

G53.3400 Political Economy Seminar: Open Economy Politics

Spring 2003
Time Monday 10:00-12:00

William Clark and Fiona McGillivray

Email: fm38@pop.nyu.edu
william.clark@nyu.edu

Office hours: Clark: M,W 3:45-5:15
McGillivray: Mon 2-4

Purpose: This course is designed to give graduate students an introduction to the political economy of open economies. In particular, we will focus on trade and monetary policy; asking what are the political, institutional, economic and social determinants of these policies in industrial democracies. Our intention is to introduce students to contemporary research themes in the political science literature and to prepare them for doing their own research in this area. A modest background in micro and macro economics will be assumed.

Requirements: In each class, individual students will introduce the readings for that week. The use of overheads is strongly encouraged. A template will be provided to help structure article presentations. Presentations should last no more than 15 mins. Presentations plus class participation accounts for 50% of the course grade.

Students must hand in at the last class meeting a research paper that might provide the basis for an article that could be published in an anonymously-refereed journal. Students are encouraged to think about potential topics early in the semester. In addition, one class sessions will be devoted to the development and discussion of these papers (50% of the grade).

Readings: Reading Packet from New University Copy, (Waverly Place near Mercer)

Recommended: Krugman and Obstfeld, "International Economics: Theory and Policy" 3rd ed. (NY: HarperCollins, 1994).

Week 1: Overview of Course.

Week 2: The Distributional consequences of Open Trade.

Ronald Rogowski, 1987. "Political Cleavages and Changing Exposure to Trade"
American Political Science Review 81:1121-1137.

Michael Hiscox. 2001. "Class versus Industry Cleavages: Inter-Industry Factor Mobility and the Politics of Trade." IO Winter 2001.

Gilligan, Michael and James Ed. Al. 1994. "The Political Economy of Trading States" *Journal of Political Philosophy* 2(2):165-92.

Week 3: The Distributional Consequences of Monetary policy in an Open Economy

Frieden, Jeffrey A. 1991a. Invested Interests: The Politics of National Economic Policies in a World of Global Finance. *International Organization* 45:425-51.

Bernhard, William J. Lawrence Broz, and William Roberts Clark. 2002 The Political Economy of Monetary Institutions: An Introduction, *International Organization*

Week 4: Pressure groups and Trade Politics.

Marc Busch and Eric Reinhardt, 1999, "Industrial Location and Protection: The Political and Economic Geography of U.S. Nontariff Barriers. *AJPS* 43:1028-1050
http://qsilver.queensu.ca/~buschm/Documents/Industrial_Location_and_Protection.pdf

Ken Scheve and Matthew J. Slaughter. 2001. "What Determines Individual Trade-Policy Preferences?" *Journal of International Economics* 54: 2 (August):267-292.

Grossman, Gene and Elhanan Helpman. 1994. "Protection for Sale," *American Economic Review* 84 (September): 833-850.

Goldberg, Pinelopi Koujianou and Giovanni Maggi. 1997. "Protection for Sale: An Empirical Examination" NBER Working Paper No.5942.

Week 5: Distributional Implications of Monetary Policy

Frieden, Jeffrey A. 2002. Real Sources of European Currency Policy: Sectoral Interests and European Monetary Integration. *International Organization* 56 (4):

Broz, J. Lawrence. 2002. The Domestic Politics of International Financial Rescues: Congressional Voting on Bailouts in the 1990's. Manuscript. UCSD Department of Political Science. http://weber.ucsd.edu/~jlbroz/Broz_bailouts.pdf

Gabel, Matthew. 1999. Divided Opinion, Common Currency: The Political-Economy of Public Support. Working Paper, Department of Political Science, University of Kentucky. <http://faculty.haas.berkeley.edu/arose/Gabelm.PDF>

Scheve, Kenneth. 2002. Public Inflation Aversion and the Political Economy of Macroeconomic Policymaking. Paper presented at 2002 Public Choice Society Meeting and Meetings of the Midwest Political Science Association.

<http://pantheon.yale.edu/~ks298/Ciip2.pdf>

Week 6: Domestic Institutions and Trade I

Sharon O'Halloran and Susanne Lohmann. 1994. Divided Government and US trade Policy: theory and evidence. IO.

Finger, J.M., H.K. Hall and D. Nelson. 1982. "The political economy of administered protection," *American Economic Review* 72: 452-466.

Michael Bailey, Judith Goldstein and Barry Weingast 1997 "The Institutional Roots of American Trade Policy," *World Politics* p309-338

Gilligan, Michael. 1997. *Empowering Exporters: Delegation, Reciprocity and Collective Action in Twentieth Century American Trade Policy*. Ann Arbor: University of Michigan. Chapters 1 & 5.

Week 7: Domestic Institutions and Monetary Policy

Hall, Peter A. and Robert J. Franzese, Jr. 1998. Mixed Signals: Central Bank Independence, Coordinated Wage-Bargaining, and European Monetary Union *International Organization* 52: 505-535

Iversen, Torben. 1998. Wage Bargaining, Central Bank Independence, and the Real Effects of Money *International Organization* 52: 469-504.

Clark, William R, and Mark Hallerberg. 2000. Mobile Capital, Domestic Institutions, and Electorally Induced Monetary and Fiscal Policy. *American Political Science Review* 94 (2): 323-46.

Bearce, David H. "Monetary divergence: Domestic political institutions and the monetary autonomy--exchange rate stability trade-off" *Comparative Political Studies*, 35 (2): 194-222.

Week 8: Institutions and Trade II.

Rogowski and Kayser. "Consumers and Producers in Majoritarian systems". Recent AJPS.

Fiona McGillivray Chapter 1 of book manuscript. "Targeting the Marginals".

Boix, Carles. "Between Protectionism and Compensation: The Political Economy of Trade". Nov 25th 2002. Working paper.

Milner and Judkins, "Partisanship and Trade Policy: Is There a Left-Right Divide in Trade Policy?" Manuscript. Columbian University Dept. of Political Science.

Week 9: Domestic Institutions and Exchange Rate Commitments

Bernhard and Leblang 1999. "Democratic Institutions and Exchange Rate Commitments" *International Organization* 53 (1)311-328.

Leblang, David. 1999. "Democratic Political Institutions and Exchange Rate Commitments in the Developing World," *International Studies Quarterly* 43: 599-620.

Bernhard and Leblang. 2002. "Political Parties and Monetary Commitments," *International Organization* 56(4):803-30.

Broz, Lawrence. 2002. Political System Transparency and Monetary Regimes. *International Organization* 56:4

Week 10: Democracy and Markets

Helen Milner, Ed Mansfield and B.P. Rosendorff. 2000. "Free to Trade: Democracies, Autocracies and International Trade." *American Political Science Review* 94(2)

Joanne Gowa 1989 "Bipolarity, Multipolarity and Free Trade," *APSR* 83:1245-56.

Freeman, John R., Jude C. Hays, and Helmut Stix. 2001. Democracy and Markets: The Case of Exchange Rates. *American Journal of Political Science* 44(3):559-68.

McGillivray and Smith. 2002 Leadership Turnover and International Trade Flows. Working Paper.

Week 11: Dispute Resolution and Compliance with International Organizations

Judith Goldstein 1997 "International Law and Domestic Institutions." *International Organization* p541-564

Busch and Reinhardt. Transatlantic Trade Conflicts and GATT/WTO Dispute Settlement http://qsilver.queensu.ca/~buschm/Documents/Transatlantic_Trade_Conflict_and_GATT_WTO_DS.pdf

Simmons, Beth. 2000. "International Law and State Behavior: Commitment and Complicance in International Monetary Affairs." *American Political Science Review* 94:4:819-835.

Edwards, Martin. 2002. *Institutions, Incentives, and International Monetary Fund Compliance* Doctoral Dissertation. Rutgers University, Chapter Eight. Domestic Institutions and IMF Program Compliance. (Have it)

Week 12: Growth and Development.

Rodriguez, Francisco and Dani Rodrik "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence". Working Paper 1999

Rogowski, R. 1987. "Trade and the variety of domestic institutions," *International Organization* 41: 203-223.

Clark, William Roberts. 2003. *Capitalism, Not Globalism* Chapter 5 "Partisan Differences in Macroeconomic Outcomes." (Have it)

Way, Christopher. 2000 Central banks, partisan politics, and macroeconomic outcomes *Comparative Political Studies*. 33(2):196-224.

Week 13: Institutional and Policy Substitutes

Edenington, Josh and Jenny Minier, 2001. "Endogenous Choice of Tariffs and Subsidies" University of Miami. MS.

McGillivray. Final Book Chapter.

Hallerberg, Mark. 2002. Veto Players and the Choice of Monetary Institutions, *International Organization*.

Keefer, Philip and David Stasavage. 2002. Checks and Balances, Private Information, and the Credibility of Monetary Commitments. *International Organization*