

UC3M - MA in Social Sciences

# Political Economy

(325 - 17096)

SPRING 2020

**Instructor:** José Fernández-Albertos

**Time and Location:** Wednesdays, 10:00-13:00

**Contact:** jose.fernandez.albertos@uc3m.es

**Office Hours:** By appointment

## Overview and Objectives

This course aims at introducing students to the main questions, debates, and contributions in the field of political economy, broadly understood as the study of the effects of social, political and institutional variables on economic outcomes.

## Structure of the class

Each session will consist of a presentation of the topic by the professor, an introduction to the required readings by a student, and an open discussion with the rest of the class. See course requirements below.

## Requirements and Evaluation

Students are expected to attend all seminars, read all the required readings for each week before each meeting (all texts in the syllabus unless explicitly specified as *recommended* are compulsory), and participate actively in class. Students will also have to introduce the required readings once in the course, setting up the discussion of the texts, and write a research paper at the end of the course on a topic related to the course and previously agreed with the professor (the deadline for its submission will be announced in class). In the last meeting of the course, each student will present an outline of his/her research paper, to be openly discussed by the rest of the class. Evaluation will consist of a weighted average of three elements:

- Research paper (60%)
- Presentation of the readings in class (once in the semester) (20%)
- Participation in class discussions (20%)

## Course Outline

### Introduction: What is Political Economy

(Jan 29)

#### *Central themes in PE: Growth and Distribution*

### Political Institutions and Development

(Feb 5)

- Acemoglu, D., Johnson, S., and Robinson, J. A. (2005). Institutions as a Fundamental Cause of Long-Run Growth. In *Handbook of Economic Growth*, pages 385–472
- Acemoglu, D. and Robinson, J. A. (2006). *Economic Origins of Dictatorship and Democracy*. Cambridge University Press, New York
- Ansell, B. W. and Samuels, D. J. (2014). *Inequality and Democratization: An Elite-Competition Approach*. Cambridge University Press, New York
- Boix, C. (2015). *Political Order and Inequality. Their Foundations and Their Consequences for Human Welfare*. Cambridge University Press, New York
- Albertus, M. (2015) *Autocracy and Redistribution*. New York: Cambridge University Press (Recommended)
- Albertus, M., Menaldo, V. (2018) *Authoritarianism and the elite origins of democracy* New York: Cambridge University Press (Recommended)
- Boix, C. and Stokes, S. (2013). Endogenous Democratization. *World Politics*, (55):517–549 (Recommended)
- PIncus, S. and Robinson, J. (2014). What Really Happened During the Glorious Revolution? In *Institutions, Property Rights, and Economic Growth: The Legacy of Douglass North*. Cambridge University Press, New York (Recommended)
- Przeworski, A. (2005). Democracy as an equilibrium. *Public Choice*, 123(3-4):253–273 (Recommended)

### Inequality and Redistribution

(Feb 19)

- Meltzer, A. H. and Richard, S. F. (1981). A Rational Theory of the Size of Government. *Journal of Political Economy*, 89(5):914–927
- Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism*. Princeton University Press, Princeton

- Iversen, T. and Soskice, D. (2001). An Asset Theory of Social Policy Preferences. *American Political Science Review*, 95(4):875–893
- Lupu, N. and Pontusson, J. (2011). The Structure of Inequality and the Politics of Redistribution. *American Political Science Review*, 105(2)
- Holland, A. C. (2018). Diminished Expectations: Redistributive Preferences in Truncated Welfare States. *World Politics*, 70(4):555–594
- Wong, M. (2017) Median Voter and Power Resources Revisited: a Composite Model of Inequality. *European Political Science Review*, 9(4): 607-628. (Recommended)
- Jacobs, E. (2017). Everywhere and nowhere: Politics in Capital in Twenty-First Century. In Boushey, H., Bradford DeLong, J., and Steinbaum, M., editors, *After Piketty: The Agenda for Economics and Inequality*, pages 512–540. Harvard University Press, Cambridge, MA (Recommended)
- McCarty, N. and Pontusson, J. (2011). The Political Economy of Inequality and Redistribution. In *Oxford Handbook of Political Economy*. Oxford University Press, Oxford (Recommended)
- Franko, W. W., Kelly, N. J., and Witko, C. (2016). Class Bias in Voter Turnout, Representation, and Income Inequality. *Perspectives in Politics*, 14(2):351–368 (Recommended)
- Voorheis, J., Mccarty, N., and Shor, B. (2015). Unequal Incomes, Ideology and Gridlock: How Rising Inequality Increases Political Polarization \* (Recommended)
- Rehm, P. (2011). Social Policy by Popular Demand. *World Politics*, 63(2):271–299 (Recommended)
- Moene, K. O. and Wallerstein, M. (2001). Inequality, Social Insurance, and Redistribution. *American Political Science Review*, 95(4):859–873 (Recommended)
- Alesina, A., Glaeser, E., and Sacerdote, B. (2001). Why Doesn ' t the United States Have a European-Style Welfare State ? *Brookings Papers on Economic Activity*, 2:1–69 (Recommended)

### *Economic Policies*

#### **Fiscal Policy: Taxes, Spending and Deficits**

(Feb 26)

- Iversen, T. and Soskice, D. (2006). Electoral Institutions and the Politics of Coalitions: Why Some Democracies Redistribute More Than Others. *American Political Science Review*, 100(02):165–181

- Persson, T. and Tabellini, G. (2009). Electoral Systems and Economic Policy. In Wittman, D. A. and Weingast, B. R., editors, *Oxford Handbook of Political Economy*. Oxford University Press
- Alesina, A. and Passalacqua, A. (2016). The Political Economy of Government Debt. In *Handbook of Macroeconomics*, pages 2599–2651. Elsevier, Amsterdam
- Scheve, K. and Stasavage, D. (2010). The Conscription of Wealth: Mass Warfare and the Demand for Progressive Taxation. *International Organization*, 64(04):529–561
- Raess, D. and Pontusson, J. (2015). The politics of fiscal policy during economic downturns, 1981-2010. *European Journal of Political Research*, 54(1):1–22 (Recommended)
- Bradley, D., Huber, E., Moller, S., Nielsen, F., and Stephens, J. D. (2003). Distribution and Redistribution in Postindustrial Democracies. *World Politics*, 55(02):193–228 (Recommended)
- Mares, I. and Queralt, D. (2015). The Non-Democratic Origins of Income Taxation. *Comparative Political Studies*, 48(14):1974 – 2009 (Recommended)
- Hibbs, D. A. (1977). Political Parties and Macroeconomic Policy. *American Political Science Review*, 71(4):1467–1487 (Recommended)

## Labor Market Institutions and Varieties of Capitalism

(Mar 4)

- Fleckenstein, T. and Lee, S. C. (2017). The Politics of Labor Market Reform in Coordinated Welfare Capitalism. *World Politics*, 69(01):144–183
- Freeman, R. (2007). Labor Market Institutions Around the World. In *The Handbook of Industrial and Employment Relations*. Sage, London
- Hall, P. A. and Soskice, D. (2001). *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*. Oxford
- Swenson, P. A. (2002). *Capitalists against Markets, The Making of Labor Markets and Welfare States in the United States and Sweden*. Cambridge University Press, New York
- Fernández-Albertos, J. and Manzano, D. (2014). Dualism and support for the welfare state. *Comparative European Politics* (Recommended)
- Mares, I. (2005). Social Protection around the World. External Insecurity, State Capacity, and Domestic Political Cleavages. *Comparative Political Studies*, 38(6):623–651 (Recommended)
- Ahlquist, J., Levi, M. (2014) *In the Interest of Others. Organizations and Social Activism*, Princeton: Princeton University Press.

## The Politics of Monetary Policy

(Mar 11)

- Adolph, C. (2013). *Bankers, Bureaucrats and Central Bank Politics. The Myth of Neutrality*. Cambridge University Press, New York
- Bernhard, W., Broz, J. L., and Clark, W. R. (2002). The Political Economy of Monetary Institutions. *International Organization*, 56(4):693–723
- Fernández-Albertos, J. (2015). The Politics of Central Bank Independence. *Annual Review of Political Science*, (18):217–238
- Hall, P. A. and Franzese, R. J. (1998). Mixed Signals: Central Bank Independence, Coordinated Wage Bargaining, and European Monetary Union. *International Organization*, 52(3):505–535 (Recommended)
- Iversen, T. (1998). Wage Bargaining, Central Bank Independence and the Real Effects of Money. *International Organization*, 52(3):469–504 (Recommended)
- Rogoff, K. (1985). The Optimal Degree of Commitment to an Intermediate Monetary Target. *The Quarterly Journal of Economics*, 100(4):1169 (Recommended)
- Draghi, M (2019) "Policymaking, responsibility and uncertainty", Acceptance speech for the Laurea Honoris Causa from the Università Cattolica, Milan (Recommended)

## Inequality and Redistribution in Postindustrial Societies I: New Economic Cleavages?

(Mar 18)

- Iversen, T. and Soskice, D. (2019). *Democracy and Prosperity. Reinventing Capitalism through a Turbulent Century*. Princeton University Press, Princeton
- Abou-Chadi, T. and Wagner, M. (2019). The electoral appeal of party strategies in post-industrial societies: when can the Mainstream Left succeed? *Journal of Politics*
- Rueda, D. and Stegmueller, D. (2019) *Who Wants What? Redistribution Preferences in Comparative Perspective* New York: Cambridge University Press
- Rehm, P. (2020) The Future of Welfare State Politics. *Political Science Research and Methods* doi:10.1017/psrm.2018.33
- Lindvall, J. and Rueda, D. (2014). The Insider/Outsider Dilemma. *British Journal of Political Science* *British Journal of Political Science* *British Journal of Political Science* *B.J.Pol.S*, 44(2):460–475 (Recommended)
- Beramendi, P. and Rehm, P. (2016). Who Gives, Who Gains? Progressivity and Preferences. *Comparative Political Studies*, 49(4):529–563 (Recommended)

- Häusermann, S. and Kriesi, H. (2015). What do Voters Want? Dimensions and Configurations in Individual-Level Preferences and Party Choice. In Beramendi, P., Häusermann, S., Kitschelt, H., and Kriesi, H., editors, *The Politics of Advanced Capitalism*, pages 202–230. Cambridge University Press, New York (Recommended)
- Huber, E. and Stephens, J. D. (2015). Postindustrial Social Policy. In Beramendi, P., Häusermann, S., Kitschelt, H., and Kriesi, H., editors, *The Politics of Advanced Capitalism*, pages 259–281. Cambridge University Press, New York (Recommended)
- Beramendi, P. (2015). Constrained Partisanship and Economic Outcomes. In Beramendi, P., Häusermann, S., Kitschelt, H., and Kriesi, H., editors, *The Politics of Advanced Capitalism*, pages 333–356. Cambridge University Press, New York (Recommended)

## **Inequality and Redistribution in Postindustrial Societies II: The Spatial Dimension**

(Mar 25)

- Rodden, J. (2019) *Why Cities Lose. The Deep Roots of the Urban-Rural Political Divide* New York: Basic Books
- Enos, R. (2017) *The Space Between Us. Social Geography and Politics* New York: Cambridge University Press
- Gallego, A., Buscha, F., Sturgis, P., and Oberski, D. (2014). Places and Preferences: A Longitudinal Analysis of Self-Selection and Contextual Effects. *British Journal of Political Science*, pages 1–22 (Recommended)
- Balcells, L., Fernández-Albertos, J., and Kuo, A. (2015). Preferences for Inter-Regional Redistribution. *Comparative Political Studies*, 48(10):1318–1351 (Recommended)

### ***International Political Economy***

## **The Political Economy of Trade and Migration**

(Apr 1 ; *Deadline for submission of idea for research paper*)

- Hiscox, M. J. (2001). Class Versus Industry Cleavages: Inter Industry Factor Mobility and the Politics of Trade. *International Organization*, 55(1):1–46
- Rogowski, R. (1989). *Commerce and coalitions : how trade affects domestic political alignments*. Princeton University Press, Princeton
- Osgood, I. (2017). The Breakdown of Industrial Opposition to Trade. *World Politics*, 69(01):184–231

- Bearce, D. H. and Hart, A. F. (2016). International Labor Mobility and the Variety of Democratic Political Institutions. *International Organization*, 71(1):65–95 (Recommended)
- Hainmueller, J. and Hiscox, M. (2007). Educated Preferences: Explaining Individual Attitudes Toward Immigration in Europe. *International Organization*, 61(2)
- Boix, C. and Adserà, A. (2002). Trade, Democracy, and the Size of the Public Sector: The Political Underpinnings of Openness. *International Organization*, 56(2):229–262 (Recommended)

## International Capital Mobility and Monetary Regimes

(Apr 15)

- Milner, H. V. and Mukherjee, B. (2009). Democratization and Economic Globalization. *Annual Review of Political Science*, 12(1):163–181
- Mosley, L. (2003). *Global capital and national governments*. Cambridge University Press, New York
- Frieden, J. and Broz, L. (2006). The political economy of exchange rates. In Wittman, D. A. and Weingast, B. R., editors, *The Oxford Handbook of Political Economy*. Oxford University Press, Oxford
- Ahlquist, J. S. (2006). Economic Policy, Institutions, and Capital Flows: Portfolio and Direct Investment Flows in Developing Countries. *International Studies Quarterly*, 50:681–704
- Frieden, J. (2016). The Crisis, the Public, and the Future of European Integration. In Caselli, F., editor, *After the Crisis*. Oxford University Press, Oxford (Recommended)

## The Consequences of Globalization

(Apr 22)

- Polanyi, K. (1944[2001]) *The Great Transformation. The Political and Economic Origins of Our Time* Boston: Beacon Press
- Burgoon, B. (2001). Globalization and Welfare Compensation: Disentangling the Ties that Bind. *International Organization*, 55(3):509–551
- Autor, D. H., Dorn, D., and Hanson, G. H. (2016). The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade. *Annual Review of Economics*, 8(1):205–240
- Di Tella, R. and Rodrik, D. (2019). Labor Market Shocks and the Demand for Trade Protection

- Colantone, I. and Stanig, P. (2018). The Trade Origins of Economic Nationalism: Import Competition and Voting Behavior in Western Europe. *American Journal of Political Science*, 62(4):936–953
- Hines, J. R. and Summers, L. H. (2009). How Globalization Affects Tax Design (Recommended)
- Alesina, A. and Spolaore, E. (2003). *The Size of Nations*. MIT Press, Cambridge, MA (Recommended)
- Rodrik, D. (2013). Who Needs the Nation-State? A Rejoinder. *Economic Geography*, 89(1):27–28 (Recommended)
- Frieden, J. (2018). The politics of the globalization backlash: Sources and implications. In "Making Globalization Inclusive", *American Economics Association Annual Meeting* (Recommended)
- Rommel, T. and Walter, S. (2018). The Electoral Consequences of Offshoring. How the Globalization of Production Shapes Party Preferences in Multi-Party Systems. *Comparative Political Studies* 51(5): 621–658.

## Research seminar

(Apr 29)