

International Political Economy (SOCS-SHU 222)

WHAT IS INTERNATIONAL POLITICAL ECONOMY

Instructor: JING QIAN



Logistics

- Assignment sign-up form due 8:00 PM on Sunday, Jan 25
- New Development Bank fieldtrip sign-up form due 11:59PM on Sunday, Jan 25
- Requests for library workshop

Excellence

Reasonable

Compassionate

Flexible





 **New York University** @nyuniversity ...

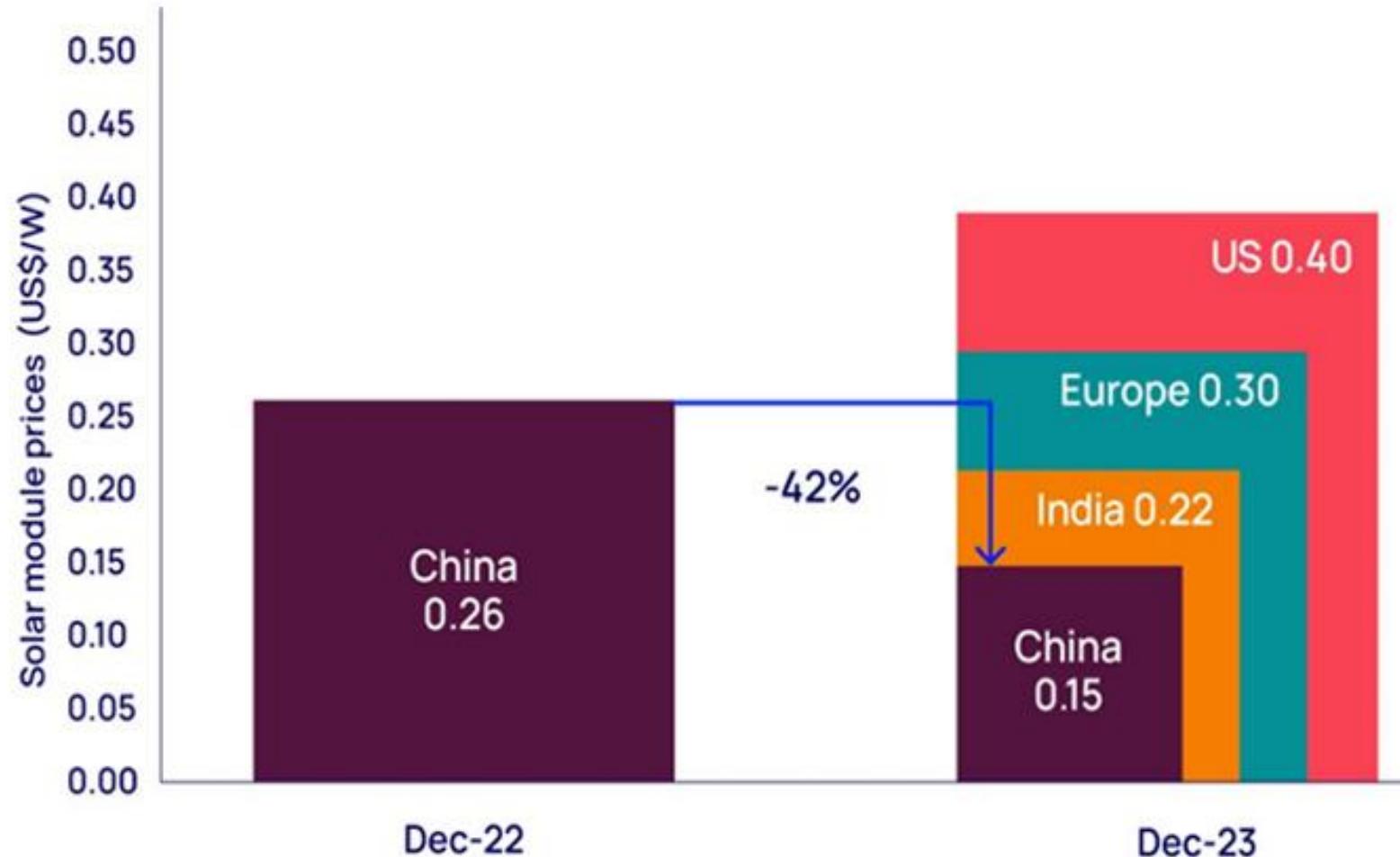
Let the sun shine in! ☀️ A new 304-panel solar array recently installed on the roof of Bobst will generate 110 kW of electricity—the equivalent in capacity to powering the Seventh Street student residence for a year. 😊

[翻译帖子](#)

下午11:11 · 2022年3月13日

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Chinese Solar Panels Are Much Cheaper



Trump Slaps Steep Tariffs on Foreign Washing Machines and Solar Products

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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

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ENERGY & ENVIRONMENT

Biden doubles tariffs on Chinese solar panel components

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

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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 P E

International Political Economy

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 → **Political Consequences**

Theories

Theories

Why do we need them?

Explanation

Prediction

Generalization

THE GLOBAL ECONOMY

MERCANTILIST

Power & Control



LIBERAL

Harmony & Welfare



MARXIST

Exploitation & Inequality



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

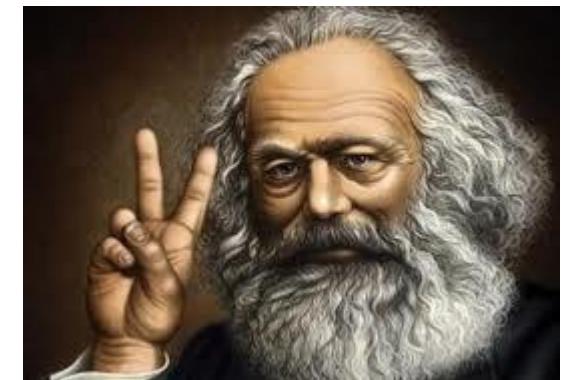
3. **Imbalance**

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**





Guess the School of Thought

1. “Huawei should be blocked to protect national security.” **Mercantilism**
2. “Removing tariffs benefits everyone overall.” **Liberalism**
3. “Multinationals exploit Global South labor.” **Marxism**
4. “It’s better to export high-tech goods.” **Mercantilism**
5. “The state should enforce contracts and property rights, not pick winners.” **Liberalism**
6. “The global system enriches rich countries and keeps poor countries poor.” **Marxism**

	Mercantilism	Liberalism	Marxism
Most important actor			
Role of the state			
Image of the IPE			
Proper objective			

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

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

	Mercantilism	Liberalism	Marxism
Most important actor	The state	Individuals	Capitalist class
Role of the state	Intervene to allocate resources	Property rights	Protect/sustain the capitalist system
Image of the IPE	Conflict – between states over trade	Harmony	Exploitation of labor
Proper objective	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
- ...

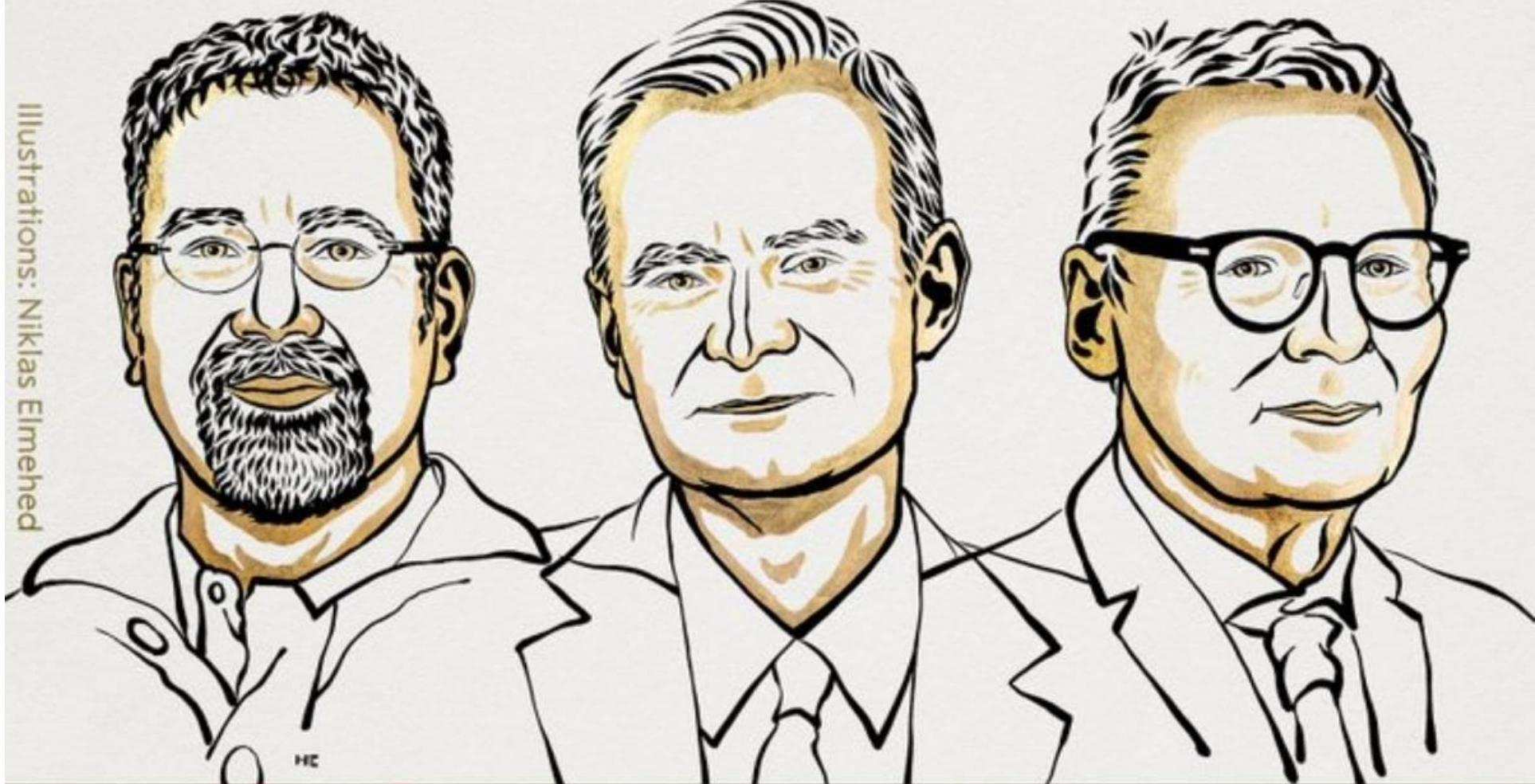


Ideas

- 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

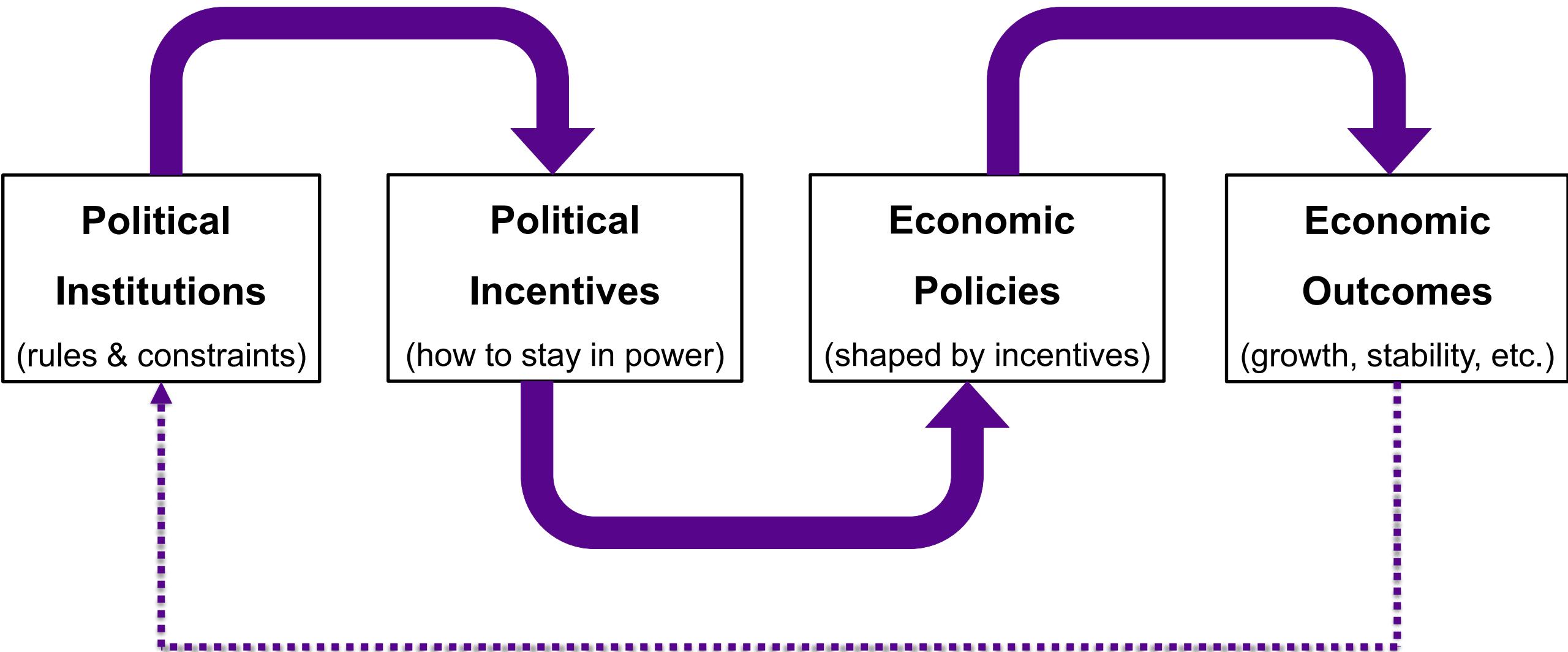
- Shape the **incentives** of political leaders
- Under democracy, leaders survive by winning votes
- Under dictatorship, leaders survive by satisfying elite constituents:
 - military, big business, foreign interests, etc.
- ...

Institutions

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Who's preferences matter, and by how much

The Political Economy Process



The New York Times

Trump Slaps Steep Tariffs on Foreign Washing Machines and Solar Products

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

	Mercantilism	Liberalism	Marxism	Interest & Institution
Most important actor	The state	Individuals	Capitalist class	Winners & losers
Role of the state	Intervene to allocate resources	Property rights	Protect/sustain the capitalist system	Survive in office
Image of the IPE	Conflict – between states over trade	Harmony	Exploitation of labor	Mix of conflict & cooperation
Proper objective	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!

