

University of Houston Department of Political Science
POLS 6308: Graduate Seminar in Political Economy

Spring 2008

Wednesdays, 5:30-8:30pm, PGH 405

Instructor: Tim Hellwig

Office hours: by appointment, or just stop by, PGH 447

E-mail: thellwig@uh.edu

Phone: 713-743-3914

Description

“Political Economy” means a lot of things – and it means different things to different people. For some, it is the use of micro-economic tools to analyze interactions among political actors. For others, political economy refers to the intersection between politics and markets: how political conflict drives material (distributive) conflicts and, in turn, how economic shapes political outcomes. This course will focus mainly on the latter set of questions; that is, on connections between politics and markets. A recent quote from a leading political economist nicely illustrates the range of topics involved:

Imagine contemporary political economy as the electromagnetic spectrum. At one end are very long-run processes, such as the emergence of the political institutions that generate divergence between rich and poor countries in the world economy. At the other end are short-run phenomena, such as the movements in financial markets that we ponder while reading the stock pages with our morning coffee.¹

In this course, we will do our best to sample from classic and contemporary research at various points along this “electromagnetic spectrum” which comprises the study of political economy. The focus will be comparative – this includes a fair number of works which use the American case. Topics include the economy and political regimes, the making of economic policy, the economy and elections, political business cycles and political control over policy levers, inequality and redistribution, and the rise (and fall?) of the welfare state.

Each week we will discuss current debates in the literature on these topics. We also will address methodological innovations and concerns found in the readings. It is my intention that by the end of the course, students have a good understanding of the boundaries of the field and be able to critically evaluate and contribute to the literature on political economy in their substantive area of interest.

Course Requirements

Each student is expected to complete all required reading--in advance of the listed course meeting--and attend class each week prepared to discuss them each week. This is a seminar, meaning that students participate with the instructor on an equal level. Accordingly, I place considerable weight on participation when assigning course grades.

In addition to general participation, each week you are to submit a list of **3** questions to me on the readings for that week. These are to be sent to me via email at thellwig@uh.edu by **1:00pm**

¹ Steph Haggard, Review of *Democratic Processes and Financial Markets* in *Perspectives on Politics* 5(4), p. 856.

on each Wednesday. Many if not all of these questions will be read in class as a way to stimulate discussion on the readings and (hopefully) will be an aid in organizing your thoughts. We will talk more about what constitutes a good question, but in general good questions a) draw connections across readings (either within a given week or to readings from previous weeks), b) raise issues regarding theoretical and methodological decisions made by the author(s), c) ask what issues remain on a given topic, given the terrain covered on it for that week, and so on.

Finally, as regards participation, each week we will have at least one student serve as discussion leader and spend about 10-15 minutes to introduce that week's readings.

Regarding written work, you have a choice. Option 1 is to write a research paper of around 25 pages (double-spaced, 12 pt font, 1 inch margins). Good papers use original data analysis and contribute to the current debate in a particular topic in political economy. Empirical components of papers could take on several forms: "large N" cross-national/statistical, analyses of micro-level national election studies data, comparative case studies, a single critical case, etc. Students should arrange times to meet with me about paper topics. Ideally, you will choose a topic that is of interest to you and can be reworked in the future as a conference paper, journal submission, thesis, or dissertation. Students who choose this option should submit a 1-2 page outline of their paper to the instructor by Wednesday February 5.

In lieu of a research paper, Option 2 is to write an original critical review of one of the books listed on the syllabus (either as a required or recommended reading) **plus** write a final exam. The book review should be around 1500 words and should devote roughly equal space to a) summarizing the text's arguments and how it goes about testing them (that is, its organization), b) praising/criticizing it, and c) discussing how it relates to other works in its field and what it means for future research in the area. For guides, you may wish to take a look at a journal like APSA's *Perspectives on Politics* or ISA's *International Studies Review*. The book review will be due Wednesday, April 9. The final exam will approximate the format and scope of the comprehensive exam for comparative politics in that it there will be a set of questions to choose from and the exam will be take-home (24 hr).

Grades will be based on the following percentages:

Participation

Weekly discussion questions	20% (due by 1:00 pm on Wednesdays)
Discussion leader	10%
General weekly participation	20%

Written work (choose Option 1 OR Option 2)

Option 1

Research paper	50% (due April 30 - short outline, due Feb. 5)
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Option 2

Critical book review	20% (due April 9)
Final Exam	30% (24hr take-home, approx. April 30)

Readings

Course readings will be available for purchase (at the University Bookstore, Rothers, or online), on JSTOR, other websites, or via a CD-rom distributed by the instructor.

The following books have been ordered by the bookstore:

Acemoglu, Daron, and James Robinson. 2005. *Economic Origins of Dictatorship and Democracy*. Cambridge: Cambridge University Press.

Alesina, Alberto, and Howard Rosenthal. 1998. *Partisan Politics, Divided Government, and the Economy*. Cambridge: Cambridge University Press.

Bernhard, William, and David Leblang. 2006. *Democratic Processes and Financial Markets: Pricing Politics*. Cambridge: Cambridge University Press.

Boix, Carles. 1998. *Political Parties, Growth and Equality*. Cambridge: Cambridge University Press.

Esping-Andersen, Gosta. 1990. *The Three Worlds of Welfare Capitalism*. Princeton, N.J.: Princeton University Press.

Hacker, Jacob S. 2002. *The Divided Welfare State*. Cambridge: Cambridge University Press.

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

Mares, Isabella. 2006. *Taxation, Wage Bargaining and Unemployment*. Cambridge: Cambridge University Press.

Other books of interest (we will be reading parts of some of these)

Boix, Carles. 2000. *Democracy and Redistribution*. Cambridge: Cambridge University Press.

Gourevitch, Peter A. 1986. *Politics in Hard Times*. Ithaca, NY: Cornell University Press.

Hall, Peter A. 1986. *Governing the Economy*. New York: Oxford University Press.

Hall, Peter A., and David Soskice. 2001. *Varieties of Capitalism*. New York: Oxford University Press.

Polanyi, Karl. 1971. *The Great Transformation*. Boston: Beacon.

Rogowski, Ronald. 1989. *Commerce and Coalitions*. Princeton, NJ: Princeton University Press.

Rueschemeyer, Dietrich, Evelyne H. Stephens, and John D. Stephens. 1992. *Capitalist Development and Democracy*. Chicago: University of Chicago Press.

Schumpeter, Joseph A. 1975. *Capitalism, Socialism, and Democracy*. New York: Harpers.

Course Outline and Reading Assignments

Note: the instructor reserves the right to make changes to the reading schedule, provided they are done in advance.

Week 1 (January 16). Introduction

Week 2 (January 23). The Intellectual Terrain

Discussion leader: _____

Required

- Caporaso, J.A., and D. Levine. 1992. *Theories of Political Economy*. Chapters 1 & 6
- Schumpeter, Joseph A. 1942. *Capitalism, Socialism, and Democracy*. Part II: Can Capitalism Survive? (pp. 59-164)
- Polanyi, K. 1957 (1944). *The Great Transformation*. Chapters 6, 10-13 (pp. 68-76, 111-162)
- Hall, Peter A. 1986. *Governing the Economy*. New York: Oxford University Press. Chapter 1 (pp. 3-22).

Recommended

- Downs, A. 1957. *An Economic Theory of Democracy*. New York: Harper.
- Friedman, Milton. 1962. *Capitalism and Freedom*. Chapters 1 & 2. (pp. 7-36)
- Hayek, F.A. 1976 (1944). *The Road to Serfdom*. Chicago: University of Chicago Press.
- Lenin, V. 1939. *Imperialism: The Highest Stage of Capitalism*.

Week 3 (January 30). The Economy and Political Regimes 1: The Economy and the choice of Political Regime

Discussion leader: _____

Required

- Rueschemeyer, Dietrich, Evelyne H. Stephens, and John D. Stephens. 1992. *Capitalist Development and Democracy*. Chicago: University of Chicago Press., Chapters 1-3 (Pp.1-78)
- Boix, Carles. 2003. *Democracy and Redistribution*. Cambridge. U.P. Introduction, Chapters 1 & 2 (pp. 1-97)
- Acemoglu, D. and J.A. Robinson. 2006. *Economic Origins of Dictatorship and Democracy*. Chapters 1-6 (pp. 1-220).

Recommended

- Przeworski, A., et al. 2000. *Democracy and Development*. CUP.
- Lipset, S.M. 1959. "Some Social Requisites of Democracy." *APSR*. 53: 69-105.
- Ziblatt, Daniel. 2006. "How Did Europe Democratize?" *World Politics* 58 (January): 311-38.

Week 4 (February 6). The Economy and Political Regimes 2: Economic Effects of Institutions

Discussion leader: _____

Required

- Rogowski, R. 1987. "Trade and the Variety of Democratic Institutions." *International Organization*, Vol. 41, No. 2.

- Rogowski, R. and M.A. Kayser. 2002. "Majoritarian Electoral Systems and Consumer Power: Price-Level Evidence from OECD Countries." *AJPS* 46(3): 526-39.
- Persson, T., G. Roland, & G. Tabellini. 2003. "How do Electoral Rules Shape Party Structures, Government Coalitions, and Economic Policies?" NBER working paper 10176. Available at <http://www.nber.org/papers/w10176.pdf> (read pp. 1-46 + tables, skim rest)
- Iversen, T. and D. Soskice. 2006. "Electoral Institutions and the Politics of Coalitions." *APSR* 100(2): 165-81. Available at <http://www.people.fas.harvard.edu/~iversen/PDFfiles/Iversen-Soskice2005.pdf>
- Allen Hicken, Shanker Satyanath, and Ernest Sergenti. 2005. "Political Institutions and Economic Performance: The Effects of Accountability and Obstacles to Policy." *AJPS* 49(4): 897-907.

Recommended

- Chang, Kayser, and Rogowski. Forthcoming. "Electoral Systems and Real Prices: Panel Evidence for the OECD Countries, 1970-2000." *BJPS*.

Week 5 (February 13). Institutions and Policy 1: Labor Market Institutions

Outlines for research paper due

Discussion leader: _____

Required

- Alvarez, R. Michael, G. Garrett, and P. Lange. 1991. "Government Partisanship, Labor Organization, and Macroeconomic Performance, 1967-1984." *APSR* 85(2): 539-56.
- Wallerstein, Michael. 1999. "Wage-Setting Institutions and Pay Inequality in Advanced Industrial Societies," *American Journal of Political Science* 43 (July): 649-680.
- Mares, Isabela. 2006. *Taxation, Wage Bargaining, and Unemployment*. Cambridge: Cambridge University Press. Chapters TBD.
- Murillo, Maria Victoria. 2000. "From Populism to Neoliberalism: Labor Unions and Market Reforms in Latin America," *World Politics* 52 (January 2000).

Recommended

- Hall, Peter A., and David Soskice. 2001. *Varieties of Capitalism*. New York: Oxford University Press.
- Hall, Peter A. 1986. *Governing the Economy*. New York: Oxford University Press.
- Martin, C.J, and D. Swank. 2004. "Does the Organization of Capital Matter? Employers and Active Labor Market Policy at the National and Firm Levels." *American Political Science Review*, Volume 98, Issue 04, pp 593-611

Week 6 (February 20). Institutions and Policy 2: Monetary Institutions

Discussion leader: _____

Required

- Goodman, John. 1991. "The Politics of Central Bank Independence." *Comparative Politics* 329-49.
- Bernhard, William. 1998. "A Political Explanation for Variations in Central Bank Independence." *APSR* 92(2): 311-327.

- Iversen, Torben. 1998. "Wage Bargaining, Central Bank Independence, and the Real Effects of Money." *International Organization* 52(3): 469-504.
- Clark, William Roberts, and Mark Hallerberg. 2000. "Mobile Capital, Domestic Institutions, and Electorally Induced Monetary and Fiscal Policy." *American Political Science Review* 94(2):323-346.
- Iversen and Soskice. 2006. "New Macroeconomics and Political Science." *Annual Review of Political Science* 9:425-53. Available at <http://www.people.fas.harvard.edu/~iversen/PDFfiles/NewMacroeconomics.pdf>

Recommended

- Special issue of *International Organization* 56:4 (2002) on the politics of central banks

Week 7 (February 27). Partisanship and Policy

Discussion leader: _____

Required

- Przeworski, A. and M. Wallerstein. 1985. "Democratic Capitalism at the Crossroads." Chapter 6 of *Capitalism and Social Democracy*. (pp. 205-221).
- Alesina, A and H. Rosenthal. 1995. *Partisan Politics, Divided Government and the Economy*. Chapter 7 (pp. 161-187).
- Alt, James E., and David Dreyer Lassen. 2006. "Transparency, Political Polarization, and Political Budget Cycles in OECD Countries." *AJPS* 50(3): 530-550.
- Boix, Carles. 1998. *Political Parties, Growth and Equality: Conservative and Social Democratic Strategies in the World Economy*. New York: Cambridge University. Chapters 1-4 & 9 (pp. 1-104, 202-218)

Recommended

- Hibbs, D. 1977. "Political Parties and Macroeconomic Policy" *APSR* 71: 1467-87.
- Nordhaus, W. 1975. "The Political Business Cycle." *Review of Economic Studies* 42:169-90.
- Alesina, Roubini, and Cohen. 1997. *Political Cycles and the Macroeconomy*. Cambridge: MIT Press.
- Alt, J., and A. Alesina, A. "Political Economy: An Overview." In *A New Handbook of Political Science*, R.E. Goodin & H-D Klingemann, eds. Oxford. OUP. Pp. 645-74.
- Leblang, D., and B. Mukherjee. 2005. "Government Partisanship, Elections, and the Stock Market: Examining American and British Stock Returns, 1930–2000" *American Journal of Political Science* 49(4).
- Herron, Michael. 2000. "Estimating the Economic Impact of Political Party Competition in the 1992 British Election." *American Journal of Political Science* 44(3): 326-37.

Week 8 (March 5). Partisanship and Policy Redux? Changing Political Economies in Postindustrial Societies – a selection

Discussion leader: _____

Required

- Pontusson, Jonas. 1995. "Explaining the decline of European social democracy: The role of structural economic change." *World Politics* 47: 495-533.
- Rueda, David. 2005. "Insider-outsider politics in industrialized democracies: The challenge to social democratic parties." *American Political Science Review* 99: 61-74.

- Iversen, Torben, and Anne Wren. 1998. "Equality, Employment, and Budgetary Constraint: The Trilemma of the Service Economy." *World Politics* 50(4): 504-46.
- Estévez-Abe, Margarita. 2006. "Gendering the Varieties of Capitalism: A Study of Occupational Segregation by Sex in Advanced Industrial Societies" *World Politics* 59(1): 142-75.
- Hellwig, Timothy. Forthcoming "Explaining the Salience of Left-Right Ideology in Postindustrial Democracies: The Role of Structural Economic Change." *European Journal of Political Research*. Available at <http://www.polsci.uh.edu/hellwig/papers/policyvoting10012007.pdf>

Recommended

- Kitschelt, Herbert. 1994. *The Transformation of European Social Democracy*. Cambridge: Cambridge University Press.
- Piore, Michael J., and Charles F. Sabel. *The Second Industrial Divide*. New York: Basic Books.

Week 9 (March 12). International Trade and Political Coalitions

Discussion leader: _____

Required

- Gourevitch, Peter. 1986. *Politics in Hard Times*. Chapters 1-2 & 6 (Pp. 17-68, 181-220)
- Rogowski, R. 1987. "Political Cleavages and Changing Exposure to Trade" *American Political Science Review*, Vol. 81, No. 4. pp. 1121-1137.
- Midford, P. 1993. "International Trade and Domestic Politics: Improving on Rogowski's Model of Political Alignments." *International Organization*, Vol. 47, No. 4., pp. 535-564.
- Hiscox, Michael J. 2001. "Class versus Industry Cleavages: Inter-Industry Factor Mobility and the Politics of Trade." *International Organization*, Vol. 55, No. 1., pp. 1-46.

Recommended

- Rogowski, R. 1989. *Commerce and Coalitions*. Princeton: Princeton University Press.
- Hiscox, M.J. 2002. *International Trade and Political Conflict*. Princeton: Princeton University Press.
- Garst, W.D. 1998. "From Factor Endowments to Class Struggle: Pre-World War German and Rogowski's Theory of Trade and Political Cleavages." *Comparative Political Studies* 31(1): 22-44.
- Alt, Friden, Gilligan, Rodrik, and Rogowski. 1996. "The Political Economy of International Trade: Enduring Puzzles and an Agenda for Inquiry." *Comparative Political Studies*.

Week 10 (March 19) Spring Break

Week 11 (March 26) – Models of the Welfare State

Discussion leader: _____

- Esping-Andersen, Gøsta. 1990. *The Three Worlds of Welfare Capitalism*. Princeton, NJ: Princeton University Press. Chapters 1-3, 8-9 (pp. 9-78, 191-229)
- Hacker, Jacob. 2002. *The Divided Welfare State*. Cambridge: CUP. Intro, Chapters 1, 6-7 (pp. 5-66, 275-335)

- Rudra, Nita. 2007. "Welfare States in Developing Countries: Unique or Universal?" *Journal of Politics* 69(2). Available at http://www.journalofpolitics.org/files/69_2/Rudra.pdf

Week 12 (April 2) – NO CLASS - Instructor away at Political Studies Association Conference. Keep reading – work on papers.

Week 13 (April 9) – The Rise (and Fall?) of the Welfare State

****Book reviews due****

Discussion leader: _____

Required

- Peter Swenson. 1991. "Bringing Capital Back In, or Social Democracy Reconsidered: Employer Power, Cross-Class Alliances, and Centralization of Industrial Relations in Denmark and Sweden." *World Politics* 43 (July 1991)
- Korpi, Walter. 2006. "Power Resources and Employer-Centered Approaches in Explanations of Welfare States and Varieties of Capitalism." *World Politics* 58(2): 167-206.
- Iversen, Torben. 2005. *Capitalism, Democracy, and Welfare*. Cambridge: CUP. Chapters 1-5 (pp. 3-216)

Recommended

- Swenson, Peter A. 1997. "Arranged Alliance: Business Interests in the New Deal." *Politics and Society* 25(1): 66-116.
- Hellwig, T. 2005. "The Origins of Unemployment Insurance in Britain: A Cross-Class Alliance Approach," *Social Science History* 19(1):107-36.
- Iversen, Torben, and Thomas Cusack. 2000. "The Causes of Welfare State Expansion: Deindustrialization or Globalization?" *World Politics* 52(April): 313-49
- Isabela Mares, *The Politics of Social Risk: Business and Welfare State Development* (Cambridge: Cambridge University Press, 2003).
- Karl Ove Moene, and Michael Wallerstein, "Inequality, social insurance and redistribution," *American Political Science Review* 95(4), 2001, 859-874.

Week 14 (April 16) The Economy and Mass Politics

Discussion leader: _____

Required

- Alesina, A. and H. Rosenthal. 1995. *Partisan Politics, Divided Government and the Economy*. Chapters 1-4, 8-9 (pp. 1-83 and 188-240. Skim appendices to chapters).
- Scheve, Kenneth. 2004. "Public Inflation Aversion and the Political Economy of Macroeconomic Policymaking." *International Organization* 58(1): 1-34.
- Sattler, T., J.R. Freeman, and P.T. Brandt. 2008. "Political Accountability and the Room to Maneuver: A Search for a Causal Chain." Forthcoming in *Comparative Political Studies*. Available at http://www.polisci.umn.edu/~freeman/SFB_CPSRevised.pdf

Recommended

- Bernhard, William, and David Leblang. 2006. *Democratic Processes and Financial Markets: Pricing Politics*. Cambridge: Cambridge University Press. Chapter 8.

- Andy Baker (2003). "Why is Trade Reform so Popular in Latin America? A Consumption-Based Theory of Trade Policy Preferences." *World Politics* 55(3): 423-55.
- Palmer, Harvey and Guy Whitten. 1999. "The Electoral Impact of Unexpected Inflation and Economic Growth." *British Journal of Political Science* 29(4): 623-41.

Week 15 (April 23) The Economy, Capital Markets, and Governments

Discussion leader: _____

Required

- Mosley, Layna. 2000. "Room to Move: International Financial Markets and National Welfare States." *International Organization* 54: 737-773.
- Sarah M. Brooks. 2004. "Explaining Capital Account Liberalization in Latin America: A Transitional Cost Approach." *World Politics* 56(3):389-430.
- Bernhard, William, and David Leblang. 2006. *Democratic Processes and Financial Markets: Pricing Politics*. Cambridge: Cambridge University Press. Chapters 1-4 & 7 (pp. 1-102, 170-197).

Recommended

- Garrett, Geoffrey. 1995. "Trade, Capital Mobility, and the Politics of Economic Policy." *International Organization* 49: 657-87.
- Basinger, Scott, and Mark Hallerberg. 2004. "Remodeling the Competition for Capital: How Domestic Politics Erases the Race-to-the-Bottom." *American Political Science Review*.

Week 16 (April 30) Catch up, wrap up, students presentations (optional), turn in final papers.