

POLI 4062 Comparative Political Economy, Spring 2016

The Politics of Development in Capitalist Democracy

Tuesday and Thursday 1:30 – 2:50 pm, 218 Coates

Prof. Wonik Kim, wkim@lsu.edu

Office: 229 Stubbs Hall

Office Hours: 12:20 – 1:20 pm on Tuesday and Thursday, or by appointment

Laissez-faire was planned; planning was not.

Karl Polanyi, *The Great Transformation* (1944)

The single most important fact about politicians is that they are elected.

The second most important fact is that they usually seek re-election.

Edward Tufte, *Political Control of the Economy* (1980)

This advanced upper-level course provides the fundamentals of political economy or political socio-economics. Our central puzzle throughout the course is: “Why Are We So Rich and They So Poor?” This question about development – growth and inequality – is perhaps the most fundamental topic in capitalism, and as such, a broad range of unit of analysis has been employed. “We” and “They” can be “civilizations,” regions, countries, political entities, economic systems, societies, “people,” nations, ethnicities, classes, races, or individuals. Answering the question, therefore, inevitably involves comparison. In studying this issue, we will learn why we compare, what to compare, and how to compare. In this semester, we will narrow the scope of comparison by focusing only on advanced capitalist democracies.

Traditional political economy studied this topic, by assuming that environments and political institutions are given and neutral with regard to the market allocations; they are there, but they do not act. New political economy differs from the traditional approach in its treatment of politics. It accepts that political institutions and their relations to the economy and society are populated by actors who have interests/ideologies/faiths and pursue them. Hence, this course is based on the belief that socio-economic development is fundamentally a political phenomenon. Another strong belief is that the politics of development should be understood in terms of the capitalist system historically embedded in particular conditions. A warning: political scientists cannot study political economy without knowing some sort of economics, as we cannot study political history without dealing with history. So, we will study economic theories and formulations.

This course has three main purposes: 1) to provide a rigorous analytical framework and various theories and empirics of socio-economic development, 2) to equip students with solid and critical understanding of the complex relationships between politics and socio-economic performances under the capitalist system, and 3) to compare different accumulation strategies and macroeconomic outcomes in different democracies. To do so, this course is divided into five parts: I) Conceptions and an Analytical Framework, II) The Politics of Macroeconomic Policies, III) Varieties of Capitalism, IV) Dynamics of Capitalism, and V) The Politics of Inequality.

READINGS

Each student is expected to read (before class) all the required readings for each session (see the reading assignments below). Required books are:

- 1) Tufte, Edward. 1980. *Political Control of the Economy*. Princeton University Press.
- 2) Pontusson, Jonas. 2005. *Inequality and Prosperity*. Cornell University Press.
- 3) Piketty, Thomas. 2014. *Capital in the 21st Century*. Harvard University.
- 4) Gilens, Martin. 2014. *Affluence and Influence*. Princeton University Press.
- 5) Hacker, Jacob, and Paul Pierson. 2011. *Winner-Take-All Politics*. Simon & Schuster.

REQUIREMENTS

- 1) In-class midterm examination (25%)

The emphasis is on important concepts and competing explanations of various sociopolitical economic phenomena. Knowledge of some relevant historical facts is required as well.

- 2) Take-home final examination (25%)

The test will be given in class on the 21st of April (Thursday). Students will have approximately three days to complete the test and should email the instructor their answers in a word document by 6:00 pm on the 24th of April (Sunday). The format of the final take-home exam will be explained in class.

- 3) Attendance and participation (25%)

It is extremely important to come to class. Attendance will be taken for each session. Students may earn credit for their attendance at each class session, while repeated and unexcused absence will cause deduction in student's total grade. In addition, students are highly encouraged to ask and answer questions, and to make appropriate comments on issues covered in class.

- 4) Five reaction papers (5% each, total 25%): You will write total five reaction papers in this course on Tufte, Pontusson, Piketty, Gilens, and Hacker & Pierson. A reaction paper is a short paper (approximately two double-spaced pages), discussing some aspect of the book. In the reaction paper you must briefly summarize and evaluate the books. Note: "evaluate" means that you must identify some central aspect of the author's analysis, explain why you think this aspect is interesting/important, and present your own thoughts about the author's position. You must try to make an argument. Simply asserting your agreement or disagreement will not be sufficient. The reaction papers are due in class on the date scheduled for discussion of the books (or, put it in my mailbox before 1:30 pm on the due date if you have to miss a class). You should submit a hard copy. Late papers will not be accepted.

GRADING SCALE

A+	100 ~ 97	B+	89 ~ 87	C+	79 ~ 77	D+	69 ~ 67	F	59 ~ 0
A	96 ~ 93	B	86 ~ 83	C	76 ~ 73	D	66 ~ 63		
A-	92 ~ 90	B-	82 ~ 80	C-	72 ~ 70	D-	62 ~ 60		

IMPORTANT DATES

Midterm examination	Thursday, March 3	1:30 – 2:50 pm
Take-home final examination	Sunday, April 24	6:00 pm via email
1 st Reaction paper on Tufte	Tuesday February 2	In class or before
2 nd Reaction paper on Pontusson	Tuesday, February 18	In class or before
3 rd Reaction paper on Piketty	Tuesday, March 8	In class or before
4 th Reaction paper on Gilens	Tuesday, March 31	In class or before
5 th Reaction paper on Hacker&Pierson	Tuesday, April 12	In class or before
Mardi Gras Holiday	Tuesday, February 9	No class meeting
Spring Break	Tue/Thu, March 22/24	No class meeting
Conference	Tuesday, March 29	No class meeting

SCHEDULE/OUTLINE OF TOPICS

I. CONCEPTIONS AND AN ANALYTICAL FRAMEWORK			
1	January	14	Introduction
2	January	19-21	Conceptions, Measures and Trends
3	January	26	Ideas and Ideologies
3	January	28	Analytical Framework: the State-Market-Society Nexus
II. THE POLITICS OF MACROECONOMIC POLICIES			
4	February	2-4	Political Business Cycle
5	February	9	Mardi Gras Holiday – No class meeting
5-6	February	11-16	Political Parties under Electoral Competition
III. VARIETIES OF CAPITALISM			
6-7	February	18-23	Social Europe vs. Liberal America
7-8	Feb/Mar	25-1	Welfare States in Retrenchment in an Era of Neoliberal Globalization
8	Mar	3	Midterm Examination, 1:30 – 2:50 pm
IV. DYNAMICS OF CAPITALISM			
9	March	8-10	Fundamental “Laws” of Capitalist Development
10	March	15-17	The Structure of Inequality and Capitalist Democracy
11	March	22-24	Spring Break – No class meeting
12	March	29	Conference – No class meeting
V. THE POLITICS OF INEQUALITY			
12-3	Mar/Apr	31-5-7	Representative Democracy in an Unequal Society
14-5	April	12-14-19	From Class Compromise to Class Dominance via Class Struggle
14	April	21	What Is to Be Done? Implications and Conclusion

READING ASSIGNMENTS AND SPECIFIC TOPICS

I. CONCEPTIONS AND AN ANALYTICAL FRAMEWORK

Week 1 (1/14) Introduction

Scope and roadmap of the course. Fundamental puzzles. Capitalist democracy. Capitalist state vs. the state in capitalism.

Week 2 (1/19, 1/21) Conceptions, Measures and Trends

What is development? Income and wealth. Market income (pre-fisc) vs. disposable income (post-fisc). GDP as a measure of output. Growth and level. GNI. Purchasing power parity (PPP). Human Development Index (HDI). Inequality. Gini-coefficient. Lorenz curve. Within-country, international and global inequality compared. Kuznets curve. Unemployment. Inflation. Philipps curve.

Cypher, James. 2014. *The Process of Economic Development*. Fourth edition. London and New York: Routledge, Chapter 2, pp. 35-80.

Week 3 (1/26) Ideas and Ideologies

Role of ideas. Ideology and ideologies. False consciousness. Hegemony. Left-right linear spectrum. Horseshoe spectrum. Major ideologies: liberalism, conservatism, socialism. Minor: anarchism and fascism. New: neoliberalism, feminism, ecologism, religious fundamentalism, and multiculturalism. Post-ideological age?

Heywood, Andrew. 2014. *Political Ideologies: An Introduction*. New York: Palgrave, Chapter 1, pp. 1-23.

Week 3 (1/28) Analytical Framework: The State-Market-Society Nexus

Miracle of the market. Conception of democracy. Privileged position of business. De-centralized and centralized allocation mechanisms. Collective action problems. Static and dynamic models. Role of uncertainty. Polanyian (trembling hand) equilibria: subtle balance between political power (state), capital power (market), and social force (civil society).

No required reading.

II. THE POLITICS OF MACROECONOMIC POLICIES

Week 4 (2/02, 2/04) Political Business Cycle

Assumptions about political actors. Incumbent vs. opposition. Business cycle and electoral cycle. Real disposable income. Policy instruments. Short-term vs. long-term benefits. Timing and location. Trade-off between unemployment and inflation. Bread & peace model.

Tufte, Edward. 1980. *Political Control of the Economy*. Princeton University Press. Chapter 1 – 3.

Week 5 (2/09) Mardi Gras Holiday

No class meeting.

Week 5-6 (2/11, 2/16) Political Parties under Electoral Competition

Partisan (Hibbsian) model. Leftist vs. rightist policies. Political competition (Downsian) model. Median voter theorem. Policy maximizer vs. vote maximizer. Role of uncertainty. Tufte's evaluations.

Tufte, Edward. 1980. *Political Control of the Economy*. Princeton University Press. Chapter 4 – 6.

Hibbs, Douglas. 1977. "Political Parties and Macroeconomic Policy." *The American Political Science Review* 71(4): 1467-1468.

III. VARIETIES OF CAPITALISM

Week 6-7 (2/18, 2/23) Social Europe vs. Liberal America

Trade-off between efficiency and equity? Income distribution revisited. Europe vs. America. Role of labor movement. Democratic class struggle. Three worlds. Human capital and skill formation. SMEs (or CMEs) and LMEs. Wage-bargaining institutions. Rehn-Meidner model. Class compromise.

Pontusson, Jonas. 2005. *Inequality and Prosperity*. Cornell University Press. Chapter 1 – 5.

Week 7-8 (2/25, 3/01) Welfare States in Retrenchment in an Era of Neoliberal Globalization

Politics against market vs. capitalists against market. Cross-class coalition. Coevolution of capitalism and political representation. Neoliberal globalization. Convergence or divergence?

Pontusson, Jonas. 2005. *Inequality and Prosperity*. Cornell University Press. Chapter 6 – 9.

Week 8 (3/03) Midterm Examination

1:30 – 2:50 pm.

IV. DYNAMICS OF CAPITALISM

Week 9 (3/08, 3/10) Fundamental "Laws" of Capitalist Development

Why is Piketty so popular? Capitalism revisited. Measurement issues. Conception of capital and wealth. Critiques of mainstream economics. Importance of history. First and second fundamental "laws." Return on capital. U-shaped curve. Turning-points in history and the meaning of critical junctures.

Piketty, Thomas. 2014. *Capital in the 21st Century*. Harvard University Press. Introduction – Chapter 6.

Week 10 (3/15, 3/17) The Structure of Inequality and Capitalist Democracy

Importance of inheritance. Feasibility of Piketty's policy prescription? Generic problems with the mainstream model: comparative statics. Structural dependence of the state on capital. "Organization as the mobilization of bias." Sociological origins of the state. Capture theory. Hegemony and consent. Three (or, four) faces of power. Class compromise vs. class conflict. Democratic incapacity? What is missing?

Piketty, Thomas. 2014. *Capital in the 21st Century*. Harvard University Press. Chapter 7 – Conclusion.

Week 11 (3/22, 3/24) Spring Break

No class meeting.

Week 12 (3/29) Conference

No class meeting.

V. THE POLITICS OF INEQUALITY

Week 12-13 (3/31, 4/05, 4/07) Representative Democracy in an Unequal Society

Conception of democracy revisited. Rich, middle class, and poor. Policy preferences and policy responsiveness. Representational inequality. Role of interest groups. Money buys votes and policies. Political business cycle model and partisan model revisited. Campaign finance. Survey method.

Gilens, Martin. 2014. *Affluence and Influence*. Princeton University Press.

Week 15-16 (4/12, 4/14, 4/19) From Class Compromise to Class Dominance

“Thirty-year war.” Piketty revisited. Undisputable facts. Trickle-up vs. trickle-down. SBTC explanations. Fundamental puzzles revisited. Winner-take-all economy and winner-take-all politics. Politics of drift. Politics as organized combat. Political transformation of the 1970s in the US.

Hacker, Jacob, and Paul Pierson. 2011. *Winner-Take-All Politics*. Simon & Schuster.

Week 16 (4/21) What Is to Be Done? Implications and Conclusion

Dangers of *market* society. Crisis of 2008 as déjà vu. Significance of ideas. Critiquing critics of capitalism. Blueprints: desirability, feasibility, transformability, and sustainability. Conception of development revisited. If everything is endogenous, how can we identify causality, and what can we do? “The future is already here.” What is to be done? Augmented class compromise. Decent society.

No required reading.

Final take-home exam is given in class. The deadline of the exam is 6:00 pm on the 24th of April (Sunday) via an email attachment.