

## THE US IN THE GLOBAL ECONOMY

POL 3833  
Fall 2014  
TTh 2:30-3:45  
West Bank Skyway 20  
Office Hours: W. 1:00-3:00  
TA: Ryan Halen

Professor James R. Hollyer  
Social Sciences 1380  
(612) 624-0030  
[jhollyer@umn.edu](mailto:jhollyer@umn.edu)  
[www.jameshollyer.com](http://www.jameshollyer.com)  
TA Office Hours: TBD  
TA Office: 1214

### Course Description

Globalization has been a defining force driving markets – and, hence, shaping politics – over the past 20 years. Global financial flows and imbalances are implicated in financial crises both recent and past, the mobility of firms and migrants across international borders has important distributional and regulatory consequences, even as rising levels of trade create new 'winners' and 'losers.' This class examines the domestic political implications of and policy responses to globalization, with a particular – though not exclusive – focus on globalization's influence on US politics.

### Assignments

Final Exam  
Take Home Midterm  
Two Policy Papers (≈ 4-5 pages)

### Grading

Final Exam (40%)  
Midterm (20%)  
Policy Papers (15% each)  
Participation (10%)

### Recommended Texts:

All reading materials will be available via the course eReserves site

## Readings

### **September 2:** Introduction/First Day of Class

*The Rise of the Global Economy – An Overview*

### **September 4**

- pages 69-87 and 139-174 (Japan's Response to the West and The Transformation of China) in Angus Maddison. *The Contours of the World Economy 1-2030 AD*. Oxford University Press, 2007
- Chapters 1 and 2 in Dani Rodrik. *The Globalization Paradox: Democracy and the Future of the World Economy*. W.W. Norton & Co., 2011

### **September 9**

- Part III in Maurice Obstfeld and Alan M. Taylor. *Global Capital Markets: Integration, Crisis and Growth*. Cambridge University Press, Cambridge, 2004

*International Trade and Trade Politics*

### **September 11:** Trade Theory

- Chapters 2-4 in Paul. Krugman and Maurice Obstfeld. *International Economics: Theory and Policy*, volume 6. Addison Wesley, 2003

### **September 16:** From the Economics to the Politics of Trade

- Ronald Rogowski. Political cleavages and changing exposure to trade. *The American Political Science Review*, 81(4):1121–1137, December 1987
- Michael J. Hiscox. Commerce, coalitions and factor mobility: Evidence from congressional votes on trade legislation. *The American Political Science Review*, 96(3):593–608, September 2002

### **September 18:** Evidence: Individual Attitudes toward Trade

- Kenneth F. Scheve and Matthew J. Slaughter. What determines individual trade preferences? *Journal of International Economics*, 54:267–292, 2001
- Jens Hainmueller and Michael J. Hiscox. Learning to love globalization: Education and individual attitudes towards international trade. *International Organization*, 60:469–498, Spring 2006

### **September 23:** Empowering Exporters

- Chapter 1 in Mancur Olson, Jr. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Harvard University Press, 1971
- Chapters 1 and 4 in Michael J. Gilligan. *Empowering Exporters: Reciprocity, Delegation, and Collective Action in American Trade Policy*. The University of Michigan Press, Ann Arbor, 1997

### **September 25:** Trade Agreements – From Domestic to International Politics

- Chapter 4 in Dani Rodrik. *The Globalization Paradox: Democracy and the Future of the World Economy*. W.W. Norton & Co., 2011?
- Allison Carnegie. States held hostage: Political hold-up problems and the effects of international institutions. *American Political Science Review*, 108(1):54–70, February 2014

### **September 30:** Recent Trade Negotiations (note, each of these readings is a brief Op-Ed style piece)

#### **First Policy Paper Due**

- “Trans-Pacific Partnership: A Guide to the Most Contentious Issues,” *The Guardian*. <http://www.theguardian.com/world/2013/dec/10/trans-pacific-partnership-a-guide-to-the-most-contentious-issues>
- Siglitz, Joseph. “On the Wrong Side of Globalization,” *New York Times* Op-Ed. <http://opinionator.blogs.nytimes.com/2014/03/15/on-the-wrong-side-of-globalization/>
- Krugman, Paul. “TPP,” *The Conscience of a Liberal Blog*, *New York Times*. <http://krugman.blogs.nytimes.com/2013/12/12/tpp/>
- “More Homework Please,” *The Economist*. <http://www.economist.com/blogs/freeexchange/2014/02/trade>
- Farrell, Henry. “The TPP is not an Agreement Among Like-Minded Countries,” *The Monkey Cage Blog*, *The Washington Post*. <http://www.washingtonpost.com/blogs/monkey-cage/wp/2013/12/12/the-tpp-is-not-an-agreement-among-like-minded-countries/>

### **October 2:** Trade, Uncertainty and Government Spending

- Dani Rodrik. Why do more open economies have bigger governments? *Journal of Political Economy*, 106(5):997–1032, October 1998
- Yotam Margalit. Costly jobs: Trade-related layoffs, government compensation, and voting in us elections. *American Political Science Review*, 105(1):166–188, February 2011

### *Global Supply Chains and Foreign Direct Investment*

#### **Take Home Midterm Handed Out**

##### **October 7: The New Trade – Global Supply Chains**

- Chapter 18 in Jeffrey A. Frieden. *Global Capitalism: Its Fall and Rise in the Twentieth Century*. W.W. Norton & Co., 2006
- Prologue and Chapter 5 in Pietra Rivoli. *The Travels of a T-Shirt in the Global Economy*. Wiley, 2nd edition, 2009
- NPR *Planet Money* podcast series (each podcast is about 9 minutes long) <http://www.npr.org/series/248799434/planet-moneys-t-shirt-project>
  - *How Technology and Hefty Subsidies Make U.S. Cotton King*
  - *Planet Money Spins a Yarn and Makes Perfect T-Shirt*
  - *Two Sisters, A Small Room and the World Behind a T-Shirt*
  - *Nixon and Kimchi: How the Garment Industry Came to Bangladesh*
  - *The Giant Book that Creates and Destroys Entire Industries*

##### **October 9: The Economics of Foreign Direct Investment**

- Oliver E. Williamson. The modern corporation: Origins, evolution, attributes. *Journal of Economic Literature*, 19(4):1537–1568, December 1981
- Maria Borga and William J. Zeile. International fragmentation of production and the intrafirm trade of us multinational companies. Bureau of Economic Analysis Working Paper, January 2004
- Andrew B. Bernard, J. Bradford Jensen, and Peter K. Schott. *Producer Dynamics: New Evidence from Micro Data*, chapter Importers, Exporters and Multinationals: A Portrait of Firms in the US that Trade Goods, pages 513–552. University of Chicago Press, 2009 <http://www.nber.org/chapters/c0500.pdf>

## Take Home Midterm Due

### October 14: Politics and FDI: The Risk of Expropriation

- Nathan M. Jensen. Democratic governance and multinational corporations: Political regimes and inflows of foreign direct investment. *International Organization*, 57(3):587–616, Summer 2003
- Scott Gehlbach and Philip Keefer. Private investment and the institutionalization of collective action in autocracies: Ruling parties and legislatures. *Journal of Politics*, 74(2):621–635, April 2012

### October 16: Politics and FDI: Partisanship

- Chapter 1 in Pablo M. Pinto. *Partisan Investment in the Global Economy: Why the Left Loves Foreign Direct Investment and FDI Loves the Left*. Cambridge University Press, 2013
- Nathan M. Jensen. Firm-level responses to politics: Political institutions and the operations of u.s. multinationals. Atlanta, February 2007. Conference on the Political Economy of International Finance

### October 21: Intellectual Property Protections

#### Second Policy Paper Due

- Kaminski, Margot. “The TPP and Copyright.” <http://www.concurringopinions.com/archives/2013/11/the-tpp-and-copyright.html>
- Love, James. “KEI Analysis of Wikileaks leak of TPP IPR text, from August 30, 2013” <http://www.keionline.org/node/1825>
- Farrell, Henry. “Five Key Questions – and Answers – About the Leaked TPP Text,” *The Monkey Cage Blog, The Washington Post*. <http://www.washingtonpost.com/blogs/monkey-cage/wp/2013/11/15/five-key-questions-and-answers-about-the-leaked-tpp-text/>
- Suzanne Scotchmer. The political economy of intellectual property treaties. *Journal of Law, Economics & Organization*, 20(2):415–437, 2004

### October 23: Bilateral Investment Treaties

- Jennifer L. Tobin and Susan Rose-Ackerman. When bits have some bite: The political-economic environment for bilateral investment treaties. *Review of International Organizations*, 6:1–32, March 2011

- B. Peter Rosendorff and Kongjoo Shin. Regime type and international commercial agreements. April 2013 <https://files.nyu.edu/bpr1/public/papers/Kyoto.pdf>

**October 28:** Trade, Outsourcing and Inequality Between and Within Nations

- Paul Krugman. Trade and wages, reconsidered. *Brookings Papers on Economic Activity*, 2008:103–137, Spring 2008 and discussion
- Pinelopi Koujianou Goldberg and Nina Pavcnik. Distributional effects of globalization in developing countries. *Journal of Economic Literature*, XLV:39–82, March 2007
- Chapter 8 in Branko Milanovic. *Worlds Apart: Measuring International and Global Inequality*. Princeton University Press, 2005

*Global Portfolio Investment, Exchange Rates and Financial Crises*

**October 30:** International Macro and the Impossible Trinity

- Chapters 16, 18 and 19 in Paul Krugman and Maurice Obstfeld. *International Economics: Theory and Policy*, volume 6. Addison Wesley, 2003

**November 4:** The Politics of Exchange Rate Systems

- J. Lawrence Broz and Jeffrey A. Frieden. The political economy of international monetary relations. *Annual Review of Political Science*, 4:317–43, 2001
- William Bernhard and David Leblang. Political parties and monetary commitments. *International Organization*, 56(4):803–830, 2002

**November 6:** Optimal Currency Areas, Fiscal Union and the Euro?

- Chapters 1 and 3 in Paul De Grauwe. *Economics of Monetary Union*. Oxford University Press, 4th. edition, 2000
- Paul Krugman. Currency regimes, capital flows and crises. Presented at the 14th Annual Jacques Polak Research Conference, November 2013 <http://www.imf.org/external/np/res/seminars/2013/arc/pdf/krugman.pdf>
- Thomas Sargent's Nobel Lecture. either video (starting at around minute 14) <http://www.nobelprize.org/mediaplayer/index.php?id=1741> or associated paper [https://files.nyu.edu/ts43/public/research/Sargent\\_Sweden\\_final.pdf](https://files.nyu.edu/ts43/public/research/Sargent_Sweden_final.pdf) (skip 'The Math')

### **November 11:** The Economics of Financial Crisis

- Hyun Song Shin. Reflections on northern rock: The bank run that heralded the global financial crisis. *Journal of Economic Perspectives*, 23(1):101–119, Winter 2009
- Chapters 1,2 and 4 in Carmen M. Reinhart and Kenneth S. Rogoff. *This Time is Different: Eight Centuries of Financial Folly*. Princeton University Press, 2009

### **November 13:** The Political Determinants of Crises and Bailouts

- Bernanke, Ben S. “Global Imbalances: Recent Developments and Prospects.” <http://www.federalreserve.gov/newsevents/speech/bernanke20070911a.htm>
- Nolan McCarty, Keith T. Poole, Thomas Romer, and Howard Rosenthal. Political fortunes: On finance and its regulation. *Daedalus*, 139:61–73, Fall 2010
- Patrick Bolton and Howard Rosenthal. Political intervention in debt contracts. *Journal of Political Economy*, 110(5):1103–1134, October 2002 (Skip the Model)

### *Migration:*

### **November 18:** Migration Patterns Past and Present

- Claudia Goldin. *The Regulated Economy: A Historical Approach to Political Economy*, chapter The Political Economy of Immigration Restriction in the United States, 1890 to 1921, pages 223–258. University of Chicago Press, 1993
- Jean-Christophe Dumont, Gilles Spielvogel, and Sarah Widmaier. International migrants in developed, emerging and developing countries: An extended profile. OECD Social, Employment and Migration Working Papers No. 114, 2010 <http://www.oecd.org/els/mig/46535333.pdf>

### **November 20:** Responses to Immigration

- Jens Hainmueller and Michael J. Hiscox. Attitudes toward highly skilled and low-skilled immigration: Evidence from a survey experiment. *American Political Science Review*, 104(1):61–84, February 2010
- Neil Malhotra, Yotam Margalit, and Cecilia Hyunjung Mo. Economic explanations for opposition to immigration: Distinguishing between prevalence and conditional impact. *American Journal of Political Science*, 57(2):391–410, April 2013

*Governing the Global Economy:*

**November 25:** Pressures for and Responses to Transnational Governance

- Chapter 15, 'A Global Tax on Capital,' in Thomas Piketty. *Capital in the Twenty-First Century*. The Belknap Press of Harvard University Press, 2014
- February 16, 2013. *The Economist*. Special Report: Offshore Finance. <http://www.economist.com/printedition/2013-02-16>
- Surowiecki, James. "Invisible Hand, Greased Palm," *The New Yorker*. May 14, 2014. <http://www.newyorker.com/magazine/2012/05/14/invisible-hand-greased-palm>

**November 27** – Thanksgiving Break

**December 2:** Inter-state Cooperation

- B. Peter Rosendorff. Stability and rigidity: Politics and the design of the wto's dispute resolution procedure. *The American Political Science Review*, 99(3):389–400, August 2005
- Leslie Johns. Courts as coordinators: Endogenous enforcement and jurisdiction in international adjudication. *Journal of Conflict Resolution*, 56(2):257–289, 2012
- Meredith Wilf. Credibility and distributional effects of international banking regulations: Evidence from us bank stock returns. 2013 September

**December 4:** Is Democratic Sovereignty Possible Under Globalization?

- Chapters 9-11 in Dani Rodrik. *The Globalization Paradox: Democracy and the Future of the World Economy*. W.W. Norton & Co., 2011

**December 9** – Review for Final/Office Hours

**December 18 (10.30am - 12.30pm): Final Exam**



STANDARD STATEMENT ON COURSE REQUIREMENTS:  
POLITICAL SCIENCE DEPARTMENT

(Note: For further information, please see the University "Classroom, Grading, and Examination Procedures" brochure online at <http://www.cla.umn.edu/cgep/>)

1. The two grading systems used are the ABCDF and S-N. Political Science majors must take political science courses on the ABCDF system; non-majors may use either system. In all political science courses the bottom line for the S grade is the equivalent of the C- grade; in other words, what is normally considered as D level work will be assigned a grade of N on the S-N system. All students, regardless of the system used, will be expected to do all work assigned in the course, or its equivalent as determined by the instructor.
2. The instructor will specify the conditions if any, under which an 'Incomplete' will be assigned instead of a grade. No student has an automatic right to an I. The instructor may set dates and conditions for makeup of work, if it is to be allowed. The Department of Political Science administers a general make-up exam every quarter for students who have written permission from the Instructor to make up a missed final examination. Inquire at the Undergraduate Advising office (1482 Social Sciences) for the date scheduled for the make-up.
3. Inquiries regarding any change of grade should be directed to the instructor of the course. A student who alleges unfairness on the part of an instructor is entitled to file a grievance with the Department's Grievance Committee.
4. Students are responsible for class attendance and all course requirements, including deadlines and examinations. The instructor will specify if class attendance is required or counted in the grade for the class.
5. The College does not permit a student to submit extra work in an attempt to raise his or her grade, unless the Instructor has specified at the outset of the class such opportunities afforded to all students.
6. The College has defined scholastic misconduct broadly as "any act that violates the rights of another student in academic work or that involves misrepresentation of your own work." Scholastic dishonesty includes (but is not necessarily limited to): cheating on assignments or examinations; plagiarizing, which means misrepresenting as your own work any part of work done by another; submitting the same paper, or substantially similar papers, to meet the requirements of more than one course without the approval and consent of all instructors concerned; depriving another student of necessary course materials; or interfering with another student's work. Instructors may define

additional standards beyond these. Further information is available at [http://www1.umn.edu/regents/policies/academic/Student\\_Conduct\\_Code.pdf](http://www1.umn.edu/regents/policies/academic/Student_Conduct_Code.pdf)

7. The U of M is committed to providing all students equal access to learning opportunities. Disability Services (DS) is the campus office that works with students who have disabilities to provide and/or arrange reasonable accommodations. Students who have, or think they may have, a disability (mental health, attentional, learning, vision, hearing, physical or systemic), are invited to contact Disability Services to arrange a confidential discussion at 612-626-1333 (VTTY) or [ds@umn.edu](mailto:ds@umn.edu). Students registered with DS, who have a letter requesting accommodations, are encouraged to contact the instructor early in the semester to discuss accommodations outlined in their letter. Further information is available at the Disability Services website: <http://ds.umn.edu/>
8. University policy prohibits sexual harassment as defined in the 12/11/1998 policy statement. The full statement is available at: <http://www1.umn.edu/regents/policies/humanresources/Sex.Harassment.html>  
Complaints about sexual harassment should be reported to the University Office of Equal Opportunity at 419 Morrill Hall.
9. As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, and feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce a student's ability to participate in daily activities. University of Minnesota services are available to assist you with addressing these and other concerns you may be experiencing. You can learn more about the broad range of confidential mental health services available on campus via the Student Mental Health Website at <http://www.mentalhealth.umn.edu/>