

## POSC 249 – Seminar in American Politics: Business and Politics

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### Overview

The study of business and politics in political science is rich in tradition, animated by the concerns of philosophers and historians that the development of political institutions is driven by demands of economic actors. The field of political economy, which predates political science by several hundred years, is littered with tomes explaining the interconnections between economic and political development. Political science has tiptoed into that tradition, preferring for the most part to tackle the empirical questions raised at the intersection of business and politics, and to mine familiar topics like business power rather than venture into the unknown or hard to measure.

Consequently, the material in this course will draw only in part on the political science literature. It will be broadly informed by the intellectual tradition of political economy, encompassing political philosophy, economics, economic history, and political science. We will explore four broad themes over the course of the semester. First, we will consider the phenomenon of economic growth and development with an eye toward the analytical foundations of economic theory. Informed by the multiple traditions of Smith, Marx, and Schumpeter, we will consider how economies develop and what sorts of expectations we should form with respect to the intersection of economics and economic policy. Second, we will consider the varieties of capitalism that have emerged in the modern era and the historical roots that established different trajectories of development. We will accompany a discussion of comparative economic development with a close look at theories of business power in the United States. Third, we will turn to an analysis of the industrialization of the American state in the late nineteenth and early twentieth century. In two parts we will analyze the development and regulation of industry in the late 1800s and then turn to the response by policy makers to the economic consequences of the Great Depression. Finally, we will examine social policy from the debates over social security during the New Deal to deregulation to health insurance. The overriding question for policy makers is how to balance the demands of business with the needs of the population.

### Course Objectives

This course addresses the major academic debates in the study of business and politics, but it is also grounded in the practicality of policy analysis. In this sense it is designed

both for those who plan academic careers as well as those venturing into careers outside of academia. There are three substantive goals set for this course. First, you should be able to reflect on the major theoretical, historical, and empirical debates on the central issues of business and politics. Second, you should develop an appreciation for the variety of ways that business has become intertwined with government and the difficulties inherent in disentangling the two. Third, you should further our understanding of business and politics by generating your own insights into the relationship between government and private enterprise.

### Course Expectations

There is no better way to acquire new knowledge than to grapple with it in the presence of peers. Much of the discussion in the course, especially the first half, will be of the esoteric variety, and I will expect thoughtful, informed class participation from the entire class. I expect all readings to be completed, outlined, and thoroughly analyzed prior to the start of class. Class discussions will not be organized around summarizing the material; they will be designed to debate and extend the material.

I expect written work to be original, innovative, and scholarly in its presentation and tone. Hastily conceived and poorly executed ideas will meet with disapproval. The quantity of writing for this course is on the lighter side, but that means that I expect higher quality.

There will be three sets of assignments for this course. 1) First, on a weekly basis you will submit a discussion paragraph to the class via the D2L web site and you will respond to a discussion question submitted by another student after class each week. You must submit your discussion question no later than NOON on the day of class and you must submit at least one follow up response by MIDNIGHT on the Wednesday after class. You can feel free to continue the dialogue on the discussion board beyond that and I will consider that as part of your class participation. 2) Second, you will have a take-home midterm exam and an in-class final exam. The purpose of this will be to reinforce the major themes that we have covered as well as to prepare for comprehensive exams. 3) Third, you will write a review essay on a central theme in business and politics of your choosing. The review essay of about twenty pages will organize the major theoretical, conceptual, and empirical frameworks in the scholarly literature in a way that describes the intellectual development of the issue you choose.

Your grades will be broken down in terms of class participation (40%), midterm exam (20%), final exam (20%), and review essay (20%).

### Course Materials

The following books have been ordered through BookMarq and Sweeney's and should be purchased. The rest of the readings are available as PDF documents through the course D2L page.

Amartya Sen - Development as Freedom (Knopf, 1999)

Douglass North – Institutions, Institutional Change and Economic Performance  
(Cambridge, 1990)

Thomas K. McCraw *Creating Modern Capitalism: How Entrepreneurs, Companies, and Countries Triumphed in Three Industrial Revolutions* (Harvard 1997)  
Kathleen Thelen – *How Institutions Evolve* (Cambridge 2004)  
Alfred Chandler - *The Visible Hand* (Belknap 1977)  
Martha Derthick and Paul Quirk - *The Politics of Deregulation* (Brookings, 1985)  
Cathie Jo Martin - *Stuck in Neutral: Business and the Politics of Human Capital Investment Policy* (Princeton, 2000)  
Jacob Hacker – *The Divided Welfare State* (Cambridge, 2002)

## Outline of Readings

### I. Economic Theory and Political Economy

#### 1) January 16 – Introduction

- a. Graham Wilson – “30 Years of Business and Politics” p. 1-11.

#### 2) January 23 – Adam Smith and the Dogma of the Market

- a) Adam Smith - The Wealth of Nations chs. 1-3
- b) Allyn Young – “Increasing Returns and Economic Progress”
- c) Nicholas Kaldor – “The Irrelevance of Equilibrium Economics”
- d) Paul Romer – “Endogenous Technical Change”

#### 3) January 30 – Karl Marx and the Karma of Development

- a) Adrien Taymans – “Marx’s Theory of the Entrepreneur” p. 75-90.
- b) Joseph Schumpeter – “Can Capitalism Survive?” Capitalism, Socialism, and Democracy, p. 59-165
- c) Paul David – “CLIO and the Economics of QWERTY,” p. 332-337
- d) Liebowitz and Margolis – “The Fable of the Keys” p. 1-25
- e) Brian Arthur – “Complexity and the Economy,” p. 107-109
- f) Paul Pierson – Chapter 1 – Politics in Time p. 17-53

#### 4) February 6 – Transactions Costs and the Firm

- a) Douglass North – Institutions, Institutional Change and Economic Performance
- b) Coase – “The Nature of the Firm,” 386-405
- c) Oliver Williamson – “The Vertical Integration of Production,” 112-23.

#### 5) February 13 – Which Side are You On?

- a) Alexander Hamilton - Report on Manufactures, 247-320

- b) John Maynard Keynes - The General Theory of Employment, Interest, and Money, Chapter 24 – Concluding notes on the social philosophy towards which the general theory might lead, p. 372-385
- c) Milton Friedman - Capitalism and Freedom
- d) Amartya Sen - Development as Freedom, chs. 1-6, 11-12

## II. Varieties of Capitalist Development

- 6) February 20 – At the Industrial Revolution
  - a) Thomas McCraw - Creating Modern Capitalism: How Entrepreneurs, Companies, and Countries Triumphed in Three Industrial Revolutions, chs. 1,3,5, 8-10, 12, 14
  - b) Martin and Swank – “The Political Origins of Coordinated Capitalism”
- 7) February 27 – Paths of Industrial Development
  - a) Kathleen Thelen – How Institutions Evolve, Chs 1,2,4-6
  - b) Wolfgang Streek – “Exploration into the Origins of Nonliberal Capitalism in Germany and Japan,” pgs. 1-38
  - c) Hall and Soskice – “An Introduction to Varieties of Capitalism,” pgs 1-68
- 8) March 6 – A Closer Look at Business Power in America
  - a) Charles Lindblom – Politics and Markets, Chs. 1,13
  - b) Quinn and Shapiro – “Business Political Power,” p. 851-874.
  - c) Andrew Polsky – “When Business Speaks,” p. 455-476
  - d) David Vogel – “The Power of Business in America: A Reappraisal,” p. 19-43
  - e) Jeffrey Berry – “Citizens Groups,” p. 30-41
  - f) Gray and Lowery – “Neo Pluralism,” 163-175

## III) The Industrialization of American Politics

- 9) March 20 – Railroads and Regulation
  - a) Alfred Chandler, The Visible Hand,
  - b) Richard R. John, "Elaborations, Revisions, Dissents: Alfred D. Chandler, Jr.'s., The Visible Hand after Twenty Years" 151-200.
- 10) March 27 – Railroads and Regulation II
  - a) Richard Bense, The Political Economy of American Industrialization, 1877–1900 p. 289-354.
  - b) Scott James – “A Party System Perspective on the Interstate Commerce Act of 1887,” 163-200.

- c) Stephen Skowronek, Building a New American State, p. 121-162
- d) Gerald Berk – Alternative Tracks, p. 75-149.

11) April 3 – Industrial Policy in the New Deal

- a) Ellis Hawley – The New Deal and the Problem of Monopoly, 19-71, 130-146
- b) Colin Gordon – New Deals, p. 166-203
- c) Kim McQuaid – “Corporate Liberalism in the American Business Community,” p. 342-368.

IV) Business and Public Policy

12) April 10 – Social Security in the New Deal

- a) Theda Skocpol and John Ikenberry 1983
- b) Jill Quadagno – “Welfare Capitalism,” p. 632-647.
- c) Edwin Amenta and Theda Skocpol response, p. 572-575.
- d) Quadagno Rejoinder, p. 575-578.
- e) Jacob Hacker and Paul Pierson – “Business Power and Social Policy,” 277-325
- f) Peter Swenson – “Varieties of Capitalist Interests,” p. 1-29
- g) Hacker and Pierson – Rebuttal, p. 186-195.
- h) Swenson Rejoinder, p. 196-200

13) April 17 – Regulation and Deregulation

- a) Martha Derthick and Paul Quirk, The Politics of Deregulation, chs. 1-6
- b) George J. Stigler, "The Theory of Economic Regulation," p. 3-21.
- c) Harris and Milkis, The Politics of Regulatory Change, p. 3-53.

14) April 24 – Social Policy

- a) Cathie Jo Martin, Stuck in Neutral: Business and the Politics of Human Capital Investment Policy, chs. 1-3,5,7,8.
- b) David Vogel – Kindred Strangers, p. 29-73
- c) David Hart – “Business is Not an Interest Group,” p. 47-70.

15) May 1 – Social Policy II

- a) Jacob Hacker – The Divided Welfare State, chs. 1,4-6
- b) Colin Gordon – Dead on Arrival, pgs. 1-46.