici=0884-8971%28198912%294%3A4%3C561%3APDAOAA%3E2.0.CO%3B2-F>
- J. Frieden, "Third World Indebted Industrialization: International Finance and State Capitalism in Mexico, Brazil, Algeria, and South Korea," *International Organization* 35 (1981): 407-431.
<http://links.jstor.org/sici?sici=0020-8183%28198122%2935%3A3%3C407%3ATWIIIF%3E2.0.CO%3B2-A>
- A. Kohli, *State-Directed Development*, pp. 27-83.
- M. Moore, "Political Underdevelopment: What Causes Bad Governance?" *Public Management Review* 3 (2001): 1-34. [PDF](#)
- J. Vartiainen, "The Economics of Successful State Intervention in Industrial Transformation," in M. Woo-Cumings ed., *The Developmental State*, pp. 200-234. [PDF](#)
- C. Wise, *Reinventing the State: Economic Strategy and Institutional Change in Peru*. Ann Arbor, MI: University of Michigan Press, 2003, pp. 82-115. [PDF](#)

October 26

10. Economic Development in Late Developers

- D. Acemoglu, S. Johnson, and J. Robinson, "An African Success Story: Botswana," in D. Rodrik, ed., *In Search of Prosperity*, pp. 80-119.
- J. Bradford DeLong, "India since Independence: An Analytic Growth Narrative," in D. Rodrik, ed., *In Search of Prosperity*, pp. 184-204.
- K.A. Chaudry, "The Myths of the Market and the Common History of Late Developers," *Politics & Society* 21 (1993): 33-48. [PDF](#)
- W. Easterly, "The Political Economy of Growth without Development: A Case Study of Pakistan," in D. Rodrik, ed., *In Search of Prosperity*, pp. 439-472.
- Kohli, *State-Directed Development*, pp. 127-168.

- J. Temple, "Growing Into Trouble: Indonesia After 1966," in D. Rodrik, ed., *In Search of Prosperity*, pp. 152-183.

IPE & THE NORTH-SOUTH DIVIDE

November 2

11. Globalization: Market and State

- S. Bradford and R. Lawrence, *Has Globalization Gone Far Enough?* Washington, DC: Institute for International Economics, 2004, skim all.
- J. Frieden, "Invested Interests: The Politics of National Economic Policies in a World of Global Finance," *International Organization* 45 (1991): 425-452.
<http://links.jstor.org/sici?sici=0020-8183%28199123%2945%3A4%3C425%3AITPON%3E2.0.CO%3B2-Q>
- N. Brune and G. Garrett, "The Globalization Rorschach Test: International Economic Integration, Inequality, and the Role of Government," *Annual Review of Political Science* 8 (2005): 399-423. **PDF**
- G. Gilboy, "The Myth Behind China's Miracle," *Foreign Affairs* 83 (July/August 2004): 33-48.
<http://proquest.umi.com/pqdlink?did=660930631&Fmt=7&clientId=4676&RQT=309&VName=PQD>
- B. Milanovic, "The Two Faces of Globalization," *World Development* 31 (2003): 667-683.
[doi:10.1016/S0305-750X\(03\)00002-0](https://doi.org/10.1016/S0305-750X(03)00002-0)

November 9

12. Trade: Late Developers & the Battle for Market Access

- G. Grossman and E. Helpman, "Protection for Sale," *American Economic Review* 84 (1994): 833-850.
<http://links.jstor.org/sici?sici=0002-8282%28199409%2984%3A4%3C833%3APFS%3E2.0.CO%3B2-Y>
- N. Lardy, *Integrating China into the Global Economy*. Washington, DC: Brookings Institution, 2002, pp. 1-105. **PDF**
- R. Lawrence, "Regionalism, Multilateralism, and Deeper Integration," in M. Rodriguez, P. Low, and B. Kotschwar, eds., *Trade Rules in the Making*. Washington, DC: Brookings Institution, 1999, pp. 23-46. **PDF**
- Oxfam International, *Rigged Rules and Double Standards: Trade, Globalization, and the Fight against Poverty*. London: Oxford International, 2002, pp. 47-63, 149-174.

http://www.maketradeair.com/assets/english/report_english.pdf

- M. Pastor and C. Wise, “The Origins and Sustainability of Mexico’s Free Trade Policy,” *International Organization* 48 (1994): 459-489.

<http://links.jstor.org/sici?sici=0020-8183%28199422%2948%3A3%3C459%3ATOASOM%3E2.0.CO%3B2-Q>

November 16

13. Finance: Capital Scarcity, Instability, & the Search for Credibility

- D. Andrews, “Capital Mobility and State Autonomy: Toward a Structural Theory of International Monetary Relations,” *International Studies Quarterly* 38 (1994): 193-218.

<http://links.jstor.org/sici?sici=0020-8833%28199406%2938%3A2%3C193%3ACMASAT%3E2.0.CO%3B2-4>

- B. Eichengreen and A. Fishlow, “Contending with Capital Flows: What is Different about the 1990s?” in M. Kahler, ed., *Capital Flows and Financial Crises*. Ithaca, NY: Cornell University Press, 1998, pp. 23-68. **PDF**
- S. Lewis, “Marketization and Government Credibility in Shanghai,” in D. Weimer, ed., *The Political Economy of Property Rights*, pp. 259-287. **PDF**
- J. Sachs, “Alternative Approaches to Financial Crises in Emerging Markets,” in M. Kahler, ed., *Capital Flows and Financial Crises*, pp. 247-262. **PDF**
- C. Wise, “Argentina’s Currency Board: The Ties that Bind,” in C. Wise and R. Roett, eds., *Exchange Rate Politics in Latin America*. Washington, DC: Brookings Institution, 2000, pp. 93-122. **PDF**

November 23 THANKSGIVING

November 30 Second Critical Review & Leading of Class Discussion Completed

14. The Politics of Economic Reform

- A. Alesina and A. Drazen, “Why are Stabilizations Delayed?” *American Economic Review* 81 (1991): 1170-1188.
- <http://links.jstor.org/sici?sici=0002-8282%28199112%2981%3A5%3C1170%3AWASD%3E2.0.CO%3B2-V>
- M. Careaga and B. Weingast, “Fiscal Federalism, Good Governance, and Economic Growth in Mexico,” in D. Rodrik, ed., *In Search of Prosperity*, pp.399-435.

- D. Kaufmann, M. Mastruzzi, and D. Zavaleta, “Sustained Macroeconomic Reforms, Tepid Growth: A Governance Puzzle in Bolivia?” in D. Rodrik, ed., *In Search of Prosperity*, pp. 334-398.
- Y. Qian, “How Reform Worked in China,” in D. Rodrik, ed., *In Search of Prosperity*, pp. 298-333.
- D. Rodrik, “Understanding Economic Policy Reform,” *Journal of Economic Literature* 34 (1996): 9-41.

<http://links.jstor.org/sici?sici=0022-0515%28199603%2934%3A1%3C9%3AUEPR%3E2.0.CO%3B2-2>

December 7

TAKE-HOME FINAL EXAM DUE BY 5:00 PM

You can submit it on-line by e-mail (cwise@usc.edu), or place a hard copy in my SIR mailbox located in VKC 330.

Appendix

GUIDELINES FOR WRITING A CRITICAL REVIEW ESSAY

1. Your paper should state and defend your personal judgment of the quality of the body of literature under consideration. How good or bad is it, as a whole? (Note carefully that the assignment is not to evaluate, say, what governments did during the Great Depression. It is to evaluate a body of scholarship on that subject, or a subject like it.) I will look most of all for that overall personal judgment and for evidence from the literature supporting it.
2. *Please* do not submit a paper limited to *describing* what various authors said. I want to see you grappling with their ideas.
3. The maximum length is 3,000 words in size 12 font. Having to edit down to this limit is part of the value of the exercise. If your paper lacks a word count, is too long, or has a font smaller than size 12, I will not read it until you have submitted a version no longer than 3,000 words and in the proper size font.
4. At the top of the first page, show your word count and your USC student identification (social security) number. Please do not show your name anywhere on your paper.

Recommendations based on experience

First study some good published essays reviewing a body of literature (not a single book). *International Organization* and *World Politics*, for example, publish them often.

As you read your books and articles and before beginning to write, decide on your answers to key general questions whose content will depend on your criteria. For example:

1. What do these works have in common? Do all use the same set of concepts and assumptions, or do authors start with fundamentally different concepts?
2. Is the author's purpose to explain, or is it to interpret? What is the thing to be explained or interpreted, or the dependent variable?
3. What is the central argument of each work? What causal or motivating factors are emphasized?
4. How original or creative is its contribution, relative to what was known when it was published? Does it raise new questions or suggest interesting lines of new investigation?
5. Does this body of literature make any contribution to theory development? If so, in what sense?

Make a bold statement of your main thesis right at the outset. Then I recommend dividing the essay into sections according to your criteria--first evaluating the body of literature as a whole against one dimension, then evaluate it against the second criterion, etc.-- rather than dividing the essay into sections taking up article 1, then article 2, etc. The latter form risks falling into the trap of reporting what other people said rather than defending critical points of your own.