

POLI 4062 Comparative Political Economy, Fall 2018

## The Politics of Development in Capitalist Democracy

Tuesday and Thursday 1:30 – 2:50 pm, 229 Tureaud Hall

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Office: 229 Stubbs Hall

Office Hours: 3:00 – 4:00 pm on Tuesday and Thursday, or by appointment

*We suffer not only from the living, but from the dead. Le mort saisit le vif.*

Karl Marx, *Capital* (1867)

*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 sociopolitical 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, gender, 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 rich capitalist democracies (I will offer a course on so-called “developing” countries some other time).

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 and faiths, and pursue them. Hence, this course is based on the firm belief that socioeconomic development is fundamentally a political phenomenon. Another 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 as well.

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 IV) 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.

There are additional readings. These readings are posted on Moodle. All students should have a LSU account for access to Moodle.

## 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 29<sup>th</sup> of November (Thursday). Students will have approximately four days to complete the test and should email the instructor their answers in a word document by **5:00 pm on the 3<sup>rd</sup> of December (Monday)**. The format of the test will be explained in class.

- 3) Attendance and participation (20%)

It is extremely important to come to class. Attendance will be taken for each class. Students may earn credit for their attendance at each class, 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 (6% each, total 30%): 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 or three double-spaced pages), discussing some aspect of the book. In the reaction paper you must briefly summarize and critique the text. Note: "critique" does not mean criticism. It means that you must identify some central aspect of the author's analysis, explain why you think this aspect is interesting and 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. A reaction paper is due in class on the date scheduled for discussion of the book (or, put it in my mailbox in the political science department 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, October 11	1:30 – 2:50 pm
Take-home final examination	<b>Monday, December 3</b>	<b>5:00 pm via email</b>
1 <sup>st</sup> Reaction paper on Tufte	Tuesday, September 11	In class or before
2 <sup>nd</sup> Reaction paper on Pontusson	Tuesday, September 25	In class or before
3 <sup>rd</sup> Reaction paper on Piketty	Tuesday, October 16	In class or before
4 <sup>th</sup> Reaction paper on Gilens	Tuesday, November 6	In class or before
5 <sup>th</sup> Reaction paper on Hacker&Pierson	Tuesday, November 27	In class or before
Fall Break	Tuesday, October 4	No class meeting
Conference	Tuesday, November 20	No class meeting
Thanksgiving Holiday	Thursday, November 22	No class meeting

**SCHEDULE/OUTLINE OF TOPICS**

<b>I. CONCEPTIONS AND AN ANALYTICAL FRAMEWORK</b>			
1	August	21-23	Introduction
2	August	28-30	Conceptions, Measures and Trends
3	September	4	Ideas and Ideologies
3	September	6	Analytical Framework: the State-Market-Society Nexus
<b>II. THE POLITICS OF MACROECONOMIC POLICIES</b>			
4	September	11-13	Political Business Cycle
5	September	18-20	Political Parties under Electoral Competition
<b>III. VARIETIES OF CAPITALISM</b>			
6	September	25-27	Social Europe vs. Liberal America
7-8	October	2-9	Welfare States in Retrenchment in an Era of Neoliberal Globalization
7	October	4	Fall Break (no class meeting)
8	October	11	Midterm Examination, 1:30 – 2:50 pm
<b>IV. DYNAMICS OF CAPITALISM</b>			
9-10	October	16-18-23	Fundamental “Laws” of Capitalist Development
11	Oct/Nov	25-30-1	The Structure of Inequality and Capitalist Democracy
<b>V. THE POLITICS OF INEQUALITY</b>			
12-3	November	6-8-13	Representative Democracy in an Unequal Society
13-5	November	15-27	From Class Compromise to Class Dominance via Class Struggle
14	November	20	Conference (no class meeting)
14	November	22	Thanksgiving Holiday (no class meeting)
15	November	29	What Is to Be Done? Implications and Conclusion

## I. CONCEPTIONS AND AN ANALYTICAL FRAMEWORK

### **Week 1 (8/21-23) Introduction**

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

### **Week 2 (8/28-30) 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 (9/4) 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 (9/6) Analytical Framework: The State-Market-Society Nexus**

Miracle of the market. Miracle of democracy. *The 18<sup>th</sup> Brumaire* model 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 (9/11-13) 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 (9/18-20) 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 (9/25-27) 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 (10/02-09) 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 (10/11) Midterm Examination**

1:30 – 2:50 pm.

### IV. DYNAMICS OF CAPITALISM

#### **Week 9-10 (10/16-18-23) 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 21<sup>st</sup> Century*. Harvard University Press. Introduction – Chapter 6.

#### **Week 10-11 (10/25-30-11/01) The Structure of Inequality and Capitalist Democracy**

Importance of inheritance. Politics of redistribution. 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 21<sup>st</sup> Century*. Harvard University Press. Chapter 7 – Conclusion.

### V. THE POLITICS OF INEQUALITY

#### **Week 12-13 (11/06-08-13) 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 13-15 (11/15-27) 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 14 (11/20) Conference**

No class meeting.

**Week 14 (11/23) Thanksgiving Holiday**

No class meeting.

**Week 15 (11/29) 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. *The 18<sup>th</sup> Brumaire* model revisited. Importance of politics.

No required reading.

Final take-home exam is given in class. The deadline of the exam is 5:00 pm on the 3<sup>rd</sup> of December (Monday) via an email attachment.