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Introduction:

The purpose of this course is to provide a survey of the field of comparative political economy and an opportunity for in-depth study of the political economy of democratic capitalism. The field of political economy is often delineated in two ways. First, political economy can be defined simply as the study of the interrelationships between politics and economics. Thus, the field of comparative political economy consists of the comparative study of interrelationships between politics and economics *within* nations; it consequently encompasses a significant portion of the field of comparative politics and shares some focal concerns with international political economy (the study of interrelationships among politics and economies in interactions between countries and at the supra-national level.) Given the extensive and significant domestic impacts of regionalization and globalization and the general importance of international economics for domestic politics (and vice versa), we will give some attention to the shared interests of comparative and international political economy.

Second, political economy is sometimes defined as an approach to the study of politics where theories and models of economic phenomena are applied to politics. This approach is often labeled “public choice” or “rational choice.” We will use the first definition of political economy as political economic interaction to provide the boundaries for the course, although rational/public choice theory will be one of the approaches we draw upon to study the interrelations between politics and economies in democratic capitalist systems. Generally, we will place some emphasis on the assessment of the strengths and weaknesses of multiple competing theoretical perspectives on the political economy of democratic capitalism – for instance ideational, statist-institutional, and class power-centered theories as well as rational choice theories.

To simplify our tasks, we will focus on several broad themes concerning the relationships between politics and economics generally, and democracy and capitalism specifically. First, we will address *the nature of markets and governments — their strengths and weaknesses — as alternative mechanisms for achieving allocative efficiency and socioeconomic equality* and examine the actual mix of markets and governments that has developed in democratic capitalist systems from the late 19th to early 21st century.

Second, we will focus on *how national economic development as well as the structure and dynamics of capitalism influence the development and practice of democracy*. Does capitalist economic development promote democracy and determine the character of the national state? Does the power of owners of capital distort democracy? Do economic conditions determine

electoral and other political outcomes? Next, we will reverse the causal arrow and examine *how democratic politics shape the structure of capitalism, economic performance, and economic policy*. How do features of democracy shape the evolution of capitalism? Does democracy support or hinder economic growth? How do particular democratic institutions and political processes influence economic policies and performance?

Finally, with the preceding material as background, we will focus on *the interactions of capitalism and democracy in the postindustrial age*. We will first examine the rise of neoliberalism – or pro-market ideas – in the wake of the global energy shocks, the stagflation of the 1970s and early 1980s, and the intensification of postindustrial pressures on the advanced capitalist democracies. In turn, we will explore whether the globalization of market relations has seriously diminished state autonomy and whether particular varieties of capitalism have fared better in the face of postindustrialization and, if so, why. We will conclude with a discussion of the recent global financial and fiscal crises.

Course Requirements and Grading:

Seminar participants are expected to attend each seminar meeting and to be prepared to discuss the required readings assigned for that session. Informed **class participation will constitute 10 % of the final grade**. Participants are also required to select one of the course's topics/weeks for specialized study. (The first two full sessions – Week 1 “Introduction” and Week 2 "Markets and States" – and Weeks 8 and 15 “prospectus/final paper presentations” are excluded.) For those topics chosen, students will prepare a critical review essay on required readings as well as recommended readings. In addition to the written essays, students are also expected to play a large role in class discussion and provide a formal in-class presentation (review and critique) of the recommended reading. The **critical review assignment is worth 30 % of the final grade**. The final class assignment is to complete a **seminar-quality paper** on any topic in the field of comparative political economy. A prospectus of this paper, including a preliminary bibliography, is due by October 16 (and is worth 10 % of the final grade). On the 16th, each seminar participant will present their prospectus to the seminar. The final paper – at least preliminary results/conclusions will be presented in seminar on December 4, and the **final paper is due December 11 and is worth 50 % of the final grade**. In sum:

Seminar Participation	10%	Critical Review Essay	30 %
Seminar Prospectus	10	Final Paper	50%

Readings:

For each topic, readings are grouped into three sections -- required, recommended, and suggested. Seminar participants should complete all required readings by class and, ideally, the recommended reading as well. Suggested readings offer future opportunities for exploration of a

topic and typically include a few classic works, recent seminal articles or books, and/or particularly useful survey articles with extensive bibliography. Most required reading is in the seven required books; some required and most recommended readings are available either through electronic issues of journals (accessed by MARQCAT), electronic reserve on the D2L site for the seminar or, in a limited number of cases, as hard copy at Library Reserve in Raynor Library. (I denote the mode of access below after the individual reading unless it is in a required book.)

Required Books (all at the Bookmarq or Amazon)

John Cassidy, *How Markets Fail: The Logic of Economic Calamities*. New York: Picador, 2010. ISBN 978-0-312-43004-7.

Alexander Hicks, *Social Democracy and Welfare Capitalism: A Century of Income Security Policies*. Ithaca: Cornell University Press, 1999. ISBN 0-8014-8556-8.

William Keech, *Economic Politics: The Costs of Democracy*. New York: Cambridge University Press, 1995. ISBN: 0-521-46768-3.

Cathie Jo Martin and Duane Swank, *The Political Construction of Business Interests: Coordination, Growth, And Equality*. New York: Cambridge University Press, 2012. ISBN 978-1-107-60364-6.

Layna Mosley, *Global Capital and National Governments*. New York: Cambridge University Press, 2003. ISBN 0-521-53162-9.

Mancur Olson. *The Rise and Decline of Nations*. Yale University Press, 1984. ISBN: 978-0300030792.

Jonas Pontusson, *Inequality and Prosperity: Social Europe vs. Liberal America*. Ithaca, NY: Cornell University Press, 2005. ISBN 0-8014-8970-9.

Suggested:

The course does not require any specific background in economics; indeed, readings and supplemental handouts provide background on topics such as macroeconomic theories and so forth. It may still be a good idea, however, to occasionally review some basics. I recommend Frederick Weaver, *Economic Literacy*, 2nd or 3rd Edition. (Rowman and Littlefield, 2007/2011); this book can be purchased on Amazon and will be on reserve at the library.

Schedule: Overview

Part I. Introduction to Comparative Political Economy

- Week 1 (Aug. 28). Introductory Session
- Week 2 (Sept 4). How Much Market and How Much State in Democratic Capitalism?

Part II: How Capitalism Shapes Democracy: Foundations

- Week 3 (Sept 11). Does Economic Development Cause Democracy?
- Week 4 (Sept 18). Capitalist Economic Development, Politics, and the Democratic Welfare State
- Week 5 (Sept. 25). The Structural Power of Capital: A Privileged Position for Business?
- Week 6 (Oct 2). Economic Performance and Political Behavior: Do Economics Determine Elections and Government Popularity?

Part III: How Democracy Shapes Capitalism: Foundations

- Week 7 (Oct 9). Political Institutions and the Diverse Paths of Capitalist Development
- Week 8 (Oct 16). **Paper Prospectus Due/Presentations**
- Week 9 (Oct 23). The Impact of Democracy on the Economic Performance I: Does Democracy Subvert or Foster Economic Growth?
- Week 10 (Oct. 30). The Impact of Democracy on the Economic Performance II: Political Business Cycles and Other Consequences of Democratic Politics and Institutions.

Part IV: Contemporary Interactions between Capitalism and Democracy

- Week 11 (Nov 6). Ideas and Postindustrial Change: The Rise of Neoliberalism
- Week 12 (Nov 13). Global Markets and National Autonomy: The Structural Power Thesis Revisited.
- Week 13 (Nov 20): Adapting to Postindustrial Pressures I: Performance in Social Market and Liberal Market Economies
- Week 14 (Nov. 27). Adapting to Postindustrial Pressures II: The Role of Employers and Corporatist Institutions
- Week 15 (Dec 4). Reflections on the Current Crises (and **Presentations of Research Paper Results**).

Detailed Schedule and Reading Assignments:

Part I. Introduction to Modern Political Economy

Week 1 (Aug. 29). Introductory Session:

- syllabus distribution, course overview, and introductions of seminar participants
- begin next week's readings

Suggested: For excellent introductions to the central questions the field, see these informative, recent surveys.

Mark Blyth, "An Approach to Comparative Analysis or a Subfield within a Subfield? Political Economy" in Mark Lichbach and Alan Zuckerman, eds., *Comparative Politics: Rationality, Culture, and Structure* (New York: Cambridge University Press, 2009).

Barry Weingast and Donald Whittman, eds., *The Oxford Handbook of Political Economy* (especially Parts I, VII-X). New York: Oxford University Press, 2006.

Week 2 (September 4): How Much Market and How Much State in Democratic Capitalism

Note: Cassidy's book is an accessible, excellent treatment of core theories supporting reliance on free markets and – with more emphasis by the author – the theories of market failure and problems of modern capitalism that justify government intervention. Tanzi documents the empirical record of the expansive state in market-oriented economies over the last 130 years. Cameron's piece is a modern classic of comparative political economy that introduces some central theories about the growth of government in democratic capitalist political economies, theories that we will reexamine in future weeks.

Required:

Introduction, Chs. 1-4, and Chs. 9-14 in Cassidy, *Why Markets Fail*

Recommended:

Chapter 1 in Vito Tanzi, *Government versus Markets*. New York: Cambridge University Press, 2011. (Hard copy reserve.)

David Cameron (1978) "The Expansion of the Public Economy: A Comparative Analysis." *American Political Science Review* 72 (December): 1243-61. (Electronic journal)

Suggested:

Classic statements of strengths and weaknesses of (and trade-offs between) markets and governments/politics are: Charles Lindblom, *Politics and Markets: The World's Political-Economic Systems*. New York: Basic Books, 1977; Arthur Okun, *Equality versus Efficiency: The Big Tradeoff*. Washington, DC: Brookings, 1977.

A magisterial survey of the economics-dominated, rational choice approach to these questions is: Dennis Mueller, *Public Choice III*. New York: Cambridge University Press, 2003, especially Part I. Also see the remainder of Tanzi, *Government versus Markets*.

Part II: How Capitalism Shapes Democracy: Foundations

Week 3 (Sept 11). Does Economic Development Cause Democracy?

Note: Other than Duverger's Law on the relationship between electoral rules and party systems, there is no better-established relationship in political science than the statistical correlation between the level of economic development and democracy. Yet, the question of causality and just exactly how development is linked to democratization remains one of the most debated issues in the discipline. After reading the classic statement of Lipset (and we will review the alternative thesis of Moore in class), Huber *et al* and Boix offer seminal sophisticated extensions/modifications of the development and democracy linkage; Przeworski and Limongi offer an insightful and influential alternative interpretation of the nature of the linkage as well.

Required:

“Some Social Requisites of Democracy: Economic Development and Political Legitimacy” *American Political Science Review* (Vol. 53 March, 1959, pp. 69-105). (electronic journal) Also published as Ch. 2 of Lipset's *Political Man*.

Evelyne Huber, Dietrich Rueschemeyer, and John D. Stephens, “The Impact of Economic Development on Democracy.” *The Journal of Economic Perspectives* Vol 7 (No. 3, Summer), 1993, pp. 71-86. (Electronic journal)

Carles Boix, “Introduction” and Chapter 3, “Historical Evidence,” in *Democracy and Redistribution* New York: Cambridge University Press, 2003.* (hard copy reserve)

Recommended:

Adam Przeworski and Fernando Limongi. 1997. “Modernization: Theories and Facts.” *World Politics* (January, 1997): 155-83.* (electronic journal)

Suggested (For further reading and exploration in classics and recent seminal work):

Barrington Moore, *The Social Origins of Dictatorship and Democracy* (Boston: Beacon Press, 1966).

Ruth Berins Collier, *Paths Toward Democracy: The Working Class and Elites in Western Europe and Latin America*. New York: Cambridge University Press, 1999.

Rueschemeyer, Stephens, and Stephens, *Capitalist Development and Democracy*. Chicago: University of Chicago Press, 2002.

Ross Burkhardt and Michael Lewis-Beck. "Comparative Democracy: The Economic Development Thesis." *American Political Science Review* 88 (December, 1994): 903-10.

Adam Przeworski *et al Democracy and Development* (NY: Cambridge University Press, 2000).

Daron Acemoglu and James A. Robinson, *Economic Origins of Dictatorship and Democracy* (NY: Cambridge University Press, 2006).

Carles Boix (2011). "Democracy, Development, and the International System." *American Political Science Review* 105 (No. 4), 809-828.

John Freeman and Denis Quinn (2012). "The Economic Origins of Democracy Reconsidered." *American Political Science Review* 106 (No. 1, Feb.), 58-80.

Week 4 (Sept 18). Capitalist Economic Development, Politics, and the Democratic Welfare State

Note: A central feature of the state in modern capitalist democracies is the universal commitment of a large share of national resources to welfare protection. Indeed, the majority of national economic product taken and spent by the modern democratic capitalist state is directed toward social welfare provision - social insurance and social services to address the needs of populations at risk from withdrawal from the market (e.g., the aged, disabled, sick, involuntarily unemployed) and cash and social services that redistribute income and material supports toward poorer strata of the income distribution. A central question among social scientists for over a century has been whether or not the social welfare state is a function of the dictates of economic development or a product of politics (e.g., class power, the nature of democratic electoral competition or democratic institutions). Hicks provides a seminal treatment of the forces shaping development of the welfare state under democratic capitalism from the 1880s to 1980s. In the recommended reading, Iversen and Cusack offer a critical assessment of the "openness thesis" of post-WW II welfare state expansion and provide an alternative.

Required:

Alexander Hicks, Chs. 1-6. *Social Democracy and Welfare Capitalism*. Ithaca, NY: Cornell University Press, 1999.

Recommended:

Iversen, Torben and Thomas Cusack (2000). "The Causes of Welfare State Expansion." *World Politics* 52 (April): 313-349. (electronic journal)

Suggested (part of the tip of a large iceberg of literature on the development of the welfare state):

Gøsta Esping-Andersen, *Three Worlds of Welfare Capitalism*. London: Polity, 1990.

Peter Baldwin, *The Politics of Social Solidarity: Class Basis of the European Welfare State*. New York: Cambridge U. Press, 1990.

Evelyne Huber and John Stephens. Chapters 1-5 in *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. Chicago: University of Chicago Press, 2001.

Torben Iversen. *Capitalism, Democracy, and Welfare*. New York: Cambridge University Press, 2005.

Haggard, S., and Kaufman, R. R., 2008. *Development, Democracy, and Welfare States: Latin America, East Asia, and Eastern Europe* (especially Part I). Princeton, NJ: Princeton University Press.

Week 5 (Sept. 25). The Structural Power of Capital: A Privileged Position for Business?

Note: One of the most central questions for political scientists has been whether the power of private business to control investment (and hence so many features of economic performance) gives them a “privileged position” or structural power over the state and other interests in democratic polities. Is there a limit to how far democratically elected governments can go in providing public goods, insuring citizens against risk, cleaning up the environment, and redistributing income? If so, how strong is that constraint on democratically determined policies? Perhaps the most widely cited statement of the view that democracy is structurally constrained by capitalism and owners of capital is Lindblom’s Chapter 13 of the classic, *Political and Markets*. Swank offers a systematic assessment of whether governments that seek to tax capital and otherwise redistribute income and provide social protection are actually structurally constrained by the power of capital. Pontusson essentially outlines “the limits of social democratic reformism” – reforms that flow from democracy and impose costs on the owners of capital – in his 1993 paper (a condensed version of his 1992 book). In the recommended reading, Isabella Mares raises the prospect that employers may actually have variable interests and, under some conditions, might support government intervention in markets for social protection of citizens. This of course adds, at minimum, complexity to the privileged position/structural power thesis; at most, it raises serious questions about the assumption of generally similar interests of capitalists that undergirds the structural power thesis. (We will return to the crucial question of the power of capital below as we address the issue of globalization and national autonomy.)

Required:

Chapters 13 in Charles Lindblom, *Politics and Markets* (electronic copy on D2L)

Duane Swank (1992). "Politics and the Structural Dependence of the State." *American Political Science Review* 86 (March): 38-54. (Electronic journal)

Jonas Pontusson (1993). "The Comparative Politics of Labor-Initiated Reforms: Swedish Cases of Success and Failure." *Comparative Political Studies* 25 (No. 4 January), 548-78. (Electronic journal).

Recommended:

Isabela Mares, "The Sources of Business Interest in Social Insurance: Sectoral versus National Differences." *World Politics* 55 (January 2003), 299-58. (Electronic journal)

Suggested:

Adam Przeworski and Michael Wallerstein. "Structural Dependence of the State on Capital." *American Political Science Review* 82 (March, 1988): 11-30.

Dennis Quinn and Robert Shapiro. "Business Political Power: the Case of Taxation." *American Political Science Review* 85 (September, 1991): 856-871.

Jonas Pontusson, *The Limits of Social Democracy: Investment Politics in Sweden*. Ithaca, NY: Cornell University Press, 1992.

Graham Wilson, *Business and Politics: A Comparative Introduction* (3rd Ed.). New York: Chatham House, 2003.

Peter Swenson. *Capitalist Against Markets: The Making of Labor Markets and Welfare States in the United States and Sweden*. New York: Oxford University Press, 2002.

Karen Anderson and Steven Snow, "Forestalling the Business Veto: Investment Confidence and the Rise of Swedish Social Democracy, 1932-1936." *Social Science Quarterly* 84 (No. 1 March, 2003), 91-110.

Isabella Mares. *The Politics of Social Risk: Business and Welfare State Development*. (New York: Cambridge University Press, 2003).

Week 6 (Oct 2). Economic Performance and Political Behavior: Do Economics Determine Elections and Government Popularity?

Note: In the 1970s, a number of political scientists and economists argued that economics drives electoral outcomes and incumbent government popularity in contemporary democracies. Although the idea finds its origins among 19th and 20th century political economists, seminal work such as Edward Tufte's *The Political Control of the Economy* (Yale U. Press, 1978) set off

a torrent of research that has not yet ended. Without question, one of the central questions for students of democratic, market-oriented systems is whether government support among citizens and electoral outcomes depend on economic conditions and, if so, which conditions, in what ways, and with what consequences for the quality of democracy and for long-term economic performance.

Required:

Ch. 6 in Keech, *Economic Politics*

Michael Lewis-Beck and Mary Stegmaier (2007). "Economic Models of Voting." In the *Oxford Handbook of Political Behavior* (New York: Oxford University Press). (Electronic resource available online via MARQCAT).

Timothy Hellwig and David Samuels (2008). "Electoral Accountability and the Variety of Democratic Regimes." *British Journal of Political Science* 38 (No. 1, Jan.), 65-90. (electronic journal)

Recommended:

Matthew Singer (2011). "Who Says 'It's the Economy?'" Cross-national and Cross-Individual Variation in the Salience of Economic Performance." *Comparative Political Studies* 44 (No. 2), 284-312. (Electronic journal)

Suggested (some seminal work, recent studies, and reviews):

Edward Tufte's *The Political Control of the Economy*. New Haven: Yale U. Press, 1978.

Douglas Hibbs, *The American Political Economy*. Cambridge, MA: Harvard University Press, 1987.

Douglas Hibbs, *The Political Economy of Industrialized Democracies*. Cambridge, MA: Harvard University Press, 1987.

Michael Lewis-Beck. *Economics and Elections*. Ann Arbor: University of Michigan Press, 1990.

Michael Lewis-Beck and Mary Stegmaier (2000). "Economic Determinants of Electoral Outcomes." *Annual Review of Political Science* (Vol. 3): 183-219.

And, a useful, up-to-date synthesis: Douglas Hibbs, Ch. 31, "Voting and The Macroeconomy." in *The Oxford Handbook of Political Economy* (New York: Oxford University Press, 2006), pp. 565-586.

Ray Duch and Randall Stevenson (2008). *The Economic Vote: How Political and Economic Institutions Condition Election Results*. New York: Cambridge University Press.

Eric C.C. Chang, Mark Kayser, Drew Linzer, and Ron Rogowski. 2010. *Electoral Systems and the Balance of Consumer-Producer Power*. New York: Cambridge University Press.

Paolo Bellucci and Michael Lewis-Beck (2011). "A Stable Popularity Function? Cross-National Analysis." *European Journal of Political Research* 50, 190-211.

Part III: How Democracy Shapes Capitalism: Foundations

Week 7 (Oct 9). Political Institutions and the Diverse Paths of Capitalist Development

Note: Social scientists and historians have long assumed that economic development causes political development and democratization generally, and the emergence of political cleavages and the associated organization of interests specifically. Yet, it may be the case that political institutions and politicians also fundamentally shape the evolution of capitalism, the character of cleavages, and the organization of interests. Today, scholars emphasize that there are varieties of capitalism, namely, coordinated and liberal market economies (and perhaps subsets of these). Pontusson provides an excellent overview of the varieties of capitalism approach to classifying political economies. Martin and Swank argue that emergent electoral and party systems and features of the state during the initial decades of industrialization shaped the way private business organized and, in turn, the type of 20th century capitalism that emerged in particular nations. Cusack, Iversen, and Soskice challenge this view and argue that variations in 19th century capitalism caused the emergence of particular electoral and party systems in democratizing countries. The suggested readings offer a sample of classic and recent seminal work that explores the co-evolution of democracy and capitalism and the "varieties of democratic capitalism" that it has produced.

Required:

Ch. 2 of Pontusson, *Inequality and Prosperity*

Chs. 1-3, and 5 (Ch. 4 and 6 optional) in Martin and Swank, *The Political Construction of Business Interests*.

Recommended:

Thomas Cusack, Torben Iversen, and David Soskice (2007), "Economic Interests and the Origins of Electoral Institutions." *American Political Science Review* 101 (No. 3, August), 373-392.

Suggested:

(For the most influential statement of the approach: Peter Hall and David Soskice, *Varieties of Capitalism*. New York: Oxford University Press, 2001.)

Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe*. Ithaca, NY: Cornell University Press, 1985.

Colin Crouch. *Industrial Relations and European State Traditions* (New York: Oxford University Press, 1993).

Wolfgang Streeck and K. Yamamura, *The Origins of Non-Liberal Capitalism: Germany and Japan in Comparative Perspective*. Ithaca, NY: Cornell University Press, 2001.

Kathleen Thelen, *How Institutions Evolve: The Evolution of Skills in Germany, Britain, the United States and Japan* (NY: Cambridge University Press, 2004).

Markus Kreuzer, Thomas Cusack, Torben Iversen, and David Soskice ; Carles Boix, "Forum" (on the Co-evolution of Capitalism and Representative Institutions) in the *American Political Science Review* (104, No. 2, May, 2010).

Week 8 (Oct 16). **Paper Prospectus Due/Presentations**

Week 9 (Oct 23). The Impact of Democracy on the Economic Performance I: Does Democracy Subvert or Foster Economic Growth?

Note: One of the most controversial and relevant questions for the academe and for governments throughout the world is whether democracy actually hinders or fosters economic development. Grounding his theory in the basic logic of collective action problems, Mancur Olson articulated the widely debated and controversial view that (especially long-lived) democracy would retard economic growth. As we entered the "third wave of democratization" in the 1980s and beyond, many feared that at best democracy and the authoritarianism that it commonly replaced would differ little in their impacts on growth. What's the theory and evidence on this central question?

Required:

Mancur Olson. *The Rise and Decline of Nations*. Yale University Press, 1982.

Recommended:

Matthew Baum and David Lake (2003). "The Political Economy of Growth and Democracy and Human Capital." *American Journal of Political Science* (Vol. 47).* (electronic journal)

Suggested (A sample of the voluminous work on democracy's growth effects and general determinants of development/growth, as well as a review essay on a related question):

Virginia Grey and David Lowery. "Interest Group Politics and Economic Growth in the U.S. States." *American Political Science Review* (Vol 82, 1988).

David LeBlang. "Political Democracy and Economic Growth: Pooled Cross-Sectional, Time-Series Evidence." *British Journal of Political Science* (Vol. 27, 1997).

Mancur Olson. *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships*. New York: Basic Books, 2000.

Robert Barro and Xavier Sala-i-Martin. *Economic Growth*. New York: McGraw-Hill, 1995.

Robert Baro. *Determinants of Economic Growth: A Cross-Country Empirical Study*. Cambridge: MIT Press, 1997.

(Especially) Ch. 3, "Political Regimes and Economic Growth," in Adam Przeworski et al, *Democracy and Development*.

Dani Rodrik et al, "Institutional Rule: The Primacy of Institutions over Geography and Integration in Economic Development." *Journal of Economic Growth* no.2 June 2004.

(For a complementary and Nobel-winning perspective on collective action problems, see Elinor Ostrom, "Coping with the Tragedy of the Commons," *Annual Review of Political Science* (Vol. 2, 1999), 493-535.

Week 10 (Oct. 30). The Impact of Democracy on the Economic Performance II: Political Business Cycles and Other Consequences of Democratic Politics and Institutions.

Note: Are there electorally or partisan-induced cycles in policy and performance? Do democratic politics and institutions create other distortions (e.g., high budget deficits)? These are controversial and well-researched questions. Keech provides an excellent overview of the basic models of political economic cycles in Chs. 3 and 4 as well as related theories of potential economic problems under democracy. Franzese and Jusko offer a recent, critical assessment of these models. Boix offers another perspective: alternation in power of left- and right-leaning party governments may affect long-term economic policy and performance on the supply side. The suggested readings include seminal works, reviews and a recent state-of-the-art analysis of electoral business cycles (Canes-Wrone and Park, 2012).

Required:

Keech, *Economic Politics* (Chs. 1-4; 7 & 8)

Robert Franzese and Karen Long Jusko, Ch. 30, "Political-Economic Cycles," In *The Oxford Handbook of Political Economy* (New York: Oxford University Press, 2006), pp. 545-565 (electronic resource).

Recommended:

Carles Boix (1997). "Political Parties and the Supply-Side of the Economy..." *American Journal of Political Science* 41 (July): 814-845.* (electronic journal)

Suggested (See the chapters on the effect of parties and elections on policies and outcomes in the seminal work of Tufte and Hibbs; Franzese surveys the voluminous literature since the 1970s.)

Edward Tufte. *The Political Control of the Economy*. New Haven, CT; Yale University Press, 1978.

Douglas Hibbs, *The American Political Economy*. Cambridge, MA: Harvard University Press, 1987.

Douglas Hibbs, *The Political Economy of Industrialized Democracies*. Cambridge, MA: Harvard University Press, 1987.

Alberto Alesina and Gerald Cohen, *Political Cycles and the Macro-Economy*. Cambridge, MA: MIT Press, 1997.

Carles Boix (2000). "Partisan Governments, the International Economy and Macroeconomic Policies in OECD Countries." *World Politics* 53 (October): 38-73.* (electronic journal)

Robert Franzese. "Electoral and Partisan Cycles in Economic Policies and Outcomes." *Annual Review of Political Science* (Vol. 5, 2002). (electronic journal).

Brandice Canes-Wrone and Jee-Kwang Park, "Electoral Business Cycles in OECD Countries." *American Political Science Review* 106 (No. 1 Feb., 2012), 103-122.

Part IV: Contemporary Interactions between Capitalism and Democracy

Week 11 (Nov 6). Ideas and Postindustrial Change: The Rise of Neoliberalism (and the Return of Keynes?)

Note: To most scholars studying the transformation of economic policy and politics from the late 1970s, it is apparent that changes in ideas – especially the rise of ideas associated with the “neoliberal school” of macroeconomic theory – are a big part of the story. We will look at the content and the politics of ideas in this section via Keech and Cassidy as well as the highly influential work of Mark Blyth. The suggested reading list offers access to some of the best work and to some good reviews of the “ideational approach to political economy.”

Required:

Review Ch. 2 of Keech,

Chs. 6-8, 15-16 of Cassidy, *Why Markets Fail*

Mark Byth, "The Transformation of the Swedish Model: Economic Ideas, Distributional Conflict and Institutional Change" *World Politics* 54 (No. 1, October 2001), 1-26. (Electronic journal)

Recommended:

Vivian Schmidt (2002), “Does Discourse Matter in the Politics of Welfare State Adjustment,” *Comparative Political Studies* 35 (2): 168-93. (electronic journal)

Suggested (theory, applications, and reviews of the ideational approach):

Peter Hall, *The Political Power of Economic Ideas: Keynesianism Across Nations*. Princeton, NJ: Princeton University Press, 1989.

Peter Hall, “Policy Paradigms, Social Learning and the State” The Case of Economic Policymaking in Britain.” *Comparative Politics* (Vol. 25, 1993).

Mark Blyth, "Any More Bright Ideas? The Ideational Turn of Comparative Political Economy." *Comparative Politics* 29 (No. 1, January 1997), 229-250.

Kathleen McNamara, *The Currency of Ideas: Monetary Politics and the European Union*. Ithaca: Cornell University Press, 1998.

Sheri Berman. *The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe*. Cambridge: Harvard University Press, 1998.

Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the 20th Century*. New York; Cambridge University Press, 2002.

Beth Simmons, Frank Dobbin, and Geoffrey Garrett, "Introduction: The International Diffusion of Noliberalism," in *International Organization: Special Issue on the International Diffusion of Neoliberalism* Volume 60 (Fall 2006).*

Torben Iversen and David Soskice. 2006. "New Macroeconomics and Political Science." *Annual Review of Political Science* 9, 425-53.

Daniel Béland (2009). "Ideas, Institutions, and Policy Change," *Journal of European Public Policy* 15 (5): 701-718.

Week 12 (Nov 13). Global Markets and Domestic Autonomy: The Structural Power Thesis Revisited.

Note: If mainstream social scientists had not fully embraced the notion of the privileged position or structural power of capital before the dramatic liberalization of capital flows (and further liberalization of trade) after the early 1970s, they certainly did in large numbers after this time. Indeed, the mainstream view after the onset of internationalization (positively spun by neoconservatives as a check on big government, regarded as a serious threat to democracy by those on the left) was that trade competitiveness and capital mobility would pressure governments of all ideological stripes to pursue market-conforming policies (that is, retrench welfare states, reverse regulatory expansion, privatize public sector corporations and functions, practice prudent fiscal and monetary policies). Has globalization diminished national autonomy – even democracy – in the sense that the range of government policy choice has been significantly narrowed? Layna Mosley offers an influential (and highly relevant) account of how international bond markets (a core part of short-term international capital flows) constrain governments in developed and developing political economies. Economic historians Huberman and Lewchuck assess how economic openness during the first wave of globalization (late 19th to early 20th centuries) affected governments in industrializing and democratizing nations. The suggested readings provide a sample of a large literature.

Required:

Chs. 1-4, pp. 157-176 of Ch. 5 (remainder of book optional) in Mosley. *Global Capital and National Governments*.

Recommended:

Huberman, M., and Lewchuck, W. (2003). European economic integration and the Labour Compact. *European Review of Economic History*, 7: 3-41. (electronic journal)

Suggested:

Dani Rodrik, *Has Globalization Gone Too Far?* Washington, DC: Institute for International Economics, 1997.

Geoffrey Garrett. "Global Markets and National Policies: Collision Course or Virtuous Circle." *International Organization* (No. 4, 1998).

Geoffrey Garrett. *Partisan Politics in the Global Economy*. New York: Cambridge University Press, 1998.

Evelyne Huber and John Stephens (1998). "Internationalization and the Social Democratic Model." *Comparative Political Studies* (June).* (electronic journal)

Fritz Scharpf and Vivien Schmidt, eds. *Welfare and Work in the Open Economy, Parts I and II*. New York: Oxford University Press, 2001.

Duane Swank, *Global Capital, Political Institutions, and Policy Change in Developed Welfare States*. New York: Cambridge University Press, 2002.

Walter Korpi and Joakim Palme. "New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 Countries, 1975-1995." *American Political Science Review* (Vol. 97, 2003).

Haggard, S., and Kaufman, R. R., 2008. *Development, Democracy, and Welfare States: Latin America, East Asia, and Eastern Europe* (especially Part II). Princeton, NJ: Princeton University Press.

Rudra, N., 2008. *Globalization and the Race to the Bottom in Developing Countries: Who Really Gets Hurt?* New York: Cambridge University Press.

Jude Hays. 2009. *Globalization and the New Politics of Embedded Liberalism*. New York: Oxford University Press.

Week 13 (Nov 20): Adapting to Postindustrial Pressures I: Performance in Social Market and Liberal Market Economies

Note: In this and the subsequent section, we will assess how and why coordinated and liberal market economies have performed differently in the face of postindustrialization, or pressures from sociocultural and demographic changes, deindustrialization, and internationalization. This week we will critically reflect on Pontusson's assessment of social market and liberal market economies' performance as well as Hicks and Kenworthy's influential (and controversial) account of why social/coordinated market economies may actually produce both good growth and much better egalitarian outcomes than liberal market economies. Next week we will consider Martin and Swank's explanation of the adaptive power of macrocorporatist institutions and the role of organized business in the process - as well as a critical appraisal of social democratic \

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corporatism provided by Rueda. Suggested readings for both sections are at the end of the second section.

Required:

Chs. 3-5, 7-8 in Pontusson, *Inequality and Prosperity*

Recommended:

Alex Hicks and Lane Kenworthy, "Cooperation and Political Economic Performance in Affluent Democratic Capitalism." *American Journal of Sociology* 103 (6), 1998: 1631-72.

Week 14 (Nov. 27). Adapting to Postindustrial Pressures II: The Role of Employers and Corporatist Institutions

Required:

Chs. 7-10, 12 (Ch. 11 optional) in Martin and Swank, *The Political Construction of Business Interests*.

Recommended:

Rueda, David. 2006. "Social Democracy and Active Labour-Market Policies: Insiders, Outsiders and the Politics of Employment Promotion." *British Journal of Political Science* 36: 385-406.* (electronic journal)

Suggested:

Gøsta Esping-Andersen. *Social Foundations of Postindustrial Economies*. New York: Oxford University Press, 1999.

Torben Iversen and Anne Wren. "Equality, Unemployment, and Budgetary Restraint: The Trilemma of the Service Economy." *World Politics* 50 (4), 1998: 507-46.

Alex Hicks and Lane Kenworthy. "Varieties of Welfare Capitalism" *Socio-Economic Review* (Vol 1, 2003).

David Rueda, *Social Democracy Inside Out*. New York: Cambridge University Press, 2006.

Korpi, Walter. 2006. "Power Resources and Employer-Centered Approaches in Explanations of Welfare States and Varieties of Capitalism." *World Politics* 58 (January): 167-206.

Huo, Jingjing. 2009. *Third Way Reforms: Social Democracy after the Golden Age*. New York: Cambridge University Press.

Scheve, Kenneth and David Stasavage. 2009. "Institutions, Partisanship, and Inequality in the Long Run." *World Politics* 61 (2): 215-53. (electronic journal)

Torben Iversen and Frances Rosenbluth, 2010. *Women, Work, and Politics: The Political Economy of Gender Inequality*. New Haven: Yale University Press.

Harold Wilensky. 2012. *The American Political Economy in Comparative Perspective*. New York: Cambridge University Press.

Kathleen Thelen. 2012. Varieties of Capitalism: Trajectories of Liberalization and the New Politics of Social Solidarity. *Annual Review of Political Science* 15, 137-59.

Week 15 (Dec 4). Reflections on the Current Crises (and presentations of research papers).

Required:

Chs. 17-23 in Cassidy, *Why Markets Fail*

"Conclusions," in Martin and Swank, *The Political Construction of Business Interests*.

Presentation of preliminary results/conclusions from research papers.

Suggested:

Jonas Pontusson and Damian Raess. 2012. "How (and Why) Is This Time Different? The Politics of Economic Crisis in Western Europe and the United States." *Annual Review of Political Science* 15, 13-33.

Posner, Richard. 2010. *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression*. Harvard University Press.

Reinhart, Carmen and Ken Rogoff. 2009. *This Time is Different: Eight Centuries of Financial Folly*. Princeton, NJ: Princeton University Press.

Stiglitz, Joseph. 2010. *Freefall: America, Free Markets, and the Sinking of the World Economy*. NY: W.W. Norton and Company.

(For more background: Kindleberger, Charles and R. Aliber. 2005. *Manias, Panics, and Crashes: A History of Financial Crises*. John Wiley.)

Final Papers Due December 11.