

INTL 102: Economics, Politics, and International Change

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February 24, 2016

Reminders

Office Hours: Tuesdays 11-1, SSB 343.

Website: All past section slides are now available on my website:
heidimcnamara.com

I still have a few midterms. If you haven't already—pick it up!

Outline Structure

Thesis: Sentence here making your main argument or point.

Paragraph One: 1st point you want to make

- ▶ Evidence 1
- ▶ Evidence 2

Paragraph Two: 2nd point you want to make

- ▶ Evidence 1
- ▶ Evidence 2

Paragraph Three: 3rd point you want to make

- ▶ Evidence 1
- ▶ Evidence 2

Conclusion: Restate thesis in a more enlightened manner, reflecting the points made in body paragraphs.

Quiz Week Seven

Please outline the following essay question, as if you were going to write an in class essay on an exam. Breakdown what your argument (thesis) would be, what examples/evidence you would use to support your argument, and the order of your main points.

Explain the main components of ISI policy. Thinking about a country's comparative advantage, which groups benefited and were harmed by this policy?

FLB Economies in Development Takeaways

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FLB Economies in Development Takeaways

- ▶ Gap between rich and poor countries grows every year (recall *divergence*)
- ▶ Post-Great Depression, many developing countries turned to ISI. By the 1960s ISI faced increasing criticism. It didn't work.
- ▶ In the 1980s, developing countries turned toward export-led growth (some sooner), but poor institutions held over from ISI still plague their ability to develop

Frieden Chapter 13 Takeaways

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 - ▶ Prebisch (Argentinean economist) noticed raw material prices dropped further/faster than finished goods prices in economic downturns
 - ▶ ISI = attempt to make domestic manufacturing profitable with infant industry protections
 - ▶ Political coalitions between urban businessmen, industrial labor and gov't workers ostracized farmers

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- ▶ ISI (Import substituting industrialization): isolation from the world economy to promote domestic industrialization
 - ▶ Prebisch (Argentinean economist) noticed raw material prices dropped further/faster than finished goods prices in economic downturns
 - ▶ ISI = attempt to make domestic manufacturing profitable with infant industry protections
 - ▶ Political coalitions between urban businessmen, industrial labor and gov't workers ostracized farmers
- ▶ Also discusses post-WWII decolonization, a case study of India's ISI strategy, and East Asian countries that were early adopters of export-led growth strategies

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- ▶ ISI-era institutions still channel benefits and costs to specific groups. Geared toward capturing trade-generated wealth, rather than ensuring that broad swaths of society benefit from globalization.
- ▶ Argues labor-abundant countries (e.g. China, India) have the most promise for integrating well, while resource-abundant countries (in Latin America, Africa, etc.) have a more problematic future.

FLB Production Takeaways

- ▶ Describes rise of MNCs
 - ▶ Now largest inflow of money to many developing countries
 - ▶ Some worry about a potential “race to the bottom” in environmental and labor standards

Caves in FLB Takeaways

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- ▶ For MNCs and FDI to make sense, need both:
 - ▶ Locational forces to justify dispersing plants/operations multinationally
 - ▶ Transaction-cost advantage to placing plants under common control (some type of market failure)

Tarzi in FLB Takeaways

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- ▶ Factors affecting the bargaining power of the host gov't break into two categories:
 - ▶ Potential power of the state
 - ▶ Ability of state to exercise its bargaining power

Drezner in FLB Takeaways

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- ▶ Finds little support for theories that predict environmental and labor policy convergence
- ▶ Finds no evidence of a “race to the bottom” in environmental, labor, and health and safety regulations

Key Concepts: Collective Action Failures

U.S. Sugar Program

Collective action problems in agriculture

Key Concepts: Developing Countries and ISI

Raúl Prebisch

Import Substituting Industrialization (ISI)

What went wrong with ISI?

Key Concepts: MNCs

Foreign Direct Investment (FDI)

MNCs and National Sovereignty

Vertical Integration

The “Obsolescing Bargain”

MNCs and the World Economy

What explains the large growth in the number and activities of MNCs? Aside from FDI, what other options do companies have when trying to benefit from foreign comparative advantages?

Are MNCs good for the global economy? Whom do they benefit? Whom do they harm?