

Political Economy

Spring Semester 2023-24

Class Hours: Tuesday 10-13

Classroom: 18.1.A04

Office Hours: Tuesday 14.00-15.00 (or by request)

Ignacio Jurado

Ignacio.jurado@uc3m.es

Dulce Manzano

dulce.manzano@cchs.csic.es

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, a presentation and analysis of some required readings by a group of students, and an open discussion with the rest of the class. The first six sessions will be run by Prof. Dulce Manzano and sessions 7-12 by Prof. Ignacio Jurado.

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 twice 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 professors. The deadline for its submission will be announced in class.

Evaluation

- Research paper (40%).
- Participation and discussion points (20%).- To be submitted Mondays at midday (12pm).
 - The discussion points should cover some of the main issues that the student believes we should discuss in class.
- Presentations in class (40%). The aim is that each group will present twice in class. We will for

groups in the first session.

Outline

The outline is subject to minor changes. If there is any change, we will indicate it in advance.

Week 1. Introduction (30 January)

Recommended:

- Hepman, E. 2004. *The Mystery of Economic Growth*. Cambridge: Harvard University Press: Chapters 1 and 2.
- Adam Przeworski. 2003. *States and Markets: A Primer in Political Economy* (Cambridge University Press): Chapter 1.

Week 2. Political institutions and development (6 February)

Required:

- Daron Acemoglu and James Robinson. 2012. *Why Nations Fail*. Crown Publishers: chapters 2, 3 and 7.
- Kenneth L. Sokoloff y Stanley L. Engerman. 2000. "Institutions, Factor Endowments, and Paths of Development in the New World." *Journal of Economic Perspectives* 14(3): 217-232.
- Banerjee, Abhijit, and Lakshmi Iyer. 2005. "History, Institutions, and Economic Performance: The legacy of Colonial Land Tenure Systems in India." *American Economic Review* 95(4): 1190-1213.

Recommended:

- 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
- Krugman, Paul. 1991. "History Versus Expectations." *Quarterly Journal of Economics* 105: 651-67.
- Barro, Robert. 1997. *Determinants of Economic Growth*. Cambridge, Mass.: MIT Press.
- Dell, Melissa. 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica*. 78(6):1863–1903.

Week 3. Political economy of human capital (13 February)

Required:

- Harding, Robin, and David Stasavage. 2014. "What Democracy Does (and Doesn't Do) for Basic Services: School Fees, School Inputs, and African Elections." *The Journal of Politics* 76(1): 229-245.

- Manzano, Dulce. 2017. *Bringing Down the Educational Wall: Political Regimes, Ideology and the Expansion of Education*. New York: Cambridge University Press: Chapter 5.
- Paglayan, Agustina S. 2021. “The Non-Democratic Roots of Mass Education: Evidence from 200 Years.” *American Political Science Review* 115(1): 179-198.

Recommended:

- Paglayan, Agustina S. 2022. “The Historical Political Economy of Education” In *Oxford Handbook of Historical Political Economy*. Oxford University Press.
- Bursztyn, Leonardo. 2016. “Poverty and the political economy of public education spending: Evidence from Brazil.” *Journal of the European Economic Association* 14(5): 1101-1128.
- Ansell, Ben and J. Lindvall. 2013. “The Political Origins of Primary Education Systems: Ideology, Institutions, and Interdenominational Conflict in an Era of Nation-Building.” *American Political Science Review* 107(3): 505-522.
- Hardin, Robin. 2019. “The Democratic Dividend: Public Spending and Education Under Multipartyism.” In *Oxford Encyclopedia of African Politics*. Oxford University Press.
- Paglayan, Agustina S. 2022. “Education or Indoctrination? The Violent Origins of Public School Systems in an Era of State-Building.” *American Political Science Review* 116(4): 1242-1257.

Week 4. State capacity (20 February)

Required:

- Besley, Timothy and Torsten Persson. 2011. *Pillars of Prosperity: The Political Economics of Development Clusters*. Princeton NJ: Princeton University Press. Chapter 1
- Abramson, Scott F. 2017. “The Economic Origins of the Territorial State.” *International Organization* 71(1): 97-130.
- Blaydes, Lisa, and Christopher Paik. 2016. “The Impact of Holy Land Crusades on State Formation: War Mobilization, Trade Integration, and Political Development in Medieval Europe.” *International Organization* 70(3): 551-586.

Recommended:

- Queralt, Didac. 2019. “War, International Finance, and Fiscal Capacity in the Long Run.” *International Organization* 73(4): 713-753
- Garfias, Francisco. 2018. “Elite Competition and State Capacity Development: Theory and Evidence from Post-Revolutionary Mexico.” *American Political Science Review* 112(2): 339-357
- de la Sierra, Raúl Sánchez. 2020. “On the Origins of the State: Stationary Bandits and Taxation in Eastern Congo.” *Journal of Political Economy* 128(1): 32-74
- Treisman, Daniel. 2020. “Economic Development and Democracy: Predispositions and Triggers.” *Annual Review of Political Science* 23: 241-257.

- Acemoglu, Daron and James Robinson. 2006. *Economic Origins of Dictatorship and Democracy*. Cambridge University Press: Chapters 2 and 3.
- 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.
- Ansell, B.W. and Samuels, D. J. 2014. *Inequality and Democratization: An Elite-Competition Approach*. New York: Cambridge University Press: Chapter 1
- Boix, Carles. 2003. *Democracy and Redistribution*. Cambridge University Press.

Week 5. Markets and state ex-ante interventions (27 February)

Required:

- François Bourguignon. 2015. *The Globalization of Inequality*. Princeton University Press: Chapter 3
- Peter Hall and David Soskice. 2001. “Introduction” in Hall and Soskice, eds., *Varieties of Capitalism*. Oxford University Press: pp 1-70.
- Rueda, David. 2014. “Dualization, Crisis and the Welfare State.” *Socio-Economic Review* 12: 381-407.

Recommended:

- Fleckenstein, T. and Lee, S. C. 2017. “The Politics of Labor Market Reform in Coordinated Welfare Capitalism.” *World Politics* 69(1):144–183.
- Calmfors, Lars, and John Driffill. 1988. “Bargaining Structure, Corporatism and Macroeconomic Performance.” *Economic policy* 3(6): 13-61.
- Swenson, P. A. 2002. *Capitalists against Markets, The Making of Labor Markets and Welfare States in the United States and Sweden*. New York: Cambridge University Press.
- Freeman, R. 2007. “Labor Market Institutions Around the World.” In *The Handbook of Industrial and Employment Relations*. London: Sage.
- Alesina, Alberto and Edward L. Glaeser. 2004. *Fighting Poverty in the US and Europe*. Oxford University Press: Chapter 2 pp. 38-44

Week 6. State ex-post interventions: redistribution and the welfare state regimes (5 March)

Required:

- Moene, Karl Ove, and Michael Wallerstein. 2001. “Inequality, social insurance, and redistribution.” *American Political Science Review* 95(4): 859-874.
- Kenworthy, Lane, and Jonas Pontusson. 2005. “Rising Inequality and the Politics of Redistribution in Affluent Countries.” *Perspectives on Politics* 3(3): 449-471
- Wong, M. 2017. “Median Voter and Power Resources Revisited: A Composite Model of Inequality.” *European Political Science Review* 9(4): 607-628.

- Mares, I. 2003. “The sources of business interest in social insurance: sectoral versus national differences.” *World Politics*, 55: 229-258.

Recommended:

- Gosta Esping-Andersen. 1993. *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press: pp. 1-34.
- Lindert, Peter. 2004. *Growing Public: Social Spending and Economic Growth since the Eighteenth Century*. Cambridge: Cambridge University Press.
- Iversen, Torben, and Thomas Cusack. 2000. “The Causes of Welfare State Expansion. Deindustrialization or Globalization?” *World Politics* 52: 313-49.
- Margarita Estevez-Abe, Torben Iversen, and David Soskice. 2001. “Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State,” in Peter Hall and David Soskice, eds., *Varieties of Capitalism*. New York: Oxford University Press.
- Isabela Mares and Matthew Carnes. 2008. “Social Policy in Developing Countries.” *Annual Review of Political Science* 12: 93-113.
- Alesina, Alberto and Edward L. Glaeser. 2004. *Fighting Poverty in the US and Europe*. 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.

Week 7: Preferences for Redistribution (12 March)

Required

- 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.
- Gallego, Aina, Kuo, Alex, Manzano, Dulce, and Fernández-Albertos, José. (2022). Technological risk and policy preferences. *Comparative Political Studies*, 55(1), 60-92.
- Magni, Gabriele. “Boundaries of Solidarity: Immigrants, Economic Contributions, and Welfare Attitudes”, *American Journal of Political Science* (2022)

Recommended

- Lupu, N. and Pontusson, J. (2011). The Structure of Inequality and the Politics of Redistribution. *American Political Science Review*, 105(2)
- Rehm, Philipp, Jacob S. Hacker, and Mark Schlesinger. "Insecure alliances: Risk, inequality, and support for the welfare state." *American Political Science Review* (2012): 386-406.
- Iversen, Torben and David Soskice. 2001. “An Asset Theory of Social Policy Preferences.” *American Political Science Review*. 95(4): 875-893.

- Meltzer, A. H. and Richard, S. F. (1981). A Rational Theory of the Size of Government. *Journal of Political Economy*, 89(5):914–927
- 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, J. and Manzano, D. (2014). Dualism and support for the welfare state. *Comparative European Politics*.
- 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 8: Democratic Institutions and Redistribution (19 March)

Required

- Persson, Torsten, and Guido Enrico Tabellini. *The economic effects of constitutions*. MIT press, 2005. Chapters 2 and 6.
- 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
- Beramendi, Pablo. (2007) "Inequality and the Territorial Fragmentation of Solidarity." *International Organization*.

Recommended

- 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
- 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
- Rodden, Jonathan. "The dilemma of fiscal federalism: Grants and fiscal performance around the world." *American Journal of Political Science* (2002): 670-687.
- Cai H, Treisman D. 2005. "Does Competition for Capital Discipline Governments? Decentralization, Globalization, and Public Policy." *American Economic Review*".
- Weingast, Barry R. "The economic role of political institutions: Market-preserving federal-ism and economic development." *Journal of Law, Economics, Organization* (1995): 1-31
- Rodden, Jonathan, and Susan Rose-Ackerman. "Does federalism preserve markets?." *Virginia law review* (1997): 1521-1572

- E. Gibson, E Calvo, and Tullia Falletti 2004 “Reallocative Federalism: Overrepresentation and Public Spending in the Western Hemisphere”. In Edward L. Gibson (ed.) *Federalism and Democracy in Latin America*, Baltimore: Johns Hopkins University Press, 2004, 173-196.
- Wibbels, Erik. "Decentralized governance, constitution formation, and redistribution." *Constitutional Political Economy* 16 (2005): 161-188.

Week 9: The politics of distribution and clientelism (2 April)

Required

- Diaz-Cayeros, Alberto, Federico Estévez, and Beatriz Magaloni. *The political logic of poverty relief: Electoral strategies and social policy in Mexico*. Cambridge University Press, 2016. *Chapters to be determined*
- Beramendi, Pablo, and David Rueda. "Social democracy constrained: Indirect taxation in industrialized democracies." *British Journal of Political Science* (2007): 619-641.
- De La O, Ana L. "Do conditional cash transfers affect electoral behavior? Evidence from a randomized experiment in Mexico." *American Journal of Political Science* 57.1 (2013): 1-14.

Recommended

- Nordhaus, William. 1975. “The Political Business Cycle.” *Review of Economic Studies* April: 169-90.
- Leachman, L. L., G. Rosas, P. Lange and A. Bester. 2007. *The Political Economy of Budget Deficits*. *Economics Politics*. 19(3):369–420.
- Stokes, Susan C., Thad Dunning, and Marcelo Nazareno. *Brokers, voters, and clientelism: The puzzle of distributive politics*. Cambridge University Press, 2013.
- Medina, Luis Fernando, and Susan Stokes. "Monopoly and monitoring: An approach to political clientelism." *Patrons, clients, and policies* (2007): 68-83.
- Szwarcberg, Mariela. "The microfoundations of political clientelism: Lessons from the Argentine case." *Latin American Research Review* 48.2 (2013): 32-54.
- Golden, Miriam, and Brian Min. "Distributive politics around the world." *Annual Review of Political Science* 16 (2013): 73-99.
- Cox Gary. 2010. Swing voters, core voters and distributive politics. In *Political Representation*, ed. I Shapiro, SC Stokes, EJ Wood, AS Kirshner, pp. 342–57. Cambridge, UK: Cambridge Univ. Press
- Dixit A, Londregan J. 1996. The determinants of success of special interests in redistributive politics. *Journal of Politics*. 58(4):1132–55.

Week 10: Geography (9 April)

Required

- Balcells, L., Fernández-Albertos, J., and Kuo, A. (2015). Preferences for Inter-Regional Redistribution. *Comparative Political Studies*,48(10):1318–1351.
- 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. *Chapters to be determined*.

Recommended

- Bakke, Kristin, and Erik Wibbels “Regional Inequality, Ethnic Diversity and Conflict in Federal States” *World Politics* (October 2006): 1-15.
- Stephen Ansolabehere, Jonathan Rodden, and James Snyder. “Purple America.” *Journal of Economic Perspectives*.
- Wendy Tam Cho, James Gimpel, and Joshua Dyck. “Residential Concentration, Political Socialization, and Voter Turnout.” *The Journal of Politics* 68, 1: 156-67.
- Rodden, J. (2019). *Why Cities Lose. The Deep Roots of the Urban-Rural Political Divide*. New York: Basic Books.
- Cutler, Fred. 2007. “Context and Attitude Formation: Social Interaction, Default Information, or Local Interests?” *Political Geography* 26: 575-600.
- Edward Glaeser, Matthew Kahn, and Jordan Rappaport. 2007. “Why do the Poor Live in Cities? The Role of Public Transportation.” *Journal of Urban Economics*
- Edward L. Glaeser, David Cutler, and Jacob L. Vigdor. 2005. “Is the Melting Pot Still Hot? Explaining the Resurgence of Immigrant Segregation.” Working Paper, Harvard Economics

Week 11: The political economy of globalization and trade (16 April)

Required

- Hiscox, M. J. (2001). Class Versus Industry Cleavages: Inter Industry Factor Mobility and the Politics of Trade. *International Organization*, 55(1):1–46
- Osgood, I. (2017). The Breakdown of Industrial Opposition to Trade. *World Politics*, 69(01):184–231
- Hainmueller, J. and Hiscox, M. (2007). Educated Preferences: Explaining Individual Attitudes Toward Immigration in Europe. *International Organization*, 61(2)

Recommended

- Rodrik, Dani (2011). *The Globalization Paradox: Democracy and the Future of the World Economy*. Chapters 9 and 10. Oxford University Press.
- Bearce, D. H. and Hart, A. F. (2016). International Labor Mobility and the Variety of Democratic Political Institutions. *International Organization*, 71(1):65–95
- Rogowski, R. (1989). *Commerce and coalitions : how trade affects domestic political alignments*. Princeton University Press, Princeton

- 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 12: International Lending and Capital Mobility (23 April)

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.
- Saiegh, Sebastian M. 2005. *Do Countries Have a 'Democratic Advantage?'* *Political Institutions, Multilateral Agencies and Sovereign Borrowing*. *Comparative Political Studies* 38 (4):366-387

Recommended

- Ahlquist, J. S. (2006). *Economic Policy, Institutions, and Capital Flows: Portfolio and Direct Investment Flows in Developing Countries*. *International Studies Quarterly*,50:681–704
- 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.
- 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.