

Comparative Political Economy

Spring 2017

Course Number: 16:790:555
Class Time: Mon 3:00 pm -5:40 pm
Classroom: Hickman 313
Office hours: by appointment

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Course Description

This seminar provides an introduction to the main theories of comparative political economy. The survey of these theories is organized as a progression from micro- to macro-level explanations. We begin by examining the sources of political cleavages over various economic policies and the formation of political coalitions. Next, we explore a range of theories positing that differences in the organization of interest groups lead to systematic differences in economic outcomes. We examine how comparativists have studied the problem of 'state capture' by interest groups and its economic and political consequences. In the second part of the course, we apply these theoretical building blocks to a variety of issue areas, including financial development, taxation, development of social welfare, and the political management of unemployment.

Requirements

This is a graduate seminar covering the theoretical evolution in a large sub-field in comparative politics. I expect that seminar participants have taken PS 503 Approach to Comparative Political Analysis. Students are expected to complete the required readings each week and to contribute to the seminar discussion. Thoughtful participation based on extensive preparation is essential, including offering a critical assessment of the weekly readings, raising significant questions for discussion, presenting commentaries on the reaction papers of the week, and responding to other students' comments or questions.

There are two written assignments that will be graded: (a) four 1000-1200 word reaction papers, based on the required readings for a particular week. These papers are due by 5:00 pm on the Friday before the class meets; (b) one seminar paper is due on May 1st at 5:00 pm. Seminar participations are asked to identify a theoretical and empirical problem that has not been well resolved by existing studies and outline an empirical strategy to resolve this controversy. Students will have two opportunities to present their work. In week 7, students will present a proposal that outlines the research question and proposes the empirical strategy. In week 13, students will be asked to present preliminary empirical results. On both occasions, I expect each student to prepare a formal presentation of their arguments and evidence (using power point).

Students are required to upload both the papers and the presentations (if any) to the course web-site on Sakai no later than 5 p.m. on the Friday prior to class meeting.

Evaluation

Class participation:	25 percent
Reaction papers:	25 percent
Seminar paper and presentations:	50 percent

Readings

Articles can be downloaded from the course web-site on Sakai. The following books will be put on reserve at Douglass library. You can also order the books from Amazon.com or Barnes and Noble (bn.com) where less expensive copies are often available.

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

Gehlbach, Scott. 2008. *Representation through taxation: Revenue, politics and development in postcommunist states*. New York: Cambridge University Press.

Gourevitch, Peter and Shinn, James. 2006. *Political Power and Corporate Control: The New Global Politics of Corporate Governance*. Princeton: Princeton University Press.

Hall, Peter and Soskice, David. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.

Haggard, S. and R. Kaufman. 2008. *Development, democracy and welfare states*. Princeton, Princeton University Press.

Hiscox, Michael. 2002. *International Trade and Political Conflict*. Princeton: Princeton University Press.

Iversen, Torben. 1999. *Contested Economic Institutions*. New York: Cambridge University Press.

Kato, Junka. 2003. *Regressive Taxation and the Welfare State*. New York: Cambridge University Press.

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

Mares, Isabela. 2006. *Taxation, Wage Bargaining and Unemployment*. New York: Cambridge University Press.

Swenson, Peter. 2002. *Capitalists against markets: The Making of labor markets and welfare states in the United States and Sweden*. Oxford: Oxford University Press.

Roe, Mark. 2000. *Weak managers, strong owners: The political roots of American corporate finance*. New York, Oxford University Press.

Häusermann, Silja. 2010. *The Politics of Welfare State Reform in Continental Europe: Modernization in Hard Times*: Cambridge University Press.

Schmitter, Philippe and Lehmbruch, Gerhard. eds. 1979. *Trends towards corporatist intermediation*. Beverly Hills.

Goldthorpe, John, ed. 1984. *Order and Conflict in Contemporary Capitalism*. New York: Clarendon Press.

COURSE OVERVIEW

PART I

Week 1	Introduction
Week 2	The study of preferences
Week 3	The organization of labor interests
Week 4	The organization of business interests
Week 5	The source of political coalitions: class or sector
Week 6	The state
Week 7	Discussion of paper proposals

PART II

Week 8	The political economy of financial development
Week 9	The political economy of social welfare
Week 10	The political economy of social welfare (II)
Week 11	The political management of unemployment
Week 12	The political economy of taxation
Week 13	Discussion of papers

TOPICS AND READINGS

Week 1 (1/23): Overview of the course

Keefer, Philip. 2004. What Does Political Economy Tell Us About Economic Development – and Vice Versa? *Annual Review of Political Science* 7:247-272

Acemoglu, Daron, Johnson, Simon and Robinson, James. 2004. Institutions as a fundamental cause of long run growth. NBER Working Paper No. 10481. (Available at <http://www.nber.org/papers/w10481>)

Recommended reference books

Drazen, Allan. 2000. *Political Economy in Macroeconomics*. Princeton: Princeton University Press.

Persson, Torsten and Tabellini, Guido. 2000. *Political Economics: Explaining Economic Policy*. Cambridge: MIT Press.

Carlin, Wendy and Soskice, David. 1990. *Macroeconomics and the Wage Bargain: A modern approach to employment, inflation and the exchange rate*. Oxford: Oxford University Press.

PART 1: The building blocks: preferences, economic interests and institutions

Week 2 (1/30): Preferences

Finseraas, Henning. 2009. Income inequality and the demand for redistribution: A multilevel analysis of European public opinion. *Scandinavian Political Studies*, 32(1), 94- 119.

Iversen, Torben and Soskice, David. 2001. An Asset Theory of Social Policy Preferences, *American Political Science Review*, 95 (4), 875- 893.

Alesina, A. and P. Giuliano (2009) Preferences for redistribution. *IZA Discussion Paper* 4056. (<http://www.nber.org/papers/w14825.pdf>)

Beramendi, P. R., Philipp. (2015). Who Gives, Who Gains? Progressivity and Preferences. *Comparative Political Studies*, 49(4), 529 - 563.

Hiscox, M. (2006). "Through a glass and darkly: Attitudes towards international trade and the curious effects of issue framing." *International Organization* 60 (Summer): 755-780.

Recommended readings:

Benabou and Ok. Social mobility and the demand for redistribution: the POUM hypothesis. *QJE*. 116:2, 447- 487.

Scheve, K. and Stasavage, D. (2009). Religion and the preferences for social insurance. *Quarterly Journal of Political Science*, 1(3), 255-286.

Giuliano and Spilimbergo. 2008. Growing up in bad times, macroeconomic volatility and the formation of beliefs. (http://cep.lse.ac.uk/seminarpapers/20-06-08_Giuliano.pdf)

De la O, Ana and Rodden, Jonathan. 2008. Does Religion distract the poor? Income and issue voting around the world. *Comparative Political Studies*, 41

Alesina, A. and P. Giuliano (2008). The power of the family. Cambridge, Harvard University. (<http://www.nber.org/papers/w13051>)

Week 3 (2/6): The organization of labor group

Cameron, David. 1984. Social Democracy, Corporatism, Labor Quiescence, and the Representation of Economic Interest in Advanced Capitalist Society, In Goldthorpe, John, ed. *Order and Conflict in Contemporary Capitalism*, New York: Clarendon Press, pp. 143- 178.

Calmfors, Lars and Driffill, John. 1988. Bargaining Structure, Corporatism and Macroeconomic Performance. *Economic Policy* 3: 1, 13-61.

Kenworthy, Lane. 2001. Wage-setting measures: A survey and assessment, *World Politics* 54: 1, 57-98.

Scheve, Kenneth and Stasavage, David. 2009. Institutions, inequality and partisanship in the long run. *World Politics*. 61: 2, 215- 253.

Kim, Sung Eun. Margalit, Yotam. (2016). Informed Preferences? The Impact of Unions on Workers' Policy Views. *American Journal of Political Science*, 61(3), 728-743.

Recommended readings:

Schmitter, Philippe. 1979. Still the century of corporatism? In Schmitter, Philippe and Lehmbruch, Gerhard. Eds. *Trends towards corporatist intermediation*, Beverly Hills: Sage, 43- 94.

Soskice, David. 1990. Wage Determination: The Changing Role of Institutions in Advanced Industrialized Countries. *Oxford Review of Economic Policy*, 6:4, 36-61.

Week 4 (2/13): The organization of business group

Hall, Peter and Soskice, David. 2001. An Introduction to Varieties of Capitalism, in Hall, Peter and Soskice, David. Eds. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press, Chapter 1.

Hall, Peter and Gingerich, Daniel. 2001. *Varieties of Capitalism and Institutional Complementarities in the Macroeconomy: An Empirical Analysis*, manuscript, Harvard University.

(https://dash.harvard.edu/bitstream/handle/1/4481421/Hall_VarietiesCapitalismEmpirical.pdf?sequence=2)

Martin, Cathie Jo, and Duane Swank. "The Political Origins of Coordinated Capitalism: Business Organizations, Party Systems and State Structure in the Age of Innocence." *American Political Science Review* 102, no. 2 (2008): 1-18.

Schneider, Ben Ross and Soskice, David. 2009. Inequality in developed countries and Latin America: coordinated, liberal and hierarchical systems. *Economy and Society*. 38:1, 17- 52.

Schrank, Andrew. 2009. Understanding Latin American political economy: varieties of capitalism or fiscal sociology? *Economy and Society*. 38: 1, 53- 61

Week 5 (2/20): Political coalitions - The relative importance of class and sector

Hiscox, Michael. 2002. *International Trade and Political Conflict*. Princeton: Princeton University Press, 1-41, 71-113.

Swenson, Peter. 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*. 513-45.

Iversen, Torben. 1996. Power, Flexibility, and the Breakdown of Centralized Wage Bargaining: Denmark and Sweden in Comparative Perspective. *Comparative Politics* 28 (4):399-436

Swenson, Peter. 2002. *Capitalists against markets: The Making of labor markets and welfare states in the United States and Sweden*. Oxford: Oxford University Press, pp. 3-44.

Mares, Isabela. 2003. *The Politics of Social Risk: Business and Welfare State Development*. New York: Cambridge University Press, Chapters 1-2.

Week 6 (2/27): The state

Mitchell, William and Munger, Michael. 1991. Economic models of interest groups: An introductory survey. *American Journal of Political Science*. 35: 512- 546.

Haber, Stephen, Razo, Armando and Maurer, Noel. 2003. *The politics of property rights: political instability, credible commitments and economic growth in Mexico 1876- 1929*, New York: Cambridge University Press. Chapters 2, 4, 5.

Hellman, Joel, Jones, Gariant, Kaufmann, Daniel. 2000. Seize the state, seize the day: state capture, corruption and influence in transition. World Bank Policy Research Working Paper. Nr. 2444.
(<http://siteresources.worldbank.org/INTABCDEWASHINGTON2000/Resources/hellman.pdf>)

Gehlbach, Scott. 2008. *Representation through taxation. Revenue, politics and development in postcommunist states*. New York: Cambridge University Press, chapters 1-3.

Recommended readings:

Kruger, Anne. 1974. The political economy of the rent-seeking society. *American Economic Review*. 64: 291- 303.

Week 7 (3/6):

First discussion of seminar papers (research proposal)

3/13: Spring Break-- No Class

PART 2:

EXPLAINING VARIATION IN ECONOMIC POLICIES AND OUTCOMES

Week 8 (3/20): The political economy of financial development

Raghuram Rajan and Luigi Zingales. 2003. The Great Reversals: The Politics of Financial Development in the 20th Century. *Journal of Financial Economics* 69 (1): 5-50.

Thorsten Beck and Ross Levine. 2003. Legal Institutions and Financial Development. Handbook for New Institutional Economics (<http://www.nber.org/papers/w10126.pdf>)

Roe, Mark. 2000. *Weak managers, strong owners*. New York, Oxford University Press, Chapters 1-6, 8, 12, 13

Gourevitch, Peter and Shinn, James. 2006. *Political Power and Corporate Control: The New Global Politics of Corporate Governance*. Princeton: Princeton University Press, Chapters 1, 2, 6.

Recommended readings:

Rafel La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, Robert W. Vishny. 1998. "Law and Finance". *The Journal of Political Economy*. 106 (6): 1113- 1155.

Week 9 (3/27): The political economy of social welfare

Esping-Andersen, Gosta. 1990. *Three worlds of welfare capitalism*. Princeton: Princeton University Press, chapters 1-5.

Huber, Evelyn, Ragin, Charles and Stephens, John D. 1993. Social Democracy, Christian Democracy, Constitutional Structure, and the Welfare State. *American Journal of Sociology* 99: 3, 711-749.

Iversen, T. 2001. The dynamics of welfare state expansion: trade openness, de-industrialization and partisan politics. *The New Politics of the Welfare State*. P. Pierson. New York, Oxford University Press: 45- 79.

(<http://scholar.harvard.edu/files/iversen/files/introdyn.pdf>)

Häusermann, Silja. 2010. *The Politics of Welfare State Reform in Continental Europe: Modernization in Hard Times*: Cambridge University Press, chapters 1-2.

Week 10 (4/3): The political economy of social welfare (part 2)

Haggard, Stephen and Kaufman, Robert. 2008. *Democracy, development and the welfare state*. Princeton: Princeton University Press, Introduction, chapters 1 and 5.

Wibbels, Eric and Ahlquist, John. 2005. Development strategies and social spending. Unpublished manuscript, Duke University. (<http://sites.lsa.umich.edu/polisci-cpw/wp-content/uploads/sites/223/2015/02/wibbels.pdf>)

Mares, Isabela; Carnes Matthew E. 2009. "Social Policy in Developing Countries ". *The Annual Review of Political Science* 12: 93-113.

Knutsen, C. H. R., Magnus (2017). The Autocratic Welfare State: Old-Age Pensions, Credible Commitments, and Regime Survival. *Comparative Political Studies*. doi:0010414017710265

Week 11 (4/10): The political management of unemployment

Iversen, Torben and Wren, Anne. 1998. Equality, Employment, and Budgetary Restraint: The Trilemma of the Service Economy. *World Politics*, 50 (4), 507-546.

Iversen, Torben. 1999. *Contested Economic Institutions*. New York: Cambridge University Press, chapters 1, 2, and 4.

Mares, Isabela. 2006. *Taxation, wage bargaining and unemployment*. New York: Cambridge University Press, Introduction, Chapters 1-2.

Week 12 (4/17): The political economy of taxation

Steinmo, Sven. 1989. Political Institutions and Tax Policy in the United States, Sweden and Britain. *World Politics* 41 (4): 500- 535.

Cheibub, Jose Antonio. 1998. Political Regimes and the extractive capacity of governments: taxation in democracies and dictatorships. *World Politics*. 50 (3), 349- 376.

Duane Swank and Sven Steinmo. 2002. The New Political Economy of Taxation in Advanced Capitalist Democracies. *American Journal of Political Science*. 46 (3), 642-55.

Kato, Junka. 2003. *Regressive Taxation and the Welfare State*. New York: Cambridge University Press, Chapters 1, 2, 4, 5.

Mares, Isabela and Didac Queralt. 2015. “The Non-Democratic Origins of Income Taxation”, *Comparative Political Studies*, Vol 48 (14).

Week 13 (4/24) and/or Week 14 (5/1):

Second discussion of seminar papers (arguments, research design, empirical parts)