Political Economy

POL3103, Spring, 2014

Instructor: Prof. Kang, Myung-koo
Class Time/Place: Mons/Weds, 2:30~3:45// VC4-211
Office: VC 5-275.
Office hours: Tu/Th, 1:30~ 2:20, or by appointment
Email/ Phone: myung-koo.kang@baruch.cuny.edu / 646-312-4848 (O)

Course Description
The course examines the interaction between states and markets in macroeconomic policy formulation and implementation, both in theory and in practice, linking classic works on political economy with current policy debates. We will, first, review three major theoretical paradigms in political economy — liberalist, Marxist, and statist — and explore key topics in international and domestic political economy: (1) the origins and evolution of global financial system; (2) the origins and evolution of the international trade (GATT) system. Responding to students’ growing intellectual demand on finance, this course will review more extensively on the origins and evolution of global financial system, especially focusing on the rise of the Bretton Woods system after World War II and its collapse, financial globalization and crises, and government’s macroeconomic policy responses to crises.

Learning Goals
This course has four main learning goals. If students read the assigned readings and follow lectures and discussions in class sincerely, students will be able to understand the following four topics:

First, the core theoretical content and evolution of three classic views in political economy
Second, the origins and evolution of the modern global financial system and the current context of global financial crises
Third, the origins and development of multilateralism, regionalism, and bilateralism in global trade and the current major trade-related issues
Fourth, the structural problem of global imbalances and macroeconomic policy challenges the nation-state system and each nation-state have confronted in an era of globalization

Prerequisites
ENG 2100 or equivalent and ECO 1001 or 1002 or departmental permission.

Class Format
This class will be a mixture of lecture and discussion. The instructor will give lectures first and then lead discussions based on the assigned readings or other relevant topics for each class.
**Grading Formula**

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<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Mid-Term</td>
<td>25%</td>
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<tr>
<td>Attendance &amp; Class participation</td>
<td>15%</td>
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<tr>
<td>One research paper</td>
<td>30%</td>
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<tr>
<td>Final exam</td>
<td>30%</td>
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Students are expected to read the assigned reading critically and play an active role in class discussions. 15% of final grade will depend on students’ participation in class discussions.

**Grading Policy**

Grading will be based on a curve system. 30 percent of enrolled students will get A or A-, 50 percent of students B+, B, or B-, and 20 percent of students below B-. Considering students’ performance in class, the scores in the mid-term, and the paper quality, if the instructor feels that the distribution needs to be re-adjusted, it will be announced before the final examination. If not, the original grade distribution rule will be applied.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Range</th>
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<tbody>
<tr>
<td>A</td>
<td>94-100%</td>
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<tr>
<td>A-</td>
<td>90-93%</td>
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<td>B+</td>
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<td>B</td>
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<td>B-</td>
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<td>C+</td>
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<td>C</td>
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<td>C-</td>
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<td>D+</td>
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<td>D-</td>
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<td>F</td>
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**Policy Regarding Make-up Exams**

No make-up exams will be provided, except the cases of unavoidable medical emergencies or accidents. All exceptions should be proved by a written document. But note that what qualifies as a valid excuse is at the discretion of the instructor. You should make arrangements or at least email or voicemail me in advance. Failure to comply with this requirement will lead to an “F” for the exam.

**Classroom Behavior Rules**

Classroom is not a living room, dining room, or bedroom. Any of personal talking to each other, eating, or sleeping is not allowed, except drinking beverages such as water or coffee. If the instructor detects any such kinds of behaviors, the instructor can ask such students to leave the classroom.

No mobile texting or checking emails in the middle of the class is allowed. Please turn off your mobile phone or make it sure to a silent mode during the class. If students violate this rule, the instructor can ask students to leave the classroom immediately.

Laptop or IPAD or other electronics for note-taking will be allowed. But if the instructor thinks that electronic devices are not helpful for class discussions or other pedagogical purposes, they will not be allowed. It depends on students’ prudent use of electronic devices.
If students need to leave the classroom in the middle of class session, students should notify the instructor in advance before the class. If students leave the classroom without prior notice, his/her attendance will be counted as absence.

**Attendance and Lateness Policy**

If students skip more than 4 times, participation grade will be F. If students skip more than 6 times, meaning from the 6th absence, the course grade will be F. Class absence will be excused only if students have a valid and documented excuse. Note that what qualifies as a valid excuse is at the discretion of the instructor. Students should notify the instructor before the class. Email is most preferred. If the instructor does not reply to student’s email within 24 hours, send it again.

**Lateness policy:** If students are late to the class more than 20 minutes, it will be counted as absence. Also, if students are late to the class more than 20 minutes, it is strongly encouraged not to come in the classroom, not to interrupt the class.

**Paper Assignment**

Students are required to write an at least 10 page (double spaced, 12 point font) research paper [excluding references] as to government’s macroeconomic policy measures such as monetary or fiscal policy in response to the global financial crisis of 2007-2009. Students can choose the case country, for example, the United States, the European Union (or member countries), Japan, China, or other countries.

**Paper topic approval:** Before finalizing the research topic and country, students need to post their research paper topic on the course website on the Blackboard [Discussion section] and need to get instructor’s approval by the end of March. Students are strongly encouraged to have face-to-face discussions regarding their research paper topic during regular office hours.

**Submission:** All research papers should be submitted to the course website at www.turnitin.com, which the instructor will create in November.

**Course Website**

Reading materials will be posted on the Blackboard site. If you have any questions about your Baruch email address or your password, or if you have any problems accessing the site please call the computer helpdesk at 646.312.1010.

Every required reading material will be available on the Blackboard course website.

**Students with disabilities**

Students with disabilities may be eligible for a reasonable accommodation to enable them to participate fully in courses at Baruch. If you feel you may be in need of an accommodation, please contact the Office of Services for Students with Disabilities at (646) 312-4590.

The student who wants to get auxiliary aids and services, and need appropriate academic accommodations with disabilities must provide documentation of disability to the Director of Disability Services and get registered. If not, no special accommodations with disabilities will be provided.
**Academic Dishonesty Issues**

Cheating and plagiarism are serious offenses. The following definitions are based on the College's Academic Honesty website:

**Cheating** is the attempted or unauthorized use of materials, information, notes, study aids, devices or communication during an academic exercise. Examples include but are not limited to:
- Copying from another student during an examination or allowing another to copy your work
- Unauthorized collaborating on a take home assignment or examination
- Using unauthorized notes during a closed book examination
- Using unauthorized electronic devices during an examination
- Taking an examination for another student
- Asking or allowing another student to take an examination for you
- Changing a corrected exam and returning it for more credit
- Submitting substantial portions of the same paper to two classes without consulting the second instructor
- Preparing answers or writing notes in a blue book (exam booklet) before an examination
- Allowing others to research and write assigned papers including the use of commercial term paper services

**Plagiarism** is the act of presenting another person's ideas, research or writing as your own, such as:
- Copying another person's actual words without the use of quotation marks and footnotes (a functional limit is four or more words taken from the work of another)
- Presenting another person's ideas or theories in your own words without acknowledging them
- Using information that is not considered common knowledge without acknowledging the source
- Failure to acknowledge collaborators on homework and laboratory assignment

My policy is to give a **failing grade** to any assignment that has been plagiarized or an exam in which you have cheated. In addition, I am required by College policy to submit a report of suspected academic dishonesty to the Office of the Dean of Students. This report becomes part of your permanent file.
1/28: Introduction—What is political economy? What topics will be covered in the course?

I. Rival Views on Markets and States

The Liberalist Paradigm

1/30: The Theory of Moral Sentiments
   *Smith, Adam (1759). The Theory of Moral Sentiments Ch.I~V, pp.213-15 (Universal Benevolence); pp.239-241

2/4: Self-Interest, Free Market, and Market-Equilibrium
   *Smith, Adam (1976). An Inquiry into the Nature and Causes of the Wealth of Nations: Book I-Ch.1 (of division of labor), Book IV Ch.I (Of he principle of the commercial or mercantile system) & Ch.VIII (Conclusion of the mercantile system)

The Marxist Paradigm

2/6: Class Struggle and Mode of Capitalist Production

2/11: Variants of Marxist view (World System Theory, Dependency Theory)
   (available at http://www.marxists.org/archive/hilferding/1910/finkap/index.htm)


The Statist Paradigm

2/13: Mercantilism & the State
   *List, Friedrich (1916). The National System of Political Economy: Ch.XII (The theory of the powers of production and theory of values), Ch.XIII (The national division of


2/18: Late development and the State: The Asian Development

2/20: No Class (Monday Schedule)

II. The Origins and Evolution of Global Financial System

2/25: The Global Financial Crisis: Where did it come from?
*Documentary: Inside Job (watching in class)

2/27: Financial Globalization & its Impacts

3/4: The Ascent of Money: Nation-State building & War financing
#Documentary: Ascent of Money (PBS): http://www.pbs.org/wnet/ascentofmoney/ Part 1 & 2

3/6: Gold Standard, Great Depression, and Inter-War Conflicts
#Documentary: Ascent of Money (PBS): http://www.pbs.org/wnet/ascentofmoney/ Part 3 & 4
3/11: The Origins of the Bretton Woods System

3/13: The Collapse of Bretton Woods System and Aftermath
*Eichengreen, Barry (2011). Exorbitant Privilege: The rise and fall of the dollar and the future of the international monetary system. Ch. 6 “Monopoly no more”

3/18: Governance of Economic Globalization; “Trilemma”
*Stiglitz. J.E. (2012). The Price of Inequality. Ch.1

3/20: Mid-term Exam


4/1: Austerity vs. Expansion: Policy Responses to Financial Crises

### 4/3: Global Imbalances

### 4/8: The role of the IMF & the World Bank group

### III. The Evolution of International Trade Regime

#### 4/10: The Formation of GATT system and Its Evolution

#### 4/14-22 Spring Recess

#### 4/24: World Trade Organization: Birth and Functions
* Goldstein, Judith (2006). The Evolution of the Trade Regime: Politics, Law and Economics of the GATT; Ch.2 & Ch.3
Journal of Contemporary Legal Issues 19 (1): 462-467

**4/29: Regionalism (1): European Union**
*Mattli, Walter (1999). The Logic of Regional Integration: Europe and Beyond Cambridge Univ. Press: Ch.2 & 4 “Integration in Europe”*
# Official portal of EU website (http://europa.eu/index_en.htm)

**5/6: Regionalism (II): NAFTA, ASEAN, Mercosur**

# Official portal of MERCOSUR (http://www.mercosur.int)
# Official portal of ASEAN (http://www.asean.org)
# Official portal of NAFTA (http://www.nafta-sec-ala.org/en/view.aspx)

**5/8: Free Trade and the Role of the State: The Compensation Hypothesis?**

**IV. Future Prospects**

**5/13: The Rise of China and Its Potential Impacts on Global Political Economic Order**

**5/15: Class wrap-up**

Final Exam: TBA (following the school schedule)