International Political Economy [GOVT 743-001]

FALL 2019, Wednesdays 4:30 PM – 7:10 PM, Location - RB360

DRAFT AUGUST 20, 2019

Contact Information

Professor          Email          Office # and Office Hours
Professor Hilton Root           Hroot2@gmu.edu          Rm. #636, Office Hours:

Course Information

Description

This course will explore the future of the international economic and financial system from a political economy perspective. We will consider issues of debt sustainability, the political foundations of banking crisis and the political economy of macroeconomic policy formulation. We will ask how to promote openness, tolerance, mobility, fairness and democracy in today’s post-global financial crisis slow-growth global economy.

Questions will include: what does the available evidence tell us about the relationship between political institutions and economic development? Can we identify those institutional arrangements that promote economic growth, internal peace and general welfare? Can the global financial system be reformed to enhance global economic justice and to make globalization work better for developing countries? What role does democracy play in development? How much of the future of development depends on internal or external initiatives? Why do good policies come about in one country and not the other? What prevents underdeveloped countries from turning their assets into capital? How do we account for the persistence of global poverty? What prevents poor countries from adopting policies that promote growth?

When we think about the direction of global economic change, we take as axiomatic that “globalism,” “world order,” and “modernization” are synonyms that reflect a continuum in which rising incomes, improved health, economic openness, and pluralism are mutually reinforcing. But these relationships aren’t straightforward; and the rise of China and its divergence from Western governance and economic norms make it doubtful that global change will continue to approximate the Western experience. Are these deviations from liberal models random, or are they, and other looming risks, determined by network structure? During the semester we will apply insights from network science to chart the structures of interdependent webs linking the economy and the polity, and better understand the origins, variation, and demise of large-scale historical regimes.

Using the reading material, you will be able to identify both the general dilemmas of globalization and economic development. You will be able to explore and discuss strategies to surmount basic global development challenges. A wide range of policy options and case studies on the impact of globalization, the policies of government and of multilateral institutions will be considered.
Learning Outcomes

- Knowledge and Understanding: Students will grasp key ideas, concepts, events, and developments shaping the global political economy.
- Analytical Skills and Abilities: Students will be able to identify, assess and analyze the political and economic dynamics of global change, including the role of national governments; regional and global organizations; trans-national corporations and interest groups.
- Professional Development: Students will be able to assess essential scholarly contributions to political economy analysis and make a succinct presentation on a precise topic pertaining to the global political economy.

Course Materials

Course Requirements and Assessment

- Students are expected to keep up with each week’s required readings and to participate in class discussion. Students will read the required reading will choose one item from the recommended readings each week.

- 20% - Class discussion and one class presentations of a title in the syllabus.

- 30% - Short weekly writing submissions 250 words (No more than 750) from each week’s readings)

- 50% Students will participate in a team written essay on a topic to be decided by the class. Students also have the option of selecting a topic for an individual submission on a topic chosen in consultation with the professor.

Required Text Books


Course Schedule

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<th>Week</th>
<th>Topic</th>
<th>Required Reading</th>
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<tr>
<td></td>
<td>Introduction and Orientation</td>
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<td></td>
<td>We will introduce the terms and analytical tool kit to explore global political economy from a complex system perspective.</td>
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<td>KEY CONCEPTS:</td>
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<td>economic development, political economy and institutional change, legal systems, innovation, complex systems</td>
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<td>SUMMARY: We will introduce research on the political economy of institutions.</td>
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<td>Week 3 (09/11)</td>
<td>REQUIRED READING:</td>
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Week | Topic | Required Reading
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The Great Debate on the Role of the State and Economy |  
KEY CONCEPTS: |  
SUMMARY: |  
This module explores the deep roots of complexity theory in economics. We look at the great debate between John Maynard Keynes and Friedrich Hayek—both of whom used theories that presaged the complexity science approach. That debate, often defined as a debate between optimism and pessimism, is really about how they viewed the economic system. Both saw it as a “living” system of interacting parts, and both aspired to a global order. But Keynes saw the economy as a mechanism to be decoded and controlled, and believed that cultural refinement and technical prowess are mutually reinforcing. For Hayek, the economy is best left to its own self-organizing dynamics—even though the disequilibrium means every boom is eventually followed by a bust. Both arguments have merits and weaknesses, but an important paradox in Hayek’s position has become apparent over time: The free trade he promoted also allows economies to thrive that threaten the system of human values, and that protect sovereignty over human freedom.

|  |  | OPTIONAL READING:
Week 4 (09/18)

Growth, form, and self-organization in the economy

**KEY CONCEPTS:** complex systems, network models—random, scale free, and small world, average path length, betweenness centrality, decentralized network, self-organization, institutions, rules, equilibrium, hierarchy, phase transition, economic transitions, sensitivity to initial conditions, information diffusion, China, West, innovation, cascades, and change threshold.

**SUMMARY:** Understanding network formation is essential to building a cohesive theory of network connectivity in the social relations that form historical regimes. Using diagrams of network structure in which nodes represent components and lines represent their interactions, we can recognize essential features of the interactive configurations leading to patterns (institutions) and behaviors (regimes) and emergent properties. When we capture how agents interact and self-organize, we can infer structure; and knowing structure we can infer patterns of information transmission and thus collective behavior, including why system growth or breakdown follows a critical event. Theoretical network models—random, scale-free, small-world, and hub-and-spoke—capture these regularities and allow us to infer principles underlying their construction and the trade-offs of stability and resilience. Knowing patterns of structure and interaction, we gain a deeper grasp of two critically important and strongly correlated phenomena of contemporary political economy: The Great Divergence of East and West, and the global impact of China’s contemporary and unprecedented economic transformation.

**REQUIRED READING:**
*Network Origins of the Global Economy*, Chapter Two

**OPTIONAL READING:**
*Complex Social Networks*, Fernando Vega-Redondo

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<th>Week</th>
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<td>Week 5 (09/25)</td>
<td><strong>Human evolutionary behavior and political economy</strong></td>
<td><strong>REQUIRED READING:</strong> <em>Network Origins of the Global Economy</em>, Chapter Three</td>
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**KEY CONCEPTS:** Modernization theory, global connectivity, authoritarianism, dictatorship and democracy, development, specialization, coevolution, convergence, niche construction theory, diversity, variation, optimization, fitness landscape, evolutionary social psychology, emerging nations, social learning, spread of behaviors, cognition, peer monitoring, copying

**SUMMARY:** Niche construction theory, popular in evolutionary biology, can help us understand the lag between economic growth and political reform in highly interconnected states, where competition for resources drives adaptation via the selection of strategic opportunities, ranging from the predatory and parasitical to the symbiotic. A rugged or smooth fitness landscape, created of the system’s topology, determines how a society makes choices on the path toward its own fitness peak. No two societies will start from the same point or follow the same path to its local or global optimum. This makes it difficult to simply transfer strategies, norms, or institutions across cultures. Evolutionary social psychology teaches that individuals and societies alike exhibit bounded rationality, practice heuristics and imitate local models and cultures they know. ESP may also help explain why China’s developmental experience can be a more familiar starting point than a Western alternative, and more easily copied by other emerging nations. Nevertheless, disordered activity may keep the overall global system in balance.
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| Week 6 (10/02) | **Network assemblage of regime stability and resilience** | **REQUIRED READING:**
<p>|            | <strong>KEY CONCEPTS:</strong> dynastic success, long-term economic performance, regime collapse Imperial China, dynastic transitions, resilience of historical regimes Old Regime Europe, hypernetwork, centralized hub and spoke networks, small world, scale free, institutional longevity, episodic transformations, macro-system stability, path length, marriage networks, World War I | <em>Network Origins of the Global Economy, Chapter Four</em> |
|            | <strong>SUMMARY:</strong> The first of the book’s five great transitions is the creation of institutions of dynastic succession in Europe and China. Orderly, incontestable hereditary succession afforded dynastic longevity from the ninth century onward, and was a key institutional determinant of long-term economic performance, serving as a <em>hypernetwork</em> that contributed to system-level dynamics. In Europe and China the hypernetwork structures were very different, one being scale-free, the other star-like. Each presented trade-offs between properties of stability and resilience that arose according to widely different adaptive strategies. Historical meta-regimes offer evidence that qualities embedded in macro structures are distinct from those at the micro levels, and that long-standing institutions are likely to be gradual in formation, but sudden in their demise. Redundancies in Europe’s network of connected dynasties ruling across the continental “fabric” lent resilience to the macro system. China utilized a far more efficient system, but with the attendant risk that the collapse of a lone central hub reliant on a powerful bureaucracy would produce cycles of decay during which the population suffered on massive scales. | <strong>OPTIONAL READING:</strong> |</p>
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| Week 7 (10/09) | **Network formation and the emergence of law: from feudalism to small-world connectivity** | REQUIRED READING: 
*Network Origins of the Global Economy, Chapter Five* |

**KEY CONCEPTS:** legal systems, Western legal tradition, communitarian law, Germanic law, feudalism, Roman law, rationalization of law, small-world connectivity, limited government, credible commitment, sovereignty, parliaments, national assemblies, Chinese legalism, Confucianism, and unification of China.

**SUMMARY:** The second great transition is the organic development of the Western legal system—from legal frameworks for succession and transmitting landed property to the oaths of fealty, on into a macroscopic nexus of institutions, practices, and beliefs that formed a hypernetwork within the wider society. The evolution of the legal tradition, forging a system of strong but limited states, is a story of increasing returns. No legal document or pact like the Magna Carta exists in China. Its aristocracies never gained sufficient military, political, or ideological strength to demand rights that could constrain the sovereign via institutions. Imperial officialdom did not intend to negotiate with a corporate body in possession of its own resources and rights. Nor did the bureaucratic clans have any incentive to stem the centralization of authority. They acted as representatives of the state’s interests, not those of civil society. The Legalist/Confucian state exercised authority over economic resources to an extent that no European monarch could hope to accomplish. It also counterbalanced power with a code of ethical responsibilities to ensure the basic needs of the population.
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| Week 8 (10/16) | The network foundations of the Great Divergence | REQUIRED READING:  
*Network Origins of the Global Economy*, Chapter Six |

**KEY CONCEPTS:** disruptive innovation, centralization, overseas expansion, Great Divergence, technology and innovation, Confucian officialdom.

**SUMMARY:** Theories of niche construction and near-decomposability, which correspond to competition and decentralization in economic parlance, illuminate how respective networks of authority served parochial purposes, with motivations related to specific challenges: in China, to rule a large territory, and in Europe, to enhance the competitive power of small states in a fragmented landscape. A shift toward outward expansion made European elites less parochial and resulted in an explosive wave of innovation. China’s centralized network enabled periods of unmatched stability and prosperity; but the merit-based bureaucracy stifled innovation, preventing the rise of a merchant class, an independent private sector, and outward expansion, all of which were associated with Europe’s industrialization. China’s inward gaze ensured the paramount political power of bureaucratic elites, resulting in systemic corruption that grew extensively over time, impoverishing the peasantry and causing rebellions, chaos, and conflict—a process that repeated itself throughout China’s history.

**OPTIONAL READING:**


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<td>KEY CONCEPTS: socialist market economy, market reforms, state capitalism, Chinese Communist Party</td>
<td>SUMMARY: How has China achieved high economic growth rates for 40 years? Have the post-Mao economic reforms created a market economy, or a new form of state capitalism? This module explores the causes and consequences of China’s market reforms, placing the Chinese experience in comparative perspective. The focus will be on the politics of economic reform: seeking to understand how and why different policies have been adopted in China, to analyze their impact, and to seek lessons for reform in other countries.</td>
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<td>SUMMARY: What are the central challenges facing the Chinese leadership since 2000, in (1) domestic politics, (2) economics, and (3) foreign policy. Topics include the leadership transition to Xi Jinping, internet censorship, the great variety of protests, policy experimentation, factions in elite politics, ethnic minorities, state-led development with the emergence of companies designated as national champions, anti-corruption efforts, rising inequality, technology, digital strategy, international power transitions, China’s entry into the World Trade Organization (WTO), the trade dispute, and the Belt and Road initiative.</td>
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**Key Concepts:** International relations, hierarchy, hegemony, network density and centrality, globalization, liberal internationalism.

**Summary:** Metrics of network structure are applied to critical global networks representing military, political, and economic power over multiple decades to highlight the dynamics of interstate relations. Densely constructed networks continually transform international relations, flows of influence, and network properties. Globalization’s dense interconnectivity and heightened competition inherently weaken hierarchical control structures in an environment of many powerful forces jostling for influence. The strategic designs of various agents matter, but the patterns of self-organizing regularities of the wider ecology matter even more. In the absence of hierarchical structures or consensus on global governance, state actors will be drawn to nationalism as methods of conflict resolution. The administration of a “grand strategy” is insufficient in a complex, densely networked whose various agents trade and communicate according to their own self-interests. What happens on any one scale will depend on interacting self-organizing processes at scales above and below. This makes determining what threats are of greatest importance fruitless. Their interconnectedness is the dilemma we now face.

**Recommended Reading:**
Network Origins of the Global Economy, Chapter Nine

**Optional Reading:**
Egan, Patrick J.W.
**Week 12 (11/13)**

**A future of diminishing returns or massive transformation?**

**KEY CONCEPTS:** regime stability, dissolution and collapse, system failure, global innovation and competition, diminishing returns and phase transitions.

**SUMMARY:** The fast-growing economies of the combined lower- and middle-income countries have propelled them into new strategic and economic alliances, often bypassing the developed world. These changing patterns of global connectivity are rewiring the underlying grid. The West is no longer blindly imitated by others, even among its developing-nation allies. The very quality that sets the Western legal tradition apart—its judicial institutions whose legitimacy resides in binding those who govern to the same laws as other citizens—rarely has transferred effectively to regions where the cultural antecedents are absent. It is no longer possible to deny that China’s spectacular performance in raising its living standards has shown an alternative. Inevitably, this divergence will be projected onto struggles for shaping the policies of global institutions, their governance, and perceptions of their legitimacy. How China or the West handle other threats—of forced migration, internal displacement, global radicalization—will have a great bearing on their relative global influence and ability to shape the trajectory of the world economy.

**REQUIRED READING:**

*Network Origins of the Global Economy, Chapter Ten*

**OPTIONAL READING:**
**KEY CONCEPTS:** communication webs, connectivity, information diffusion, innovation, system transitions, path-dependency, bridge nodes, Chinese culture, self-organization, complex systems, social networks.

**SUMMARY:** Europe’s network structure had evolutionary advantages in its adaptability in innovation and resistance to collapse. While China’s imperial dynasties bequeathed political, social, and ideological foundations for national unity that endured largely intact for two millennia, behind that legacy resides a source of enduring structural weakness. Its system stability comes at a loss of flexibility. Fear of emerging chaos is memorialized in the narrative by which the Chinese Communist Party justifies its grip on power. An awareness of how vulnerability has led to failures predisposes China’s leaders to take insulating measures, e.g., censoring the Internet, constraining academic course content, imposing party oversight on enterprise, and hindering the acquisition of power and prestige that is independent of the regime. But bolstering system stability by strengthening centralized control mechanisms may undermine system resilience, reproducing the very weaknesses its designers seek to avoid and causing a massive disruption in the future. As these two great cultural systems begin to impinge on one another, network analysis has much to reveal about the choice of separation or integration that is before us.
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<th>Features</th>
<th>Benefits</th>
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<td><strong>Feature 1:</strong> Applies network analysis to transition in economic history to gain a better sense of how large, system-level transitions may unfold in the future; identifies the global properties that economic systems share with other complex systems; uses these general principles of complex self-organization to reveal historical patterns of regime variation, transition, and decay. It links development paths to system level properties that are not discernible on a county or even regional level.</td>
<td><strong>Benefits 1:</strong> Students understands that an economy’s structures form and change over time as its individual agents change their behaviors in response to nearby agents and to changes in the larger system they inhabit. That feedback both shapes a system’s structure and is shaped by it, and small differences in network structure affect not only the degrees of naturally arising self-organizing behaviors, but also how a given stable state becomes unstable, and what qualitatively different state might result.</td>
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<td>Feature 2: Examines five of the greatest transitions in economic history and the creation of order: (1) the rise of dynastic lordship (rules of succession) in Europe and China as the pivot of social organization; (2) the formation of Western law from the confluence of Germanic custom and the Rome’s civil laws; (3) the roots of the Industrial Revolution in a Europe-wide cultural ethos; (4) China’s trajectory from a planned socialist economy to a market-driven economy and a global power; and (5) the unfolding of a multipolar world that is vulnerable to unexpected shocks.</td>
<td><strong>Benefit 2:</strong> Throughout history, those living in the midst of each great transition were rarely aware of its breadth or import, and this is true today—wholesale shifts are not apparent from a microscopic perspective. Yet with a complex systems approach to each of the great historical transitions, the reader is able to better observe the dynamics of past shifts, draw inferences about the future, and think about patterns that might otherwise be overlooked but which can be a source of strategies to improve policy, and institutional design and contribute to global stability.</td>
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<td><strong>Feature 3:</strong> Uses a complex system’s approach to enrich our understanding of innovation and the Great Divergence between China and the West. Where traditional arguments emphasize the differences in institutions (centralized versus decentralized), incentives (competition and property rights vs. mercantilist policies), and social organization (the influence of feudalism on the growth of cities and relations between rulers and merchant elites), we probe the system-level properties that are sources of higher-order connectivity, and establish a new direction for empirical research.</td>
<td><strong>Benefit 3:</strong> The reader learns to interpret the great drama of history in which, actions by the ruling class of both China and Europe to strengthen its own power had unintended consequences that ultimately led to the destruction of the system. We show that for both Europe and China, many of old challenges, inherent in each system’s structures, persist. Network analysis can provide additional insights about how their distinctive paths arose, the patterns of coalitional stability with which they are coupled, and why disruptive technologies like those associated with industrialization could occur in Europe but did not take place in China.</td>
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<td><strong>Feature 4:</strong> Explains how the structures responsible for China’s high growth deviate from the two conventional Western approaches—neoliberalism and institutionalism—and are unlikely ever to replicate them. Centralization is a tendency with a</td>
<td><strong>Benefit 4:</strong> The detailed context for China’s remarkable economic expansion helps the reader understand how leadership in a hub-and-spoke network system assumes that a state’s preferences, not market forces, should control the economy, and</td>
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long past in China, but its “going global” campaign sets the country on an unprecedented journey that may change China fundamentally, just as an earlier transition point transformed the web of royal houses that once crisscrossed Europe. The course offers multiple possible scenarios of how China’s role in the global economy may unfold.

why the Chinese have failed to see a clear distinction between market and state. Yet the structure does allow competition to exist in China, between state-owned industries and the private sector, and between local governments to attract investments. The course explores the implications of China’s unique trajectory and ascendency, as a competitor and counterexample to the West.

**Additional Information and Classroom Resources**

**Policy on Plagiarism**

The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of a graduate education. It constitutes a serious breach of professional ethics and it is unacceptable.

Plagiarism is the use of another’s words or ideas presented as one’s own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another’s work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one’s professional colleagues. From a prudential perspective, it is shortsighted and self-defeating, and it can ruin a professional career.

Any plagiarized assignment will receive an automatic grade of “F.” This may lead to failure for the course.

To help enforce the policy on plagiarism, all written work submitted in partial fulfillment of course or degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services.

**Statement on Special Needs of Students**

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 993-2474. All academic accommodations must be arranged through the DRC.

**Online Student Journal**

New Voices in Public Policy: I will consider nominating the very best papers in this course for publication in New Voices in Public Policy. New Voices is a student- and faculty-reviewed journal that shares SPP’s finest student work with the rest of the world.
**SPP Policy on Plagiarism**

The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the School of Public Policy. It constitutes a serious breach of professional ethics and it is unacceptable.

Plagiarism is the use of another’s words or ideas presented as one’s own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another’s work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one’s professional colleagues. From a prudential perspective, it is shortsighted and self-defeating, and it can ruin a professional career.

The faculty of the School of Public Policy takes plagiarism seriously and has adopted a zero tolerance policy. Any plagiarized assignment will receive an automatic grade of “F.” This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student’s transcript. For foreign students who are on a university-sponsored visa (e.g. F-1, J-1 or J-2), dismissal also results in the revocation of their visa.

To help enforce the SPP policy on plagiarism, all written work submitted in partial fulfillment of course or degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services to which the School subscribes. Faculty may at any time submit student’s work without prior permission from the student. Individual instructors may require that written work be submitted in electronic as well as printed form. The SPP policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it.