**International Political Economy of Finance and Migration**

**PLIR 7390**

**Fall 2011**

Professor: David Leblang, leblang@virginia.edu

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Office Hours: Tuesdays: 11-12 and by appointment

In this seminar we will read, discuss, debate, and critique recent research in international political economy. Our purpose is to understand how domestic and international politics drive the foreign economic policy choices of governments. The substantive focus of the course is on variation in two types of cross-border flows: the flow of *capital* and the flow of *people*. We will explore these two flows using three related levels of analysis. First, we will examine the distributional consequences of capital and people flows and ask how voters, interest groups and politicians influence policy outcomes. Then we will treat the state as the unit of analysis and focus on the decision of policymakers when it comes to the implementation of policies that influence cross-border flows of capital and people. Finally we will consider relationships between countries and ask why capital and people move from place to place.

The reading for this class will consist of academic papers published in scholarly journals. This literature combines concepts and reasoning from both political science and economics; consequently a desire and willingness to work across disciplines is essential. This work also tends to use quantitative (statistical) methods to test hypotheses; students that are unwilling to engage the statistical literature will find themselves at a considerable disadvantage.

*Prerequisites*

This seminar is one half of the IPE sequences for doctoral students. Students are strongly encouraged to take Sonal Pandya’s companion course on the political al economy of trade and foreign direct investment if they have not already done so. Students are also expected to have taken (or concurrently be taking) the field seminar in international relations and to have a working knowledge of basic quantitative methods and introductory economics.

**REQUIREMENTS**

Grades in the course will be based on the following items:

**Participation (25%)** Students will read each item on the list closely and come to class each week prepared to discuss them in detail. These questions may help you prepare for the discussion: (1) What outcome(s) is the author seeking to explain? (2) What is this author(s) main argument? (3) Where does this reading fit into the literature and how does it seek to contribute? (4) What is the nature of this reading's empirical research design and findings? What are paper's strengths and weaknesses?

**Discussion leaders**: While all students are expected to come prepared each week, one or two students will be assigned to introduce and lead each session. In the past, students have found it useful to coordinate their presentations and use handouts or slides to convey their main points.

**Critical Review Paper (30%)** Students will prepare a critical review paper on a research question derived from any weekly topic heading (e.g. "Capital Flows and Democracy"). This paper will be between 5-7 double-spaced pages and must emphasize your own ideas. Please do not write a purely sequential literature review of the separate works covered on the list. The thrust must be clearly articulating your own original critique and synthesis of the set of readings. What is the central research question driving research in this area of the field? What are the conceptual, theoretical, and empirical flaws plaguing research in this area and how would you go about correcting those flaws?

**Due Date:** October 12 by email.

**Original Idea Paper** (**45%)** You will prepare a 13-16 page paper containing an original idea that could serve as the key insight for a potentially publishable work. Your "new idea" may be a theoretical contribution, an improvement in research design, or an empirical innovation. Regardless of the nature of your contribution, all papers need a clear motivation from a critique of the existing literature. You may co-author this particular paper assignment with one other student in the seminar. Co-authored papers will be graded jointly but I will expect a higher level of elaboration and quality in the final project.

**Due Date:** December 12th by 5pm.A preliminary one-page proposal is due the fifth week of class (Sept 13) at the beginning of class.

All late work will be penalized at the rate of 1 letter grade per day, including weekends.

**August 23: Introduction, Requirements, Expectations, etc.**

**August 30: Overview and Analytical Issues**

Frieden, Jeffry and Lisa Martin. 2002. “International Political Economy: Global and Domestic Interactions,” In Ira Katznelson and Helen Milner (eds). *Political Science: The State of the Discipline II.* WW Norton & Company.

Alt, James E. and Michael Gilligan. 1994. “The Political Economy of the Trading States: Factor Specificity, Collective Action Problems and Domestic Political Institutions*,” Journal of Political Philosophy* 2(2):165-192.

Scheve, Kenneth and Matthew Slaughter. 2001. Cleavages in Public Preferences about Globalization,” Chapter 3 in *Globalization ad the Perceptions of American Workers*. Peterson Institute for International Economics.

Freeman, Gary and Alan Kessler. 2008. “Political Economy and Migration Policy,” *Journal of Ethnic and Migration Studies* 34 (4) 655-678.

Cornelius, Wayne and Marc Rosenblum. 2005. “Immigration and Politics,” *Annual Review of Political Science* 8:99-119.

**INTERNATIONAL MONETARY POLITICS**

**September 6: Attitudes, Preferences and Votes**

Frieden, Jeffry. 1991. “Invested Interests: The Politics of National Economic Policies in a World of International Finance,” *International Organization* 45:425‐451

Walter, Stefanie. 2008. “A New Approach for Determining Exchange-Rate Level Preferences,” *International Organization* 62:405-38.

Jupille, Joseph and David Leblang. 2007. “Voting for Change: Calculation, Community and Euro Referendums,” *International Organization* 61:763-82.

Broz, Lawrence. 2005. “Congressional Politics of International Financial Rescues,” *American Journal of Political Science* 49:479‐496.

Hobolt, Sara Binzer and Patrick Leblond. 2009. “Is My Crown Better than Your Euro?” *European Union Politics* 10:202-225.

**September 13: Institutions**

William Bernhard and David Leblang. 1999. “Democratic Institutions and Exchange Rate Commitments.” *International Organization* 53:1, pp. 71-97.

David Andrew Singer. 2009. “Migrant Remittances and Exchange Rate Regimes in the Developing World.” *American Political Science Review* 104(2): 307-323.

BEARCE, D. H. and HALLERBERG, M. (2011), DEMOCRACY AND DE FACTO EXCHANGE RATE REGIMES. Economics & Politics, 23: 172–194.

Von Hagen, Jurgen and Jizhong Zhou. 2008. “Fear of Floating and Pegging: A Simultaneous Choice Model of De Jure and De Facto Exchange Rate Regimes,” CEPR Discussion Paper #7006.

Carmignani, Fabrizio, Emilio Colombo and Patrizio. 2006. “Exploring Different Views of Exchange Rate Regime Choice,” Manuscript, University of Milan.

Guisinger, Alexendra and David Andrew Singer. Forthcoming. “Exchange Rate Proclamations and Inflation-Fighting Credibility,” Manuscript: MIT.

**September 20: Capital Markets**

Neely, Christopher J. 1999. “An Introduction to Capital Controls,” *Federal Reserve Bank of St. Louis Review* 81 (6): 13-30.

Dennis Quinn and A. Maria Toyoda. 2007. “Ideology and Voter Preferences as Determinants of Financial Globalization.” *American Journal of Political Science* 51(2): 344-363.

Kose, M. Ayhan , Eswar Prasad, Kenneth Rogoff, and Shang-Jin Wei. 2006. "Financial Globalization: A Reappraisal." IMF Staff Papers 56(1) (http://prasad.aem.cornell.edu/doc/research/imfsp200836a.pdf). (NOTE: this reading provides detailed background on capital flows and capital controls; please read/skim as necessary).

Pepinsky, Thomas. 2008. “Capital Mobility and Coalitional Politics: Authoritarian Regimes and Economic Adjustment in Southeast Asia,” *World Politics* 60:438-74.

Alfaro, Laura, Sebnem Kalemi‐Ozcan and Vadym Volosovych. 2008. “Why doesn’t Capital Flow from Rich to Poor Countries? An Empirical Investigation.” *Review of Economics and Statistics* 90:347-368.

Claessens, Stijn, Giovanni Dell’Ariccia, Deniz Igan and Luc Laeven. 2010. “Global Linkages and Global Policies,” *Economic Policy* April, pp.267-293.

Levy Yeyati, Eduardo, Frederico Sturzenegger and Iliana Reggio. 2010. “On the Endogeneity of Exchange Rate Regimes,” *European Economic Review* 54:659-677.

**September 27: Crises-All Kinds**

Roberto Chang. 1999. “Understanding Recent Crises in Emerging Markets,” *Federal Reserve Bank of Atlanta Economic Review*, Second Quarter, pp.6-16. (Available online at <http://www.frbatlanta.org/frbatlanta/filelegacydocs/ACF91.pdf>)

Leblang, David and Shanker Satyanth. 2006. “Institutions, Expectations and Currency Crises,” *International Organization* 60:245‐262.

Leblang, David and William Bernhard. 2000. The Politics of Speculative Attacks in Industrial Democracies,” *International Organization* 54(2):291-324.)

Sattler, Thomas and Stefanie Walter (2010). Monetary Credibilty vs. Voter Approval: Political Institutions and Exchange-Rate Stabilization during Crises. Economics & Politics. 22(3): 392-418 [Link](http://www.stefaniewalter.de/resources/SattlerWalter.Economics%2426Politics.pdf)

Reinhart, Carmen, and Kenneth Rogoff (2008). “This Time Is Different: A Panoramic View

of Eight Centuries of Financial Crises” NBER working paper 13882. <http://www.economics.harvard.edu/faculty/rogoff/files/This_Time_Is_Different_SHORT.pdf>

Lane, P., and G. Milesi-Ferretti (2010a). “The cross country incidence of the global crisis”,

IMF working paper 10/171. http://www.imf.org/external/pubs/ft/wp/2010/wp10171.pdf

**October 4: Global Imbalances and Currency Wars**

Blanchard, Olivier, and Gian Maria Milesi-Ferretti (2009). “Global Imbalances: In

Midstream?”, *International Monetary Fund Staff Position Note*.

<http://www.imf.org/external/pubs/ft/spn/2009/spn0929.pdf>

Obstfeld, Maurice, and Kenneth Rogoff (2009). “Global Imbalances and the Financial Crisis: Products of Common Causes”, mimeo. <http://elsa.berkeley.edu/~obstfeld/globalimbalances2010.pdf>

Eichengreen, Barry (2011). ”The Dollar: Dominant no More?”.

http://www.voxeu.org/index.php?q=node/5998 European Central Bank (2010). “The international role of the Euro”, Frankfurt.

<http://www.ecb.int/pub/pdf/other/euro-international-role201007en.pdf>

Buiter and Rahbari 2011 “[The ‘Strong Dollar’ Policy of the US: Alice-in-Wonderland Semantics vs. Economic Reality](http://www.nber.org/~wbuiter/SDlong.pdf)”, Global Economics View, 26 May.

Ahamed, Liaquat. 2011. “Currency Wars, Then and Now,” Foreign Affairs 90:92-103.

Darvas, Zsolt and Jean Pisani-Ferry. 2010. “The Threat of ‘Currency Wars’: A European Perspective,” The Bruegel Policy Contribution Issue 2010/12.

Cline, William and John Williamson. 2010. “Currency Wars?” Policy Brief #PB10-26, Peterson Institute for International Economics.

**October 11: Fall Break, NO CLASS**

**POLITICAL ECONOMY OF INTERNATIONAL MIGRATION**

**October 18: Attitudes and Policies Towards Highly Skilled Migrants**

O’Rourke, Kevin and Richard Sinnott. 2006. “The Determinants of Individual Attitudes Towards Immigration,” European Journal of Political Economy 22:838-861.

Goldin, Claudia. 1994. “The Political Economy of Immigration Restriction: The United States, 1890-1921,” in C. Goldin and G. Libecap (eds.) the Regulated Economy: An Historical Analysis of Government and the Economy. Chicago: University of Chicago Press.

Milner, Helen and Dustin Tingley. 2008. “What Makes Legislators More Favorable to immigration? The Economic and Political Influences on Immigration Policy in the US.” Manuscript: Department of Politics, Princeton University.

[Nikolaj Malchow-Møller](http://www.mitpressjournals.org/action/doSearch?action=runSearch&type=advanced&result=true&prevSearch=%2Bauthorsfield%3A(Malchow-Moller,%20Nikolaj)), [Jakob Roland Munch](http://www.mitpressjournals.org/action/doSearch?action=runSearch&type=advanced&result=true&prevSearch=%2Bauthorsfield%3A(Munch,%20Jakob%20Roland)), [Sanne Schroll](http://www.mitpressjournals.org/action/doSearch?action=runSearch&type=advanced&result=true&prevSearch=%2Bauthorsfield%3A(Schroll,%20Sanne)), [Jan Rose Skaksen](http://www.mitpressjournals.org/action/doSearch?action=runSearch&type=advanced&result=true&prevSearch=%2Bauthorsfield%3A(Skaksen,%20Jan%20Rose)). (2009) Explaining Cross-Country Differences in Attitudes Towards Immigration in the EU-15. *Social Indicators Research* **91**:3, 371-390

Shugart, William, Robert Tollison and Mawangi Kimenyi. 1986. “The Political Economy of Immigration Restrictions,” Yale Journal on Regulation 4:79-97.

Hainmueller, Jens and Michael Hiscox. 2007. “Educated Preferences: Explaining Attitudes Toward Immigration in Europe,” International Organization 61:399-442.

**October 25: No Class**

**November 1: Institutions and Policies**

Bertocchi, Graziella and Chiara Strozzi. 2006. “The Evolution of Citizenship: Economic and Institutional Determinants,” Institute for the Study of Labor (IZA) Discussion paper #2510.

Howard, Marc Marjore. 2006. “Comparative Citizenship: An Agenda for Cross-National Research,” Perspectives on Politics 4(3)443-455.

Earnest, David. 2006. “Neither Citizen nor Stranger: Why States Enfranchise Resident Aliens,” World Politics 58:242-75.

Facchini, Giovanni and Anna Maria Mayda. 2009. “The Political Economy of Immigration Policy,” United Nations Human Development Research Paper 2009/03.

Hanson, Gordon. 2009. “The Governance of Migration Policy,” United Nations Human Development Research Paper 2009/02.

Ruhs, Martin. 2009. “Migrant Rights, Immigration Policy and Human Development,” United National Human Development Research Paper 2009/23.

**November 8: People Flows**

Leblang, David, Jennifer Fitzgerald and Jessica Teets. 2009. “Defying the Law of Gravity: The Political Economy of International Migration.” Manuscript.

Neumayer, Eric. 2005. “Bogus Refugees? The Determinants of Asylum Migration to Western Europe,” International Studies Quarterly 49(4)389-409.

Clark, Ximena, Timothy Hatton and Jeffrey Williamson. 2007. “Explaining US Immigration, 1971-1998,” The Review of Economics and Statistics 89(2)359-373.

Bertocchi, Graziella and Chiara Strozzi. 2008. “International Migration and the Role of Institutions,” Manuscript.

[A. Zaiceva](http://www.mitpressjournals.org/action/doSearch?action=runSearch&type=advanced&result=true&prevSearch=%2Bauthorsfield%3A(Zaiceva,%20A.)), [K. F. Zimmermann](http://www.mitpressjournals.org/action/doSearch?action=runSearch&type=advanced&result=true&prevSearch=%2Bauthorsfield%3A(Zimmermann,%20K.%20F.)). (2008) Scale, diversity, and determinants of labour migration in Europe. *Oxford Review of Economic Policy* **24**:3, 427-451

Biene, Michel, Frederic Docquier and Caglar Ozden. 2009. “Diasporas,” World Bank Policy Research Working Ppaer #4984.

Rotte, Ralph and Michael Vogler. 1999. “The Effects of Development on Migration: Theoretical Issues and New Empirical Evidence,” IZA Discussion Ppaer #46.

Hatton, Timothy and Jeffrey Williamson. 2009. “Vanishing Third World Emigrants?” NBER Working Paper #14785.

**November 15: Implications for Sending Countries**

Schrooten, Mechthild. 2005. “Bringing Home the Money: What Determines Worker’s Remittances to Transition Countries?” Discussion Paper #466, German Institute for Economic Research (DIW Berlin).

Vadean, Florin-Petru. 2007. “Citizenship Status and Remittances: Evidence from German Micro Data,” Asia Research Institute, Working Paper Series No. 89.

Amuedo-Dorantes, Catalina and Francesca Mazzorali. 2009. “Remittances to Latin America from Migrants in the United States: Assessing the Impact of Amnesty Programs,” IZA Discussion Paper #4318.

Add brain drain/gain papers

**November 22: Migrant Networks, Diasporas and Externalities**

Rauch, J. E., & Trindade, V. (2002). Ethnic Chinese networks in international trade. *Review of Economics and Statistics*, *84*(1), 116-30. Retrieved from <http://www.catchword.com/rpsv/catchword/mitpress/00346535/contp1-1.htm>

Guiso, L., Sapienza, P., & Zingales, L. (2005). *Cultural Biases in Economic Exchange*. University of Chicago.

Javorcik, B., Ozden, C., Spatareanu, M., & Neagu, C. (2006). *Migrant Networks and Foreign Direct Investment*. Washington, DC: The World Bank.

Leblang, David. 2010. “Familiarity Breeds Investment: Diaspora Networks and International Investment,” *American Political Science Review* (August 2010) 104:584-600.

Bermeo, Sarah and David Leblang. 2011. “Foreign Interests: International Migration and the Global Distribution of Foreign Development Assistance,” Manscript.

**November 29: Class Presentations and Posters I**

**December 6: Class Presentations and Posters II**

**Research Proposal Template**

(stolen from Jeff Frieden)

I. Introduction. A clear, concise statement of the puzzle you are addressing, of your proposed resolution, and of the empirical work you will do.

II. The dependent variable. What you are trying to explain and why, as well as some sense of the range of variation in the dependent variable. Remember you are trying to convince others that this is a question worth asking (and answering).

III. Synthetic literature review. Develop an analytical summary of the existing attempts to explain your dependent variable or solve your puzzle. Do not catalog a "he said-she said" chronology; synthesize the existing literature (5).

IV. Your proposed explanations. Present a coherent logical case for each proposed explanatory variable, going step by step (formalized, if such is your wont) and leading up to working hypotheses.

V. Operationalization. Explain how you will measure your dependent and explanatory variables, and how you will evaluate the relationship among them.

VI. Methodology. Describe in some detail the ways in which you will gather data (statistics, interviews, archives, secondary reading, etc.), perform data analysis (econometrics, counter-factuals1 historical analysis, focused comparisons, etc.).

VII. Implications. Explain what you expect the completed dissertation to add to our understanding of some broader set of analytical or empirical issues in Political Science.

 Append a bibliography

**Template for Weekly Readings**

Each week you are required to read a number of academic papers some of which may be technical. It would be useful for you to outline these papers. For each one go directly to the heart of the issue and identify:

**The Puzzle**: what is the motivating phenomena that the author is trying to explain?

**Dependent Variable**: Where is there variation? How is it measured?

**Independent Variable**: What does the author use to explain this variation?

**Evidence/Data:** What data or evidence does the author use?

**Methodology**: What method(s) are used?

**Analysis**: this is *your* analysis. Are you convinced by the research design? By the findings?

It is important that if there are items that you do understand (especially regarding methods) that you let me know.