

POL 8637: Comparative Political Economy
Thursdays 1:25-3:20pm
Social Sciences 1450
Spring Semester 2003

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The study of political economy has many branches. Among them are veins of political philosophy and theoretical, interdisciplinary inquiries into the interconnections between market and political processes. There are subfields of political economy in American politics and in international relations as well as in urban politics. Political economy is a subfield in other disciplines such as economics and law. And there are well-established communities of scholars engaged in political-economic research on several continents.

This term Political Science 8637 focuses on the compatibility of democracy and markets. We begin with some study of selected puzzles and problems about the experiences of advanced industrial democracies. We then evaluate some competing theoretical perspectives about this subject. From here we proceed to more focused investigations into the mass bases of political economy, producer group politics, and the institutional determinants of macroeconomic performance. Among the topics singled out for closer study are economic voting, wage bargaining politics, and political business cycles, respectively. In order to build bridges to the other branches of political economy, the course concludes with weeks on the economic dimensions of European political integration and domestic politics in open economies.

Course requirements

Students are expected to complete the required (assigned) reading for each week of the course and to make some opening remarks—ten minutes is sufficient—for two classes between weeks V and XIV. As regards written work, students have two options. The first is to write two short papers: a) a critical review of one of the required books for the course and b) a review of a selection of the required and recommended and recently published readings in one of weeks V-XIV. The other option is to write a 20-25 term paper on a course topic of special interest to the student. Students who elect the second option are urged to consult with the instructor to ensure that their project is both well-conceived and tractable. To this end, students who choose option two are required to submit a one-two page outline of their paper to the instructor no later than Thursday Feb. 20.

Finally, all students are required to write a final examination. This examination will be administered—perhaps in the form of a take-home exam—during the second week of May.

Texts

Students are asked to buy the following paperback books:

Hall, Peter and David Soskice (2001) Varieties of Capitalism N.Y.: Oxford University Press.

Iversen, Torben (1999) Contested Economic Institutions N.Y. Cambridge University Press.

Przeworski, Adam (1985) Capitalism and Social Democracy NY: Cambridge University Press.

Schumpeter, Joseph A. (1975) Capitalism, Socialism and Democracy NY Harpers

These books are available for purchase at the H.D. Smith Bookstore. Some additional copies also are available for check out in the 12th floor (Political Science Department) library. The other required readings are available in the 12th floor library as well. In addition, selected journals can be accessed via www.jstor.org and as indicated below.

The following abbreviations are used in reading assignments that follow: American Political Science Review (APSR); American Journal of Political Science (AJPS); British Journal of Political Science (BJPS); Comparative Politics (CP); Comparative Political Studies (CPS); European Journal of Political Economy (EJPE); European Journal of Political Research (EJPR); available also at <http://www.kluwer.html>; International Organization (IO); World Politics (WP).

COURSE OUTLINE AND READING ASSIGNMENTS

I. Introduction and organization

(January 24)

II. Puzzles and problems in the study of comparative political economy

(January 31)

Required

Boix, Charles (2001) "Democracy, Development and the Public Sector" AJPS 45(1):1-17

Franzese, Robert Jr. (2002) Macroeconomic Policies of Developed Democracies New York: Cambridge University Press, Chp. 1 (pps. 1-61).

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

Steinmo, Sven (2002) "Globalization and Taxation: Challenge to the Welfare State" CPS 35(7): 839-862.

Schumpeter, Joseph A. (1975) "The March Into Socialism". Epilogue to Capitalism, Socialism and Democracy, pps. 415-425.

Recommended and Recently Published

Alt, James E. (2002) "Comparative Political Economy: Credibility, Accountability and Institutions" in Political Science: The State of the Discipline III I. Katznelson and H. Milner eds. Washington, D. C.: A.P.S.A. , pps. 147-171.

Bottomore, Tom (1975) "Introduction" in Capitalism, Socialism and Democracy, pps. ix-xiv.

Blyth, Mark (2001) "The Transformation of the Swedish Model: Economic Ideas, Distributional Conflict and Institutional Change" WP (2001): 1-26.

Freeman, John R. (1989) Democracy and Markets: The Politics of Mixed Economies Ithaca, New York: Cornell University Press, Chapters 1,6.

Harrinvirta, Markku and Mikico Mattila (2001) "The Hard Business of Balancing Budgets: A Study of Public Finances in Seventeen OECD Countries" BJPS 31(3): 492-522.

Huber, Evelyne and John D. Stephens (1998) "Internationalization and the Social Democratic Model: Crisis and Future Prospects" CPS 31(3): 353-397.

Levi, Margaret (2000) "The Economic Turn in Comparative Politics" CPS 33(6(7)): 822-844.

Steinmo, Sven and Caroline J. Tolbert (1998) "Do Institutions Really Matter? Taxation in Individual Democracies" CPS 31(2): 165-187.

Swank, Duane and Sven Steinmo (2002) "The New Political Economy of Taxation in Advanced Capitalist Democracies" AJPS 46(3): 642-655.

III. Theoretical Perspectives, Part One

(February 6)

Required

Dahl, R. (1985) A Preface Economic Democracy Berkley, California: University Press, Chps. 2, 3, 4 (pps. 52-135).

Dixit, Avinash and John Londregan (1995) "Redistributive Politics and Economic Efficiency" APSR 89(4):567-576.

Hall, Peter and David Soskice (2001) "An Introduction to Varieties of Capitalism" pps. 1-68.

Olson, Mancur (1993) "Dictatorship, Democracy and Development" APSR 87(3): 567-576.

Recommended and Recently Published

Alesina, A. and H. Rosenthal (1995) Partisan Politics, Divided Government and the Economy New York: Cambridge University Press.

Drazen, Allan (200) Political Economy in Macroeconomics Princeton, New Jersey: Princeton University Press.

Friedman, Milton (1962) Capitalism and Freedom Chicago, Ill.: Chicago University Press, esp. Chps. 1,2 (pps. 7-36).

Hansen, John Mark (1998) "Individuals, Institutions and Public Preferences over Public Finance" APSR 92(3): 5163-532.

Katz, Claudia J. (1997) "Private Property vs. Markets: Democratic and Communitarian Critiques of Capitalism" APSR 91(2): 277-289.

Moene, Karl Ove and Michael Wallerstein (2001) "Inequality, Social Insurance and Redistribution" APSR 95(4): 859-874.

Persson, Torsten and Guido Tabellini (200) Political Economics: Explaining Economic Policy Cambridge, MA: M.I.T. Press.

IV. Theoretical Perspectives, Part Two

(February 13)

Required

Lindblom, Charles (1977) Politics and Markets New York: Basic Books, Chps. 12-17 (pps. 161-236).

Przeworski, Adam (1985) Capitalism and Social Democracy New York: Cambridge University Press, Chps. 1,4,6.

Schumpeter, Joseph A. (1975) Capitalism, Socialism and Democracy Part II: Can Capitalism Survive? (pps. 59-164).

Recommended and Recently Published

Appel, Hillary (2000) "The Ideological Determinants of the Liberal Economic Reform: The Case of Privatization" WP 52(4): 520-549.

Feigenbaum, Harvey et al. (1998) Shrinking the State: The Political Underpinnings of Privatization Cambridge: Cambridge University Press. [Reviewed by W. Gormley, Jr. APSR 94(2), 2000:477].

Freeman, John R. (1989) Democracy and Markets: The Politics of Mixed Economies Ithaca, New York: Cornell University Press.

Giddens, Anthony (1998) The Third Way: The Renewal of Social Democracy Cambridge, England: Polity Press.

Przeworski, A. and M. Wallerstein (1988) "The Structural Dependence of the State on Capital" ASPR 82: 11-30.

Smith, Mark A. (1999) "Public Opinion, Elections and Representation within a Market Economy: Does the Structural Power of Business Undermine Popular Sovereignty?" AJPS 43(3): 842-863.

V. Mass Bases of Political Economy (February 20)

**Outlines for long paper due

Required

Duch, Raymond M., Harvey D. Palmer and Christopher J. Anderson (2000)
"Heterogeneity in the Perception of National Economic Conditions" AJPS 44(4):
635-652.

Greenberg, E. (1981) "Industrial Self-Management and Political Attitudes,"
APSR 75(1): 29-42.

Lane, Robert (1986) "Market Justice, Political Justice" APSR 80(2): 383-402.

Scheve, Kenneth (2002) "Public Inflation Aversion and the Political Economy of
Macroeconomic Policy Making" Unpublished ms. Yale University.

Wright, Erik O. (1997) Class Counts: Comparative Studies in Class Analysis
Cambridge: Cambridge University Press, Chaps. 10 & 11 (pps. 185-247)
[Reviewed by T. Mayer, APSR 91(4), 1997: 997-8]

Recommended and Recently Published

Chong, Dennis Hebert McClosky and John Zaller, "Patterns of Support for Democratic
and Capitalist Values in the United States" British Journal of Political Science,
vol. 13, Part IV, 1983:401-440.

Hibbs, Douglas A., Jr. , "Economic Outcomes and Political Support for British
Governments among Occupational Classes: A Dynamic Analysis", APSR 76(2),
1982: 259-279 Along with a Comment by Keech (pps. 282-4).

Lipset, Seymour (1983) "Radicalism or Reformism: The Sources of Working Class Politics" APSR 77(1):1-18.

Quinn, Dennis P. and John T. Wooley (2001) "Democracy and Economic Performance for Stability" AJPS 45(3): 634-657.

Scheve, Kenneth (2002) "Nominal Asset Ownership and Individual Microeconomic Priorities." Unpublished by Yale University.

Stevenson, Ranolph T. (2001) "The Economy and Policy Mood: A Fundamental Dynamic of Democratic Politics?" AJPS 45(3): 620-633.

VI. Economic Voting in Comparative Perspective

(February 27)

Required

Lewis-Beck, Michael S. and Martin Paldam (2000) "Economic Voting: An Introduction" Electoral Studies 19: 113-121.

Mughan, Anthony and Dean Lacey (2002) "Economic Performance, Job Security and Electoral Choice" BJPS 32(3): 513-534.

Nadeau, R., R.G. Niemi and T. Amato (2000) "Elite Economic Forecasts, Economic News, Mass Economic Expectations and Voting Intentions in Great Britain" EJPR 38(1): 135-170.

Nieuwbeerta, P. and W. Ultee (1999) "Class Voting in Western Industrialized Countries, 1945-1990" EJPS 35(1): 123-160.

Palmer, Harvey D. and Guy D. Whitten (1999) "The Electoral Impact of Unexpected Inflation and Economic Growth" BJPS 29, Part Four: 623-641.

Recommended and Recently Published

Evans, Geoffrey eds. (1999) The End of Class Politics? Class Voting in Comparative Context Oxford: Oxford University Press. [Reviewed by D. Salisbury APSR 95(3), 2001: 745-746.

Grafstein, Robert and Ann Moser (2001) "Confronting Political-Economic Theories of Voting with Evidence" Political Analysis 9(4): 362-378.

Krause, George A. (1997) "Voters, Information Heterogeneity and the Dynamics of Aggregate Economic Expectations" AJPS 41(4): 1170-1200.

Suzuki, Matoshi and Henry W. Chappell, Jr. "The Rationality of Voting Reconsidered" JOP 58(1), 1996:224-236.

VII. Producer Group Politics, Part 1: Structure and Process

(March 6)

Required

Kenworthy, Lane (2001) "Wage-Setting Measures: A Survey and Assessment" WP 54(1): 57-98.

Pontusson, Jonas and Peter Swenson (1996) "Labor Markets, Production Strategies and Wage Bargaining Institutions: The Swedish Employer Offensive in Comparative Perspective" CPS 29(2): 223-250.

Siaroff, A. (1999) "Corporatism in Twenty-Four Democracies: Meaning and Measurement" EJPR 36(2): 175-205.

Thelen, Kathleen (2001) "Varieties of Labor Politics In Developed Democracies" Chp. 2 in Hall and Soskice, pps. 71-103.

Wood, Steward (2001) "Business, Government, and Patterns of Labor Market Policy in Britain and the Federal Republic of Germany" Chp. 7 in Hall and Soskice, pps. 247-274.

Recommended and Recently Published

Bowman, John R. (2002) "Employees and the Persistence of Centralized Wage Setting: The Case of Norway" CPS 35(9): 995-1026.

Radcliff, Benjamin and Patricia Davis (2000) "Labor Organization and Electoral Participation in Industrial Democracies" AJPS 44(1): 132-141.

Swank, Duane and Cathie Jo Martin (2001) "Employers and the Welfare State" CPS 34(8): 889-923.

Traxler, Franz, Sabine Blaschke, and Bernhard Kittel (2001) National Labour Relations in Internationalized Markets: A Comparative Study of Institutions, Change and Performance New York: Oxford University Press.

Western, Bruce (1997) Between Class and Market: Postwar Unionization in the Capitalist Democracies Princeton, NJ: Princeton University Press. (Reviewed by D. Swank APSR 93(4), 1999:1008-9.)

VIII. Producer Group Politics, Part 2: Outcomes

(March 13)

Required

Compston, Hugh (1997) "Union Power, Policy-Making, and Unemployment in Western Europe 1972-1993" CPS 30(6):732-751.

Iversen, Torben and Anne Wren (1998) "Equality, Employment and Budgetary Restraint: The Trilemma of the Service Economy" WP 50(4): 507-547.

Pontusson, Jonas et al. (2002) "Comparative Political Economy of Wage Distribution: The Role of Partisanship and Labour Market Institutions" BJPS 32(2):281-308.

Traxler, Franz and Bernhard Kittel (2000) "The Bargaining System and Performance: A Comparison of the OECD Countries" CPS 33(9): 1154-1190.

Wallerstein, Michael (1999) "Wage-Setting Institutions and Pay Equality in Advanced Industrial Societies" AJPS 43(3): 649-680.

Recommended and Recently Published

Alvarez, R. Michael, G. Garrett, and P. Lange (1991) "Government Partisanship, Labor Organization, and Macroeconomic Performance, 1967-1984" APSR 85(2): 539-556.

Clayton, Richard and Jonas Pontusson (1998) "Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring and Inegalitarian Trends in Advanced Capitalist Societies" WP 51(1): 67-98.

Garret, Geoffrey and Christopher Way (1999) "Public Sector Unions, Corporatism, and Macroeconomic Performance" CPS 32(4): 411-434.

March 20 Spring Break

X. Administrative Bases of Political Economy, I: Origins

(March 27)

Required

Bernhard, William et al. (2002) "The Political Economy of Monetary Institutions" IO 56(4): 693-724.

Bernhard, William (1998) "A Political Explanation for Variations in Central Bank Independence" APSR 92(2): 311-327.

Broz, J. Lawrence (1998) "The Origins of Central Banking: Solutions to the Free-Rider Problem" IO 52(2): 231-268.

Centeneo, M.A. (1993) "The New Leviathan: The Dynamics and Limits of Technocracy" Theory and Society 22: 307-335.

Goodman, J. (1991) "The Politics of Central Bank Independence" CP 329-349.

Lohmann, Susanne (1999) "What Price Accountability? The Lucas Island Model of the Politics of Monetary Policy" AJPS 43(2): 396-430.

Recommended and Recently Published

Barron, Robert and David Gordon (1983a) "Rules, Discretion and Reputation in a Model of Monetary Policy" Journal of Monetary Economics 12(1): 101-121.

Barron, Robert and David Gordon (1983b) "A Positive Theory of Monetary Policy in a Natural Rate Model" Journal of Political Economy 91(4): 589-610.

Bernhard, William (2002) Banking or Reform: Political Parties and Central Bank Independence in the Industrial Democracies Ann Arbor, MI.: University of Michigan Press.

Kurzer, P. "The Politics of Central Banks: Austerity and Unemployment in Europe" Journal of Public Policy 7(1): 21-48.

Strum, R. (1989) "The Role of the Bundesbank in German Politics" WEP 12(2): 1-11.

XI. Administrative Bases of Political Economy, II: Process and Outcomes

(April 3)

Required

Alesina, A. (1988) "Macroeconomics and Politics" NBER Macroeconomic Annual pps. 38-45.

Broz, Lawrence (2002) "Political System Transparency and Monetary Commitment Regimes" IQ 56(4): 861-888.

Franzese, Robert J. Jr. (1999) "Partially Independent Central Banks, Politically Responsive Governments and Inflation." AJPS 43(3):681-706.

Iverson, Torben (1999) "The Political Economy of Inflation: Bargaining Structure or Central Bank Independence?" Public Choice 99:237-258.

Keefer, Phillips and David Stasavage (2002) "Checks and Balances, Private Information, and the Credibility of Monetary Commitments: IQ 56(4): 751-774.

XII. Institutions and Performance, I.

(April 10)

Required

Hall, Peter A. and Robert J. Franzese, Jr. (1998) "Mixed Signals: Central Bank Independence, Coordination Wage-Bargaining and European Monetary Union" IQ 52(3): 506-536.

Hochreiter, Eduard and Georg Winckler (1995) "The Advantages of Tying Austria's Hands: The Success of the Hard Currency Strategy" EJPE 11(1): 83-111.

Iversen, Torben (1999) Contested Economic Institutions Chps 1,2 & 6.

Rodden, Jonathan and Erik Wibbels (2002) "Beyond the Fiction of Federalism: Macroeconomic Management in Multitiered Systems" WP 54(4): 494-531.

Recommended and Recently Published

Christensen, J. G. and T. Pallesen (2001) "Institutions, Distributional Concerns, and Public Sector Reform" EJPR 39(2): 179-202.

Freeman, John R. Democracy and Markets op. cit

Iverson, Torben et al. eds. (2002) Unions, Employees, and Central Banks Cambridge,: Cambridge University Press. (Reviewed by C. Howell APSR 95(4), 2001:499-500).

XIII. Institutions and Performance, II: Constitutions and Electoral Cycles

(April 17)

Required

Alesina, Alberto (1988) "Macroeconomics and Politics" op. cit.

Alesina, Alberto, Howard Rosenthal and Jon Londregan (1993) "A Model of The Political Economy of The United States" APSR 87: 12-33.

Birchfield, V. and M.M. L. Crepaz (1998) "The Impact of Constitutional Structures and Collective and Competitive Veto Points on Income Inequality in Industrialized Democracies" EJPR 34(2): 175-200.

Houser, Daniel and John Freeman (2001) "Economic Consequences of Political Approval Management in Comparative Perspective" Journal of Comparative Economics 29: 692-721.

Jackman, Robert (1986) "Elections and the Democratic Class Struggle" WP 39(1): 123-146.

Way, Christopher (2000) "Central Banks, Partisan Politics, and Macroeconomic Outcomes" CPS 33(2): 196-224.

Recommended and Recently Published

Alesina, Alberto and H. Rosenthal (1995) Partisan Politics Divide Government and the Economy New York: Cambridge University Press.

Freeman, John R. and Daniel Houser (1998) "A Computable Equilibrium Model for the Study of Political Economy" AJPS 42(2): 628-660.

Herron, Michael C. (2001) "Estimating the Economic Impact of Political Party Competition in the 1992 British Election" AJPS 44(2): 326-337.

Williams, J. (1990) "The Political Manipulation of Macroeconomic Policy" American Political Science Review 84(3): 767-796.

XIV. Politics in Open Economies, A Sample

(April 24)

Busch, Marc L. and Eric Reinhardt (2000) "Geography, International Trade and Political Mobilization in U.S. Industries" AJPS 44(4): 707-719.

Freeman, John R., Jude C. Hays and Helmut Stix (2000) "Democracy and Markets: The Case of Exchange Rates" AJPS 44(3): 449-468.

Hellwig, Timothy (2001) "Interdependence, Government Constraints and Economic Voting" JOP 63(4): 1141-1162.

Hiscox, Michael J. (2001) "Inter-industry Factor Mobility and the Politics of Trade" IO 55(1): 1-46.

Scheve, Kenneth F. and Matthew J. Slaughter (2001) Globalization and the Perceptions of American Workers Washington, D.C. Institute for International Economics, Chapters 1, 2 and 5.

Recommended and Recently Published

Boix, Charles (2000) "Partisan Governments, the International Economy, and Macroeconomic Policies in Advanced Nations, 1960-1993" WP 53(1):38-73.

Broz, J. Lawrence (1999) "Origins of the Federal Reserve System: International Incentives and the Domestic Free Rider Problem" IO 53(1): 39-70.

Clark, William R. (2002) Capitalism, Not Globalism: Capital Mobility Central Bank Independence and the Practical Control of the Economy Ann Arbor: University of Michigan Press.

Cerney, P. G. (1999) "Globalization and the Erosion off Democracy" EJPR 36(1): 1-26.

Huber, Evelyne and John D. Stephens (2001) Development and Crisis of The Welfare State: Parties and Politics in Global Markets Chicago, Illinois: University of Chicago Press. (Reviewed by C.M. Moore, CPS 35(9): 1077-1084.)

Swank, Duane (2002) Diminished Democracy? Global Capital, Political Institutions and Policy Changes Developed Welfare States New York: Cambridge University Press.

XV. Economics and Political Integration in Europe

Required

Frieden, Jeffrey A. (1996) "The Impact of Goods and Capital Market Integration on European Monetary Politics" CPS 29(2): 193-222.

Gabel, Matthew J. (1998) "Economic Integration and Mass Politics: Market Liberalization and Public Attitudes in The European Union" AJPS 42(3): 936-953.

Kaltenthaker, K. C. And C. J. Andersen (2001) "Europeans and Their Money: Explaining Public Support for the Common Currency" EJPR 40(2): 139-170.

Stasavage, David and Dominique Guillaume (2002) "When Are Monetary Commitments Credible? Parallel Agreements and the Sustainability of Currency Unions" BJPS 32(1): 119-146.

Verdier, Daniel and Richard Breen (2001) "Europeanization and Globalization: Politics Against Markets in The European Union" CPS 34(3): 227-262.

Recommended and Recently Published

Brooks, Sarah M. (2002) "Social Protection and European Integration: The Politics of Pension Reform in an Era of Capital Mobility" CPS 35(5): 491-523.

Henning, C. Randall (1998) "Systematic Conflict and Regional Monetary Integration: The Case of Europe" IQ 52(3): 537-574.

Kaelberer, Matthias (2001) *Money and Power in Europe: The Political Economy of European Monetary Cooperation* Albany, NY: State University of New York Press. (Reviewed by G. Berns, CPS 35(3): 371-3.

Mansfield, Edward D., Helen V. Milner and B. Peter Rosendorff (2002) "Why Democracies Cooperate More: Electoral Control and International Trade Agreements" IQ 56(3): 477-514.

McKay, David (1999) "The Political Sustainability of European Monetary Union" 29 BJPS Part Three: 463-486.

XVI. Setting An Agenda

Required

Alt, James E. (2002) "Comparative Political Economy: Credibility, Accountability and Institutions" op. cit.

Freeman, John R. (2002) "Competing Commitments: Technocracy and Democracy in The Design of Monetary Institutions" IQ 56(4): 889-910.

Freeman, John R. (1989) Democracy and Markets, op. cit. Chp. 11.

Przeworski, Adam (1985) Capitalism and Social Democracy, op. cit. Chp. 6.