

# International Political Economy (SOCS-SHU 222)

WHAT IS INTERNATIONAL POLITICAL ECONOMY

Instructor: JING QIAN



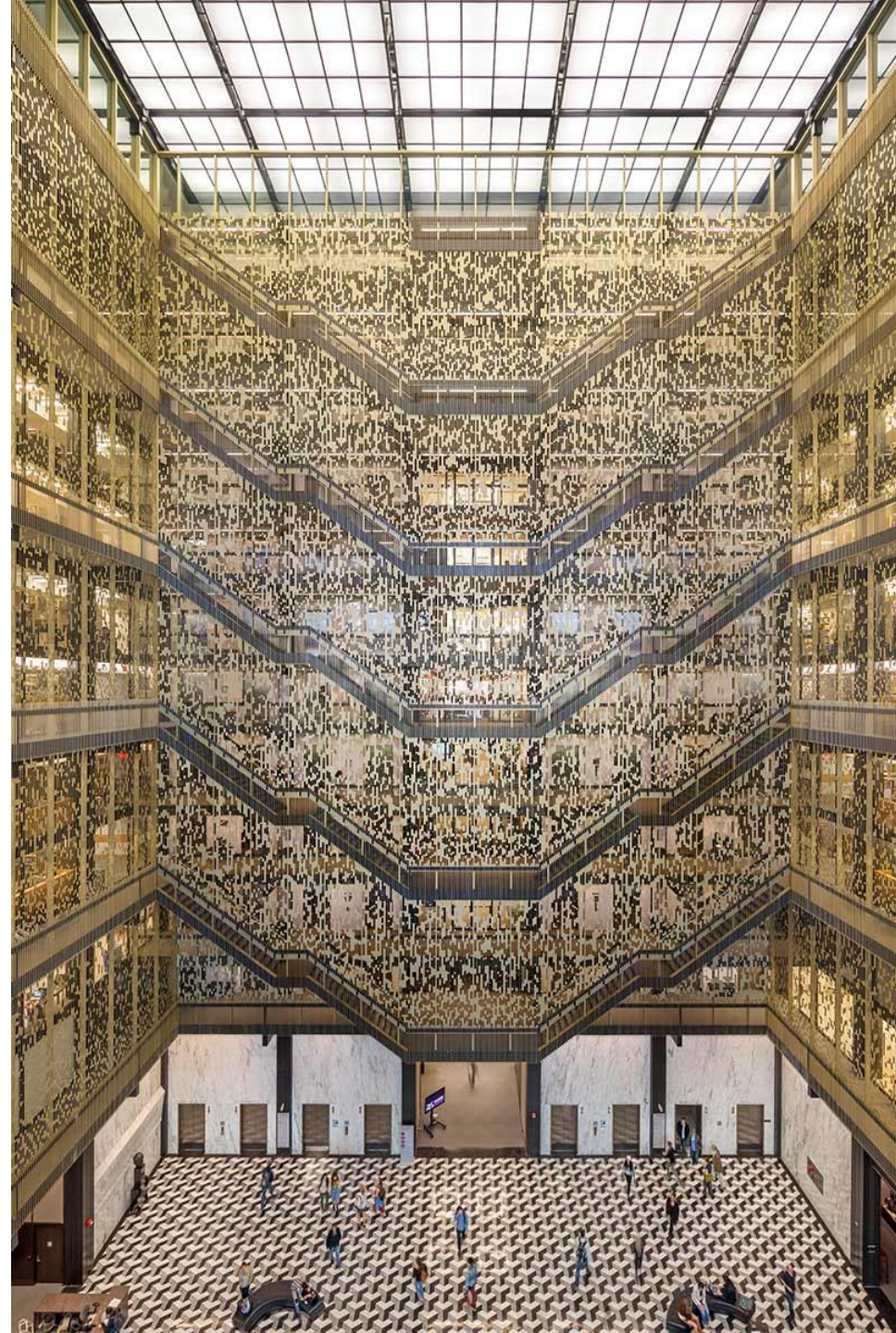
**Excellence**

**Reasonable**

**Compassionate**

**Flexible**









**New York University**

@nyuniversity



...

Let the sun shine in! ☀️ A new 304-panel solar array recently installed on the roof of Bobstwill generate 110 kW of electricity—the equivalent in capacity to powering the Seventh Street student residence for a year. 😊

[翻译帖子](#)

下午11:11 · 2022年3月13日



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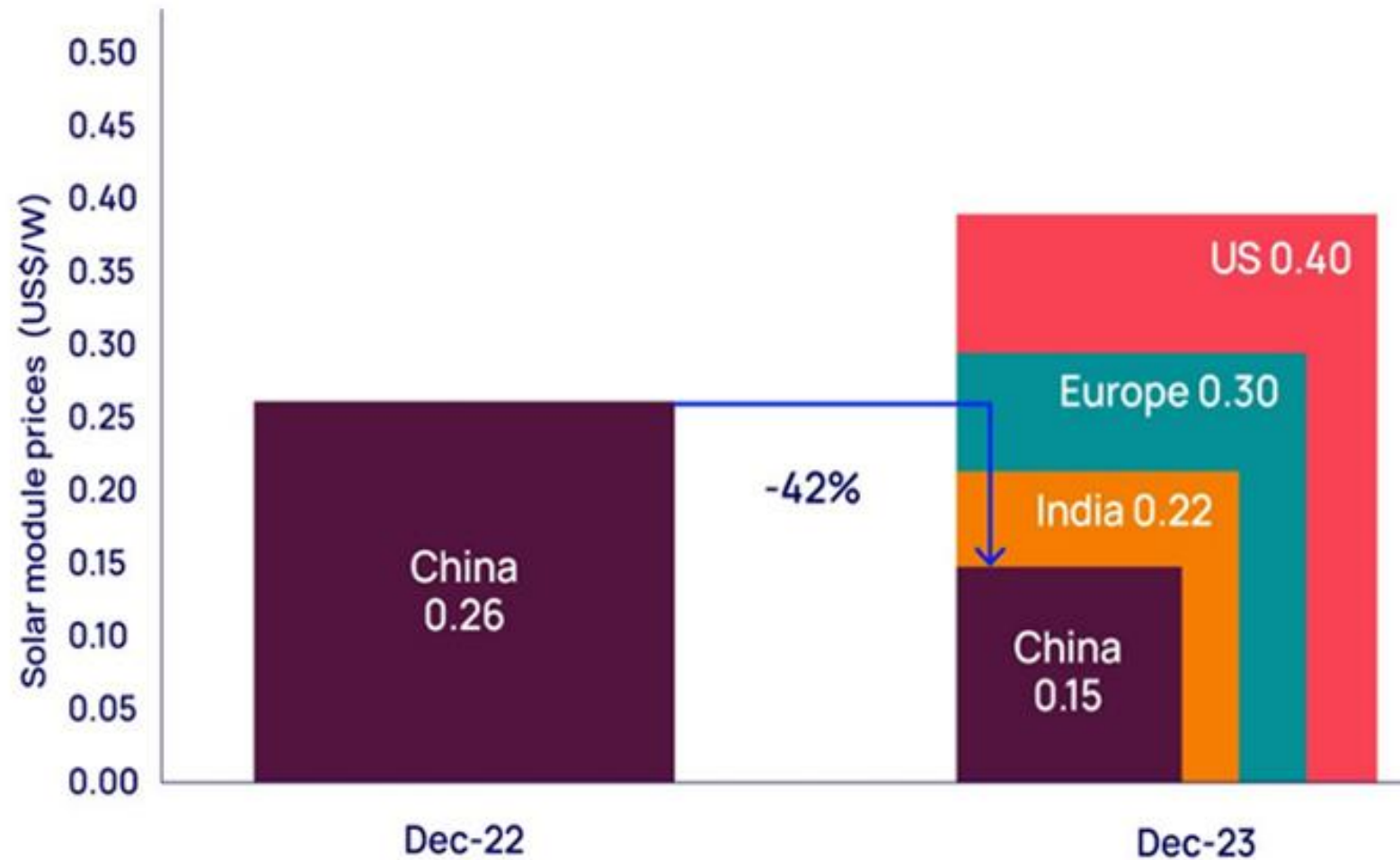
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# Chinese Solar Panels Are Much Cheaper





# The New York Times

## Trump Slaps Steep Tariffs on Foreign Washing Machines and Solar Products

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885



Workers installing solar panels in New Mexico. President Trump has approved solar tariffs for the next four years, a trade action aimed at Chinese imports. Sergio Flores/Bloomberg

By [Ana Swanson](#) and [Brad Plumer](#)

Jan. 22, 2018



ENERGY & ENVIRONMENT

## Biden doubles tariffs on Chinese solar panel components

BY RACHEL FRAZIN - 12/11/24 4:35 PM ET



A worker secures mounting straps as construction continues with solar panel installation at the Gemini solar project in Southern Nevada Las Vegas, NV. (Brian van der Brug/Los Angeles Times via Getty Images)

What is

I<sub>nternational</sub> P<sub>olitical</sub> E<sub>conomy</sub>

READING ASSIGNMENT:

Oatley Chapter 1

- **Explanatory:**

How does the U.S. government decide to impose tariff on Chinese solar panels?

- **Evaluative**

What are the consequences of these tariffs?

- Welfare consequences: effects on overall societal well-being
- **Distributive** consequences: who gets/loses what



# Theories

# Theories

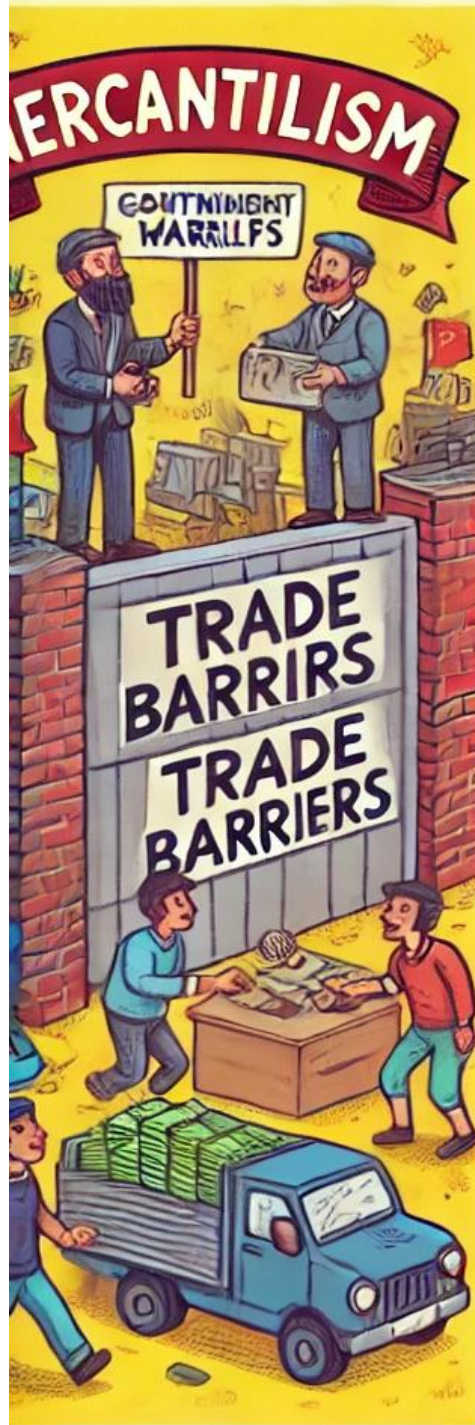
Why do we need them?

Explanation

Prediction

Generalization





# Mercantilism

- **National power** comes from economic strength
- **Exports** strengthen state power, imports weaken state power
- Some exports are more valuable than others
  - **Manufactured** goods are preferred to primary products





# Liberalism

- Countries **gain** from trade
- **Comparative advantage**
- Export what can be produced ***relatively* cheaply** at home
- Import what would be produced at ***relatively* high** costs at home
- The role of the state should be limited to a restricted set of **“market failures”\*\*\***



# Traditional Market Failures

- **Monopolies**
  - Failure of perfect competition
- **Public Goods**
  - Efficient price is 0, since these goods are non-rivalrous
- **Externalities**
  - Consumption by one individual affects the utility of another individual

# Aside: More Serious Market Failures

- Economics of **information**
- **Asymmetric** information
  - Moral hazard
  - Adverse selection





I love free trade. I love the concept of free trade. Everything about it is good. I went to the Wharton School of Finance. They say, Let's go free trade.

— *Donald Trump* —

**AZ QUOTES**

# Marxism

The key feature of the IPE →

**Private ownership of capital** (means of production) and wage labor

1. Natural tendency towards **concentration of capital**  
competition → efficiency → small wealthy elite

2. **Falling rate of profit**

diminishing rate of return from capital → lower wages

3. **Imbalance**

between ability to produce (efficient capital) and ability to purchase (falling wages)

**Growing inequality** eventually leads to revolution

Role of the state is to **protect capital** (agent of capitalist class)

Focus is thus on **corporations**







	<b>Mercantilism</b>	<b>Liberalism</b>	<b>Marxism</b>
<b>Most important actor</b>			
<b>Role of the state</b>			
<b>Image of the IPE</b>			
<b>Proper objective</b>			

	<b>Mercantilism</b>	<b>Liberalism</b>	<b>Marxism</b>
<b>Most important actor</b>	The state		
<b>Role of the state</b>	Intervene to allocate resources		
<b>Image of the IPE</b>	Conflict – between states over trade		
<b>Proper objective</b>	Enhance national power		



	<b>Mercantilism</b>	<b>Liberalism</b>	<b>Marxism</b>
<b>Most important actor</b>	The state	Individuals	
<b>Role of the state</b>	Intervene to allocate resources	Property rights	
<b>Image of the IPE</b>	Conflict – between states over trade	Harmony	
<b>Proper objective</b>	Enhance national power	Enhance aggregate social welfare	

	<b>Mercantilism</b>	<b>Liberalism</b>	<b>Marxism</b>
<b>Most important actor</b>	The state	Individuals	Capitalist class
<b>Role of the state</b>	Intervene to allocate resources	Property rights	Protect/sustain the capitalist system
<b>Image of the IPE</b>	Conflict – between states over trade	Harmony	Exploitation of labor
<b>Proper objective</b>	Enhance national power	Enhance aggregate social welfare	Promote equal income distribution

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# Interests

- Material (income-related)\*
- Shaped by:
  1. Skill level (**factor of production – capital vs. labor**)
  2. Industry (**sector**)



# Winners & Losers

## Winners

- U.S. solar panel manufacturers & workers
- ...

## Losers

- U.S. consumers
- Chinese solar panel manufacturers & workers
- Environmentalists
- ...



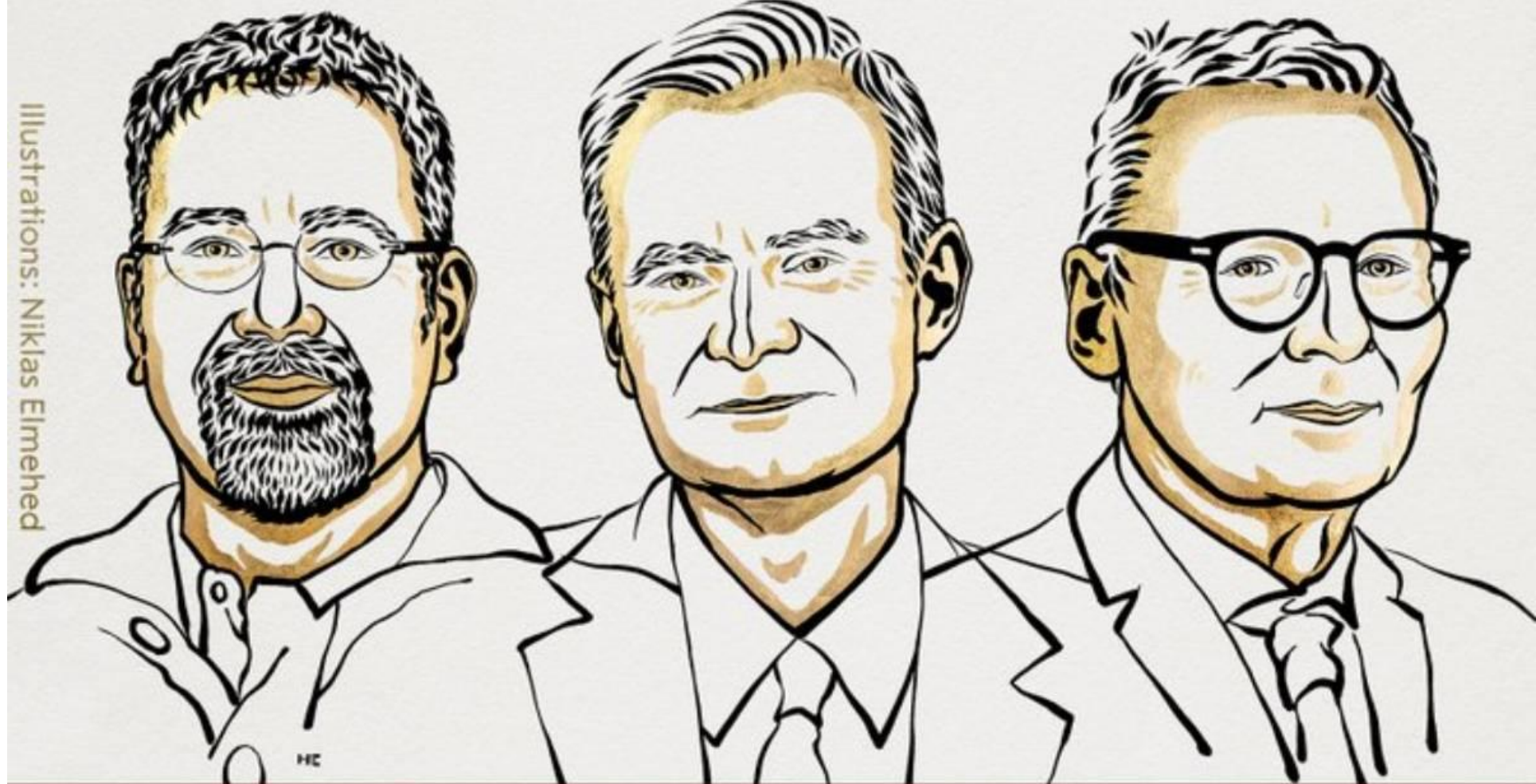


# Ideas

- How does policy translate into outcome?
- We care about outcomes
  - policies are just a means to an end
- So, beliefs matter
  - What is the causal relationship between policy & outcome?
- In the short-run, what may matter is not if an idea is empirically valid but whether people believe it

# Institutions!

Illustrations: Niklas Elmehed



Daron  
Acemoglu

Simon  
Johnson

James A.  
Robinson

"for studies of how institutions  
are formed and affect prosperity"



# Institutions

- **Domestic** institutions:
  - Democracy vs. dictatorship (elections)
  - Parliamentary vs. Presidential
  - Multi-party vs. two-party vs. one-party vs. no party
  - Federal vs. unitary
- **International** institutions
  - WTO, IMF, World Bank, United Nations, regional institutions/arrangements

# Political Institutions

- Shape the **incentives** of political leaders
- Under democracy, leaders survive by winning votes
- Under dictatorship, leaders survive by satisfying elite constituents:
  - military, big business, foreign interests, etc.

# Institutions

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# Who's preferences matter, and by how much

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	<b>Mercantilism</b>	<b>Liberalism</b>	<b>Marxism</b>	<b>Interest &amp; Institution</b>
<b>Most important actor</b>	The state	Individuals	Capitalist class	
<b>Role of the state</b>	Intervene to allocate resources	Property rights	Protect/sustain the capitalist system	
<b>Image of the IPE</b>	Conflict – between states over trade	Harmony	Exploitation of labor	
<b>Proper objective</b>	Enhance national power	Enhance aggregate social welfare	Promote equal income distribution	

	<b>Mercantilism</b>	<b>Liberalism</b>	<b>Marxism</b>	<b>Interest &amp; Institution</b>
<b>Most important actor</b>	The state	Individuals	Capitalist class	Winners & losers
<b>Role of the state</b>	Intervene to allocate resources	Property rights	Protect/sustain the capitalist system	Survive in office
<b>Image of the IPE</b>	Conflict – between states over trade	Harmony	Exploitation of labor	Mix of conflict & cooperation
<b>Proper objective</b>	Enhance national power	Enhance aggregate social welfare	Promote equal income distribution	Politically constrained efficiency

# Take-away

- Schools of thought: Mercantilist school, Liberal school, Marxist school, Interests & Institutions
  - Example question?
- Ideas, interests, & institutions
- Factors vs. sectors (more on this later)
- Why institutions matter
  - Institutions shape leader-incentives

# Thank You!

