

Honors Seminar 3050H  
Democracy and Markets  
Spring 2006; 3 credits  
MW 1:25-2:40pm  
1314 Social Sciences Building  
(Lippincott Seminar Room)

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Office hours: Meeting by  
arrangement—email me!

This course addresses the question of whether democracy and markets are compatible, whether democratic institutions enhance (undermine) the workings of markets institutions and vice versa. Competing theoretical perspectives in the field of political economy are critically evaluated. And the experiences of countries with different forms of democratic market systems are studied. Among the topics singled out for in-depth investigation are the economics of voting, politics of money management, political business cycles, and the politics of trade.

Requirements Students are expected to complete the assigned reading before the respective class sessions and to participate regularly in seminar discussions.

As regards written work, students have two options:

- I. Write one mid-term examination, the final examination, and a paper of between 15 and 25 pages in length. A prospectus for this paper must be submitted and approved by the instructor no later than the second week of February. A list of possible paper topics will be distributed in one of the early meetings of the seminar.
- II. Write two mid-term exams, the final examination, and a 5-8 eight page critical evaluation of one of the three required texts (Dahl, Iversen, or Scheve and Slaughter).

The following weighting schemes will be used:

	I	II
Class participation	5%	5%
Mid-term examination(s)	20%	20% each
Paper/Book review	40%	20%
Final examination	35%	35%.

Students who wish to satisfy through this seminar the paper requirement for cum or for magna cum laude in political science must choose option I. These students also must submit and have approved by February 10 a paper prospectus. All students will be asked

to declare in writing their choice of option I or II. This declaration will be made in the second week of the semester.<sup>1</sup>

### Texts and Reading

Students are asked to purchase the following three paperback books:

Robert Dahl, A Preface to Economic Democracy University of California Press, 1985

Torben Iversen, Contested Economic Institutions Cambridge University Press, 1999.

Kenneth F. Scheve and Matthew J. Slaughter, Globalization and the Perceptions of American Workers Washington, D.C. : The Institute for International Economics, 2001.

These books are available in the bookstore in Coffman Union.

Most of the assigned readings are available through JSTOR or the library. In most cases, students can access JSTOR directly. Sometimes it is necessary to enter JSTOR through the library portal. Readings available on JSTOR are indicated by an asterisk (\*).<sup>2</sup> Five readings are available in the form of a reading packet. These readings are denoted by a +. The packet may be purchased at the West Bank copy service in the basement of the social science building.

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<sup>1</sup> Students who choose option I may not take both mid-terms. If they declare an intention to take mid-term one they may change to mid-term two but only before February 15.

<sup>2</sup> One accesses JSTOR directly via the url [www.jstor.org](http://www.jstor.org). Click on Browse Journals. Select Political Science (or Economics). Then find the required journal and the specific volume and article. To access jstor enter the library portal via the U of Minnesota website. Type in the title of the journal you want. Find the electronic link. Or you can follow these steps: (1), from the library webpage, click on 'e-journals,' (2), enter the full name of the journal you need and click enter; finally, (3), click on the link that comes up and find the issue of the journal you need.

## Outline, Reading Assignments and Schedule

A. Introduction and motivation [January 18 & 23]

B. Five questions [January 25, 30; February 1]

+American Political Science Association (2004) "American Democracy in An Age Of Rising Inequality" Perspectives on Politics 2(4), 2004: 651-666.

\*Rueda, David and Jonas Pontusson "Wage Inequality and Varieties of Capitalism" World Politics 52(3), 2000: 350-383.

Scheve, Kenneth F. and Matthew J. Slaughter (forthcoming), "Public Opinion, International Economic Integration and the Welfare State."

\*Steinmo, Sven "Globalization and Taxation: Challenge to the Welfare State" Comparative Political Studies 35(7), 2002: 839-862

+Schumpeter, Joseph A. "The March Into Socialism." Epilogue to Capitalism, Socialism and Democracy NY. Harper-Perennial, 1975, pps. 415-425.

C. Competing theoretical perspectives [February 6, 8, 13, 15]

Dahl, Chapters 2, 3 and 4 (pps, 52-135)

Freeman, John R. and Peter Nardulli (2005) "Free Enterprise Economy and Social Welfare." Center for the Study of Democratic Governance. University of Illinois.

\*Olson, Mancur "Dictatorship, Democracy and Development" The American Political Review 87(3), 1993: 567-576.

+Przeworski, Adam, Capitalism and Social Democracy NY Cambridge University Press, 1985 Chapters 1, 4 (pps. 7-46, 133-170)

+Schumpeter, Joseph A. Capitalism, Socialism and Democracy op. cit. Part II: Can Capitalism Survive? (pps. 72-106, 111-155).

**February 10: Long paper prospectus must have been submitted and approved (option I)**

**February 20: Mid-term exam one (in class)**

D. Mass bases of political economy; the economics of voting [February 22, 27;  
March 1, 6]

+Fair, Ray C. Predicting Presidential Elections and Other Things Stanford, CA:  
Stanford University Press, 2002. Chapters 1 and 3 (pps. 1-15, 43-58).

\*Greenberg, Edward S. “Industrial Self-Management and Political Attitudes”  
American Political Science Review 75(1), 1981: 29-42.

\*Lane, Robert “Market Justice Political Justice” American Political Science Review  
80(2), 1986: 383-402.

\*Mughan, Anthony and Dean Lacey “Economic Performance, Job Security and  
Electoral Choice” British Journal of Political Science 32(3), 2002: 513-534.

+Wright, Erik Olin Class Counts NY Cambridge University Press, 1997  
Chapters 1, 10, and 11 (pps. 1-39, 185-248).

E. Producer group politics [March 8, 20, 27]<sup>3</sup>; U. holiday March 13, 15; no class  
March 22]

Freeman, John R. (1989) “Democratic Polities Compared” Chapter 4 in  
Democracy and Markets: The Politics of Mixed Economies Ithaca,  
New York, pps. 82-96

\*Iversen, Torben and Anne Wren “Equality, Employment, and Budgetary  
Restraint: The Trilemma of the Service Economy” World Politics  
50(4), 1998: 507-547

\*Pontusson, Jonas and Peter Swenson “Labor Markets, Production Strategies,  
And Wage Bargaining Institutions: The Swedish Employer Offensive in  
Comparative Perspective” Comparative Political Studies 29(2), 1996: 223-250.

\*Pontusson, Jonas et. al. “Comparative Political Economy of Wage  
Distribution: The Role of Partisanship and Labor Market Institutions”  
British Journal of Political Science 32(2), 2002: 281-303.

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<sup>3</sup> Spring break is the week of March 13-17. There also is no class on Wednesday March 22.

F. Administrative bases of political economy; the politics of money management  
[March 29; April 3, 5]

\*Bernhard, William et. al “The Political Economy of Monetary Institutions”  
International Organization 56(4), 2002: 693-724.

\*Broz, Lawrence, “Political System Transparency and Monetary Commitments”  
International Organization 56(4), 2002: 861-888.

\*Goodman, John “The Politics of Central Bank Independence” Comparative  
Politics 1991: 329-349.

\*McNamara, Kathleen R. “Rational Fictions: Central Bank Independence  
And the Social Logic of Delegation” West European Politics 25(1),  
2002: 47-76.

**April 10: Mid-term exam two (in class)**

G. Institutions and performance; political business cycles; the politics of privatization  
[April 12, 17, 19]

\*Alesina, Alberto and Jeffrey Sachs, “Political Parties and the Business Cycle in the  
the U.S., 1948-1984” Journal of Money, Credit and Banking 20, 1988: 63-82.

Iversen, Chapters 1, 2 and 6 (pps. 1-46, 166-176)

\*Jackman, Robert “Elections and the Democratic Class Struggle” World Politics  
39(1), 1986: 123-146.

H. Politics in open economies; democracy and globalization [April 24, 26; May 1]

\*Busch, Marc L. and Eric Reinhardt “Geography, International Trade and  
Political Mobilization in U.S. Industries” American Journal of Political  
Science 44(4), 2000: 707-719.

\*Busch, Marc L. and Eric Reinhardt, “Industrial Location and Protection: The  
Political and Economic Geography of U.S. Nontariff Barriers”  
American Journal of Political Science 43(4), 1999: 1028-1050.

Scheve, Kenneth and Matthew Slaughter Chapters 1, 2 and 5 (1-46, 87-98)

**April 24: Papers due (under both writing options)**

I. Review and retrospectives [May 3]

\*Freeman, John R. "Competing Commitments: Technocracy and Democracy in the Design of Monetary Institutions" International Organization 56(4), 2002: 889-910.

+Przeworski, Adam Capitalism and Social Democracy NY Cambridge University Press 1985, Chapter 6 (pps. 205-221)

**Final Examination: May 12 (F) 8-10:00am<sup>4</sup>**

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<sup>4</sup> This time will be confirmed during the semester. The final exam will be of the closed-book, in class type. In all likelihood it will be administered in the same room in which we meet all term, 1314 Social Sciences.