

# Political Economy

Ignacio Jurado

Spring Semester, 2020-21

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Class Hours: Tuesday 10-13

Class Room: 18.1.A04

Office Hours: Tuesday 14.30-15.30

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## Course Description

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 some required readings by one or more students, 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, and participate actively in class. Students will also have to introduce some of the required readings at least 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 their research paper, to be openly discussed by the rest of the class

## Evaluation

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

## Outline

The outline is subject to change. Each week I will indicate any specific change in the readings.

### Week 1: Political Institutions, Development and Growth

#### *Required*

- Acemoglu, Johnson, and Robinson. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Economy." *Quarterly Journal of Economics* 1231-1296.
- Przeworski, Adam. 2004. "The Last Instance? Are Institutions the Primary Cause of Economic Development?" *European Journal of Sociology* 15: 165-188.
- Glaeser, E., La Porta R., Lopez-de-Silanes F, Shleifer A. 2004. "Do Institutions Cause Growth?" *Journal of Economic Growth* 9: 271-303.
- Banerjee, Abhijit, and Lakshmi Iyer. "History, institutions, and economic performance: The legacy of colonial land tenure systems in India." *American Economic Review* 95.4 (2005).

#### *Recommended*

- Krugman, Paul. 1991. "History Versus Expectations." *Quarterly Journal of Economics* 105: 651-67.
- Barro, Robert. 1997. *Determinants of Economic Growth*. Cambridge, Mass.: MIT Press.
- Nunn, Nathan. 2008. "The Long-term Effects of Africa's Slave Trades." *The Quarterly Journal of Economics*. 123(1): 139-176.
- Dell, Melissa. 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica*. 78(6):1863-1903.
- Wade, Robert. 1990. "Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization." Princeton: Princeton University Press.
- North, Douglas and Barry Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth Century England." *Journal of Economic History*. 49(4): 803-832.
- Sachs, Jeffrey D. 2003. "Institutions Don't Rule: Direct Effect of Geography On Per Capita Income." NBER Working Paper No.9490.

### Week 2: The Political Economy of Regime Type

#### *Required*

- Acemoglu, Daron and James Robinson. 2006. "Economic Origins of Dictatorship and Democracy." Cambridge University Press. Read Chapters 2 & 4.
- Ansell, B. W. and Samuels, D. J. (2014). *Inequality and Democratization: An Elite-Competition Approach*. Cambridge University Press, New York. Chapter 1

- M. Ardanaz and I. Mares. 2014. Labor Shortages, Rural Inequality, and Democratization. *Comparative Political Studies*. 47(12):1639–1669.
- Boix, Carles. "The roots of democracy." *Policy Review* 135 (2006): 3.

*Recommended*

- Freeman, John R. and Dennis P. Quinn. 2012. "The economic origins of democracy reconsidered." *American Political Science Review* 106(1):58-80.
- Boix, Carles and Susan Stokes. 2003. "Endogenous Democratization." *World Politics* 55(4): 517-49.
- Treisman, Daniel. 2020. "Economic Development and Democracy: Predispositions and Triggers." *Annual Review of Political Science*.
- Albertus, Michael, and Victor Menaldo. 2014. "Gaming democracy: elite dominance during transition and the prospects for redistribution." *British Journal of Political Science*. 44(3): 575-603.

**Week 3: Preferences for Redistribution**

*Required*

- Meltzer, A. H. and Richard, S. F. (1981). A Rational Theory of the Size of Government. *Journal of Political Economy*, 89(5):914–927
- Lupu, N. and Pontusson, J. (2011). The Structure of Inequality and the Politics of Redistribution. *American Political Science Review*, 105(2)
- Iversen, Torben and David Soskice. 2001. "An Asset Theory of Social Policy Preferences." *American Political Science Review*. 95(4): 875-893.
- Shayo, Moses. 2009. "A Model of Social Identity with an Application to Political Economy: Nation, Class, and Redistribution." *American Political Science Review* 103: 17-74.

*Recommended*

- De la O, Ana and Jonathan Rodden. 2008. "Does Religion Distract the Poor?: Income and Issue Voting Around the World." *Comparative Political Studies* 41: 437-76.
- Holland, A. C. (2018). Diminished Expectations: Redistributive Preferences in Truncated Welfare States. *World Politics*, 70(4):555–594
- Rehm, P. (2011). Social Policy by Popular Demand. *World Politics*, 63(2):271–299
- Fernández-Albertos, José and Alexander Kuo. 2018. "Income perception, information, and progressive taxation: Evidence from a survey experiment." *Political Science Research and Methods*. 6(1): 83-110.

## Week 4: The Macro-Level: Redistribution

### *Required*

- Moene, Karl Ove, and Michael Wallerstein. "Inequality, social insurance, and redistribution." *American Political Science Review* 95.4 (2001): 859-874.
- 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
- Wong, M. (2017) Median Voter and Power Resources Revisited: a Composite Model of Inequality. *European Political Science Review*, 9(4): 607-628.
- Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism*. Princeton University Press, Princeton.

### *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
- 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
- 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

## Week 5: The Macro-Level: Taxes and Deficits

### *Required*

- Kenneth Scheve and David Stasavage. 2010. The Conscription of Wealth: Mass Warfare and the Demand for Progressive Taxation. *International Organization*, 64(04):529–561
- Nordhaus, William. 1975. "The Political Business Cycle." *Review of Economic Studies* April: 169-90.
- Leachman, L. L. and G. Rosas and P. Lange and A. Bester. 2007. The Political Economy of Budget Deficits. *Economics Politics*. 19(3):369–420.
- Beramendi, Pablo, and David Rueda. "Social democracy constrained: Indirect taxation in industrialized democracies." *British Journal of Political Science* (2007): 619-641.

### *Recommended*

- Mares, I. and Queralt, D. (2015). The Non-Democratic Origins of Income Taxation. *Comparative Political Studies*, 48(14):1974 – 2009.
- Hibbs, D. A. (1977). Political Parties and Macroeconomic Policy. *American Political Science Review*, 71(4):1467–1487
- Alesina, A. and Passalacqua, A. (2016). The Political Economy of Government Debt. In *Handbook of Macroeconomics*, pages 2599–2651. Elsevier, Amsterdam

## Week 6: Monetary Policy and Central Banks

### *Required*

- Adolph, C. (2013). *Bankers, Bureaucrats and Central Bank Politics. The Myth of Neutrality.* Cambridge University Press, New York
- Fernández-Albertos, J. (2015). The Politics of Central Bank Independence. *Annual Review of Political Science*,(18):217–238
- Bernhard, W., Broz, J. L., and Clark, W. R. (2002). The Political Economy of Monetary Institutions. *International Organization*,56(4):693–723.
- 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
- Rogoff, K. (1985). The Optimal Degree of Commitment to an Intermediate Monetary Target. *The Quarterly Journal of Economics*,100(4):1169.
- Draghi, M (2019) "Policymaking, responsibility and uncertainty", Acceptance speech for the Laurea Honoris Causa from the Università Cattolica, Milan.

## Week 7: Labor Market Institutions and Varieties of Capitalism

### *Required*

- Peter Hall and David Soskice. 2001. "Introduction" in Hall and Soskice, eds., *Varieties of Capitalism*, pp 1-70.
- Fleckenstein, T. and Lee, S. C. (2017). The Politics of Labor Market Reform in Coordinated Welfare Capitalism. *World Politics*,69(01):144–183.
- Calmfors, Lars, and John Driffill. "Bargaining structure, corporatism and macroeconomic performance." *Economic policy* 3.6 (1988): 13-61.
- Lindvall, J. and Rueda, D. (2014). The Insider Outsider Dilemma. *British Journal of Political Science* *British Journal of Political Science* B.J.Pol.S, 44(2):460–475
- 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

### *Recommended*

- Freeman, R. (2007). *Labor Market Institutions Around the World.* In *The Handbook of Industrial and Employment Relations.* Sage, London.

- Mares, I. (2005). Social Protection around the World. External Insecurity, State Capacity, and Domestic Political Cleavages. *Comparative Political Studies*, 38(6):623–65.
- Fernández-Albertos, J. and Manzano, D. (2014). Dualism and support for the welfare state. *Comparative European Politics*.

## Week 8: Geography and Decentralization

### *Required*

- Weingast, Barry R. "The economic role of political institutions: Market-preserving federalism and economic development." *Journal of Law, Economics, Organization* (1995): 1-31
- Rodden, J. (2019). *Why Cities Lose. The Deep Roots of the Urban-Rural Political Divide.* New York: Basic Books
- Balcells, L., Fernández-Albertos, J., and Kuo, A. (2015). Preferences for Inter-Regional Redistribution. *Comparative Political Studies*, 48(10):1318–1351.
- Cai H, Treisman D. 2005. "Does Competition for Capital Discipline Governments? Decentralization, Globalization, and Public Policy." *American Economic Review*
- Beramendi, Pablo. (2007) "Inequality and the Territorial Fragmentation of Solidarity." *International Organization*.

### *Recommended*

- 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,
- Enos, R. (2017). *The Space Between Us. Social Geography and Politics.* New York: Cambridge University Press.
- Rodden, Jonathan, and Susan Rose-Ackerman. "Does federalism preserve markets?." *Virginia law review* (1997): 1521-1572

## Week 9: Globalization and the State

### *Required*

- Rodrik, Dani (2011). *The Globalization Paradox: Democracy and the Future of the World Economy.* Oxford University Press.
- Iversen, Torben, and Thomas R. Cusack (2000). "The Causes of Welfare State Expansion: Deindustrialization or Globalization?" *World Politics*, 52 (3): 313- 349.
- Rudra, Nita (2002). "Globalization and the Decline of the Welfare State in Less- Developed Countries," *International Organization*, 56: 411-445.
- Burgoon, B. (2001). Globalization and Welfare Compensation: Disentangling the Ties that Bind. *International Organization*, 55(3):509–55

*Recommended*

- Cameron, David R. (1978). "The Expansion of the Public Economy: A Comparative Analysis," *American Political Science Review*, 72: 1243-1261.
- Hirst, Paul, and Grahame Thompson. "Globalization and the future of the nation state." *Economy and Society* 24.3 (1995): 408-442.
- Evans, Peter. (1997). "The eclipse of the state? Reflections on stateness in an era of globalization," *World Politics* 50(1): 62-87.
- Hines, J. R. and Summers, L. H. (2009). *How Globalization Affects Tax Design*

**Week 10: The Transformations of Postindustrial Societies***Required*

- Walter, Stefanie. 2017. "Globalization and the demand-side of politics: How globalization shapes labor market risk perceptions and policy preferences." *Political Science Research and Methods*. 5(1): 55-80.
- Hausermann, S. and Kriesi, H. (2015). *What do Voters Want? Dimensions and Configurations in Individual-Level Preferences and Party Choice*. In Beramendi, P., Hausermann, S., Kitschelt, H., and Kriesi, H., editors, *The Politics of Advanced Capitalism*, pages 202–230. Cambridge University Press, New York.
- 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
- Margalit, Yotam (2012). "Lost in Globalization: International Economic Integration and the Sources of Popular Discontent," *International Studies Quarterly*, 56 (3): 484-500.
- Hainmueller, J. and Hiscox, M. (2007). *Educated Preferences: Explaining Individual Attitudes Toward Immigration in Europe*. *International Organization*, 61(2)

*Recommended*

- 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*
- Hainmueller, Jens and Michael J. Hiscox. (2006). "Learning to Love Globalization: Education and Individual Attitudes toward International Trade," *International Organization*, 60: 469-98.
- Hiscox, Michael J. "Through a glass and darkly: Framing effects and individuals' attitudes towards international trade." *International Organization* 60.3 (2006): 755-780.
- Kuhn, Theresa, and Florian Stoeckel. "When European integration becomes costly: the euro crisis and public support for European economic governance." *Journal of European Public Policy* 21.4 (2014): 624-641.

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**Week 11: International Lending and Capital Mobility***Required*

- Stone, Randall W. 2004. The Political Economy of IMF Lending in Africa. *American Political Science Review* 98 (4):577-591.
- Nooruddin, Irfan and Joel W. Simmons. 2006. The Politics of Hard Choices: IMF Programs and Government Spending. *International Organization* 60 (4):1001- 1033.
- Schultz, Kenneth A. and Barry R. Weingast. 2003. The Democratic Advantage: Institutional Foundations of Financial Power in International Competition. *International Organization* 57 (1):3-42.
- Saiegh, Sebastian M. 2005. Do Countries Have a 'Democratic Advantage?' Political Institutions, Multilateral Agencies and Sovereign Borrowing. *Comparative Political Studies* 38 (4):366-387
- Ahlquist, J. S. (2006). Economic Policy, Institutions, and Capital Flows: Portfolio and Direct Investment Flows in Developing Countries. *International Studies Quarterly*, 50:681-704

*Recommended*

- Zucman, Gabriel. "The Missing Wealth of Nations: Are Europe and the US Net Debtors or Net Creditors?" *The Quarterly Journal of Economics* 128, no. 3 (2013): 1321- 1364.
- Przeworski, Adam and James Raymond Vreeland. 2000. The Effect of IMF Programs on Economic Growth. *Journal of Development Economics* 62 (2): 385-421.
- Tomz, Michael. 2007. *Reputation and International Cooperation: Sovereign Debt across Three Centuries*. Princeton, NJ: Princeton University Press.

**Week 12: Research seminar**