

# Advanced Theories of Political Economy (PSC 8453)

Professor Stephen B. Kaplan

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## Class Meetings

1957 E Street, room B16

Tuesday 3:30-5:30pm

## Office Hours

470 Monroe Hall (2115 G Street)

Thursday 1:00-3:00pm, or by appt.

## Course Goals and Descriptions:

This course introduces doctoral students to the political analysis of economic policymaking. It covers the politics of international and comparative economics. From the domestic perspective, we will focus on the preferences of actors over economic policies and how institutions influence the transformation of preferences into policies and outcomes. From the international perspective, we will investigate the effects of international economic factors (globalization, finance, trade, debt, etc.) on domestic political processes and outcomes. The goal of this class is to make students conversant in the dominant themes of modern political economy, preparing them to do original research in the subfield.

## *Learning Objectives*

1. To survey the state of the contemporary international and comparative political economy literature.
2. To gain substantive knowledge about trade, finance, globalization, debt, and economic development.
3. To critically compare and evaluate diverse approaches to the subject.
4. To prepare for independent research in international political economy.
5. Compose a draft of their dissertation prospectus/or several research proposals on topics of potential future research.

## *Blackboard*

This course will use the Blackboard system. Many readings and announcements will be posted on Blackboard (for readings, see “Electronic Reserves”). I strongly encourage you to make sure you have access to and are familiar with the Blackboard system as soon as possible.

## Class Policies:

Please respect the following policies, which are intended to ensure that everyone in this class has an interesting and enjoyable learning experience:

*Cell Phones and related devices:* Before you enter the classroom, turn off all cell phones, pagers, blackberries, and other devices.

*Laptops:* You are welcome to bring a laptop to class, but the volume must be set to “mute.”

*Email:* If you have lengthy questions or comments about the course, I encourage you to come talk to me in person. In addition to regular office hours, I am happy to set up appointments to meet with you. Please keep email communications brief.

### *Academic Integrity*

I expect full compliance with the GW Code of Academic Integrity, which states in part: “Academic dishonesty is defined as cheating of any kind, including misrepresenting one’s own work, taking credit for the work of others without crediting them and without appropriate authorization, and the fabrication of information.”

For the remainder of the code, see: <http://www.gwu.edu/~ntegrity/code.html>. If you are unsure about any aspect of this policy the Writing Center (<http://www.gwu.edu/~gwriter/>) can provide assistance on citation or other aspects of writing papers. Claiming ignorance about how or when to cite sources is not an excuse for academic dishonesty.

### *Policy on Religious Holidays*

You should notify me during the first week of the semester of your intention to be absent from class on a day(s) of religious observance. If an assignment falls on a day you will be observing a religious holiday, we will work together to find an alternative time to complete the assignment. Please communicate with me about holidays in advance of the original due date.

### Requirements:

*Class Format:* We meet once weekly to discuss each week’s readings. All students are responsible for being prepared to discuss the required readings. Furthermore, each student will be designated to *co-lead with another student class discussion in two different weeks*. The seminar leaders will post on the discussion board of blackboard five questions meant to spark a rich and compelling discussion during class each week (these discussion questions are *due the Sunday before our Tuesday class meetings*). The seminar leaders will also be charged with introducing the week’s topic by starting out class with a five-minute overview.

In addition to regular participation and taking two turns at seminar leadership, each student must select one of two options for fulfilling the remaining course requirements:

*Option 1 – A Research Prospectus:* Students selecting this option should write one 20-25 page paper to be completed by *Friday, April 29<sup>th</sup>*. This final paper should resemble a dissertation prospectus, outlining a research question, situating it within the existing literature, developing a hypothesis, and proposing a research design for testing it.

*Option 2 – Three Research Proposals:* Students choosing this option should write a research proposal that contains a 1) critical review of the literature on a given week’s topic, and a 2) proposal for future research. These papers should not only propose a promising research design, but also evaluate the strengths and weaknesses of the theory, research design and empirical methodology of the assigned

readings. Those students who choose this option should select three different weeks during the course to write their research proposals (these weeks should not overlap with assigned seminar leader weeks). Each paper should be about five-to-six double-spaced pages and is *due the Sunday before that topic is discussed in Tuesday class. No late papers will be accepted for this option.* Please electronically submit a copy over e-mail.

### *Assignments and Grading:*

The requirements for the course will have the following weights:

Participation: 30%

Seminar Leader: 20%

One Research Prospectus or Three Research Proposals: 50%

**Texts:** You should buy the following books if you do not already own them. They are either classic or cutting-edge political economy texts that will serve as important references in your academic future. In the case where only one chapter of a book is assigned, I will be making chapter copies available through the Gelman library reserve system. I will disseminate copies of the other readings either electronically through the course's Blackboard page or the "old school" manner of distributing them in person during class. *I may adjust the readings as necessary – you are responsible for any changes to the readings.*

Boix, Carles. (2003). *Democracy and Redistribution*. New York: Cambridge University Press.

Dahl, Robert. (1998). *On Democracy*. New Haven, Yale University Press.

Friedman, Milton. 2002 (1962). *Capitalism and Freedom*.

Galbraith, John Kenneth. 1998 (1958). *The Affluent Society*.

Kaplan, Stephen B. (2013). *Globalization and Austerity Politics in Latin America*.

King, Keohane, and Verba. (1994). *Designing Social Inquiry: Scientific Inference in Qualitative Research*. Princeton University Press.

Polanyi, Karl. 2001. (1944). *The Great Transformation*. Beacon Press Books.

Przeworski, Adam, Michael E. Alvarez, José Antonio Cheibub, and Fernando Limongi. (2000). *Democracy and Development*. New York: Cambridge University Press.

Schumpeter, Joseph. 1976 (1942). *Capitalism, Socialism and Democracy*.

Stokes, Susan. (2001). *Mandates and Democracy: Neoliberalism By Surprise in Latin America*. New York, Cambridge University Press.

Vreeland, James, and Axel Dreher. (2014). *The Political Economy of the United Nations Security Council: Money and Influence*. New York, Cambridge University Press.

**Supplemental Information:** The class assumes only a basic familiarity with economic theory, and the results that we work with are straightforward (i.e., none are more advanced than an undergraduate economics course). Students who find themselves lost on the economics should consult an intermediate macroeconomics or international economics textbook. I recommend consulting *Macroeconomics* by Rudiger Dornbusch, Stanley Fischer, and Richard Startz (Irwin-McGraw Hill) and *International Economics: Theory and Policy* by Paul Krugman and Maurice Obstfeld (Addison Wesley). Used copies are very reasonably priced on Amazon.

## Course Outlines and Readings:

### **January 12<sup>th</sup>: Introduction**

#### *Course Overview*

#### *Economic Principles—Macroeconomic Policymaking*

### **January 19<sup>th</sup>: International and Comparative Political Economy**

#### *The Discipline: Research Designs and Methodological Approaches*

Fearon, James D. (1991) Counterfactuals and Hypothesis Testing in Political Science. *World Politics*. 43: 169-195.

King, Keohane, and Verba. (1994). *Designing Social Inquiry: Scientific Inference in Qualitative Research*. Princeton University Press.

Keohane, Robert O. (2009) 'The Old and New. 'Not So Quiet on the Western Front: The American School of IPE.' *Review of International Political Economy*. Special Issue of the American School of IPE, February 2009 Vol. 16(1): 34-46.

Przeworski, Adam (1996). The Role of Theory in Comparative Politics. *World Politics*. 48(1): 1-4.

Wade. Robert. (2009) Beware What You Wish For: Lesson for International Political Economy from the Transformation of Economics. 'Not So Quiet on the Western Front: The American School of IPE.' *Review of International Political Economy*. Special Issue of the American School of IPE, February 2009 Vol. 16(1): 106-121.

#### ***Recommended:***

Collier, D. and Brady, H.E. (2010). *Rethinking Social Inquiry: Diverse Tools, Shared Standards*. Rowman & Littlefield Publishers, Inc.

### **January 26<sup>th</sup>: Foundations of Political Economy**

#### *The Role of Government in the Economy*

Galbraith, John Kenneth. 1998 (1958). *The Affluent Society*. 1-41, 255-261.

Friedman, Milton. 2002. (1962). *Capitalism and Freedom*. Chapters 1-2 and 10-13.

Snowdown, Brian and Vane, Howard (1999). Interpreting Modern Macroeconomics: From Tobin to Romer. *Conversations with Leading Economists*. 1-90.

## February 2<sup>nd</sup>: Foundations of Political Economy

### *Politics and Markets*

Hirschman, Albert O. (1978). Exit, Voice and the State. *World Politics*. 31(3): 90-107.

Gourevitch, Peter. (1978). The Second Image Reversed: International Sources of Domestic Politics. *International Organization*. 43(4): 881-912.

Lindblom, C. (1982). The Market as Prison. *The Journal of Politics*. 44(2): 324-336.

Bates, Robert and D.H. Lien. (1985). A Note on Taxation, Development and Representative Government. *Politics and Society*. v. 14, #1: 53-70.

Przeworski, A. and Wallerstein, M. (1988). The Structural Dependence of the State on Capital. *American Political Science Review*. 82: 11-30.

Dahl, Robert. (2000). *On Democracy*. New Haven, Yale University Press. Part IV: 145-188.

## February 9<sup>th</sup>: Foundations of Political Economy

### *Democracy, Economic Institutions, and Development*

Olson, Mancur. (1993). Dictatorship, Democracy, and Development. *American Political Science Review*. 87(3): 567-576.

Przeworski, Adam, Michael E. Alvarez, José Antonio Cheibub, and Fernando Limongi. (2000). *Democracy and Development*. New York: Cambridge University Press. Chapters 2-3: 78-186.

Acemoglu, Daron, Simon Johnson and James Robinson. (2001). *The Colonial Origins of Comparative Development: An Empirical Investigation*. *American Economic Review*. 91(5): 1369-1401.

Boix, Carles. (2003). *Democracy and Redistribution*. New York: Cambridge University Press. Ch. 1-3: 19-129.

## February 16<sup>st</sup>: Foundations of Political Economy

### *Collective Action, Interest Groups, and Rent-Seeking*

Olson, Mancur. (1965). *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge: Harvard University Press. Chapters 1-2: 1-60.

Bates, Robert H. (1981). *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. Berkeley, University of California Press. Chapters 1-2: 11-44.

Becker, Gary. (1983). A Theory of Competition among Interest Groups for Political Influence. *Quarterly Journal of Economics*. V.98(3): 371-400.

Ostrom, Elinor. (1990) *Governing the Commons*. Cambridge, Cambridge University Press. Chapters. 1 & 2: 1-57.

Piketty, Thomas. (1995). Social Mobility and Redistributive Politics. *Quarterly Journal of Economics*. 110(3): 551-578.

Rose-Ackerman, Susan. (1999). *Corruption and Government: Causes, Consequences and Reform*. Cambridge: Cambridge University Press. Chapter 8: 143-174.

## **February 23<sup>rd</sup>: The Politics of Economic Policymaking**

### ***Economic Principles***

Mankiw, N. Gregory. (1990). A Quick Refresher Course in Macroeconomics. *Journal of Economic Literature*. 28(4): 1645-1660.

### ***Political Economy of Growth and Inflation***

Tufte, Edward. (1980). *Political Control of the Economy*. Princeton, Princeton University Press. Chapters 1: 3-27.

Dornbusch, Rudiger and Edwards, Sebastian. (1991). *Macroeconomics Populism in Latin America*. NBER Working Paper Series, No. 2986. 1-50.

Simmons, B. (1996). Rulers of the Game: Central Bank Independence During the Interwar Years. *International Organization*. 50(3): 407-433.

Bartels, Larry (2008). *Unequal Democracy: The Political Economy of the New Gilded Age*. Princeton, Princeton University Press. Chapter 2: 29-61.

Bullock, John, Alan Gerber, Seth J. Hill, and Gregory Huber. (2013). Partisan Bias in Factual Beliefs about Politics. *NBER Working Paper 19080*.

Kaplan, Stephen B. (2013) *Globalization and Austerity Politics in Latin America*. New York, Cambridge University Press. TBD.

### ***Recommended:***

Alesina, Alberto and Roubini, Nouriel. (1992). Political Cycles in OECD Economies. *Review of Economic Studies*. 59: 663-88.

Bernhard, William, Broz J. Lawrence, and Clark, William Roberts. (2002). *The Political Economy of Monetary Institutions*. Introduction to a Special Issue of International Organization on the Political Economy of Monetary Institutions. 56(4): 693-723.

Drazen, Allan (2000). The Political Business Cycle After 25 Years. *NBER Macroeconomics Annual 2000*, Volume 15.

## March 1<sup>st</sup>: The Politics of Economic Policymaking

### *The Political Economy of Adjustment and Reform*

Fernandez, Raquel, and Dani Rodrik. (1991). Resistance to Reform. *American Economic Review*. 81:1146-1155.

Geddes, Barbara. (1991). A Game Theoretic Model of Reform in Latin American Democracies. *American Political Science Review*. 85(2): 371-392.

Hellman, Joel (1998). Winners Take All: The Politics of Partial Reform in Post-communist Transitions. *World Politics*. 50: 203-234.

Stokes, Susan. (2001). *Mandates and Democracy: Neoliberalism By Surprise in Latin America*. Chapter 2 and 3: 25-93.

Acemoglu, Daron, and James A. Robinson. (2006). Economic Backwardness in Political Perspective. *American Political Science Review*. 100: 115-131.

Kaplan, Stephen B. (2013) *Globalization and Austerity Politics in Latin America*. New York, Cambridge University Press. TBD.

## March 8<sup>th</sup>: Markets, Welfare, and Society

### *Economic Principles*

Schumpeter, Joseph. 1976 (1942). *Capitalism, Socialism and Democracy*, pt II (chs. vii (pp.81-87), xi-xiv (pp. 121-164)).

Polanyi, Karl. 2001 (1944). *The Great Transformation*. Beacon Press Books. [Read the entire book](#).

Stiglitz, Joseph (2001). Information and Change in the Paradigm of Economics. *The American Economic Review*. 92(3): 460-489.

## March 15<sup>th</sup>: \*\*\*SPRING BREAK\*\*\*

## March 22<sup>nd</sup>: Markets, Welfare, and Society Part II

### *Globalization's Race to the Bottom?*

Rodrik, Dani. (1998). Why Do More Open Economies Have Bigger Governments?" *Journal of Political Economy*. 106(5): 997-1032.

Garrett, Geoffrey. (1998). Global Markets and National Politics: Collision Course or Virtuous Circle? *International Organization*. 52(4): 787-824.

Mosley, Layna. (2000). Room to Move: International Financial Markets and National Welfare States. *International Organization*. 54(4): 737-773.

Rudra, Nita. (2002). Globalization and the Decline of the Welfare State in Less Developed Countries. *International Organization*. 56(2): 411-445.

Robertson, Graeme and Emmanuel Teitelbaum. (2011). Foreign Direct Investment, Regime Type, and Labor Protest in Developing Countries. *American Journal of Political Science*. 55(3): 655-677.

***Recommended:***

Stiglitz, Joseph E. (2008). The Future of Globalization: Lessons from Cancun and the Recent Financial Crisis. In Zedillo (Ed). *The Future of Globalization: Explorations in Light of Recent Turbulence*. London, Routledge: 70-82

**March 29<sup>th</sup>: Political Economy of Global Finance Part I**

***Economic Principles***

Mundell, Robert A. (1963). Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates. *The Canadian Journal of Economics and Political Science*. 29(4): 475-485.

Calvo, Guillermo A. and Reinhart, C.M. (1999). Capital Flow Reversals, the Exchange Rate Debate, and Dollarization. *Finance and Development*. 36(3): 170-176.

***Domestic Interests and Institutions***

Frieden, Jeffrey. (1991). Invested Interests: The Politics of National Economic Policies in a World of Global Finance. *International Organization*. 45(4): 425-451.

McNamara, Kathleen. (1999). Consensus and Constraint: Ideas and Capital Mobility in European Monetary Integration. *Journal of Common Market Studies*. 37(3): 455-76.

Bernard, William and Leblang, David. (2000). The Politics of Speculative Attacks in Industrial Democracies. *International Organization*. 54(2): 291-324.

Frieden, F. and Stein, E. eds. (2001). *The Currency Game: Exchange Rate Politics in Latin America*. Washington DC, Johns Hopkins University Press. Chapters 1-2: 1-64.

Vreeland, James R. and Axel Dreher. (2014). *The Political Economy of the United Nations Security Council: Money and Influence*. Cambridge University Press. Chapters 1-2.

***Recommended:***

Broz, J. Lawrence and Frieden, Jeffrey A. (2001). The Political Economy of International Monetary Relations. *Annual Review of Political Science*. 4: 317-43.

Schamis, Hector E., and Christopher Way. (2003). Political Cycles and Exchange Rate-based Stabilization. *World Politics*. 56(1): 43-78.



## April 5<sup>th</sup>: Political Economy of the Finance: Part II

### *The International Financial System*

Przeworski, Adam and James Raymond Vreeland. (2000). The Effect of IMF Programs on Economic Growth. *Journal of Development Economics*. 62(2): 385-421.

Barnett, Michael and Finnemore, M. (1999). The Politics, Power, and Pathologies of International Organizations. *International Organization*. 53: 699-732.

Simmons, B. (2000). International Law and State Behavior: Commitment and Compliance in International Monetary Affairs. *American Political Science Review*. 94(4): 819-835.

Simmons, Beth A. and Zachary Elkins. (2004). The Globalization of Liberalization: Policy Diffusion in the International Political Economy. *American Political Science Review*. 98(1): 171-189.

Woods, Ngaire and Lombardi, Domenico. (2006). Uneven Patterns of Governance: How Developing Countries are Represented in the IMF. *Review of International Political Economy*. Volume 13, Number 3: 480-515.

Mosley, Layna and Singer, David. (2009). The Global Financial Crisis: Lessons and Opportunities for International Political Economy. *International Interactions*. 35: 420-427.

Books, Sarah, Raphael Cunha, and Layna Mosley (2015). Categories, Creditworthiness, and Contagion: How Investors' Shortcuts Affect Sovereign Debt Markets. *International Studies Quarterly*. 59(3): 587-601.

### **Background:**

Eichengreen, Barry. (1996). *Globalizing Capital: A History of the International Monetary System*. Princeton, NJ: Princeton University Press. Chapter 1.

Eichengreen, Barry, Hausmann, Ricardo, and Panizza, Ugo. (2004). The Pain of the Original Sin. In Barry Eichengreen and Ricardo Hausmann (Eds.), *Other People's Money: Debt Denomination and Financial Instability in Emerging Market Economics*. Chicago, University of Chicago Press: 1-48.

Singer, David. (2009). Uncertain Leadership: The U.S. Regulatory Response to the Global Financial Crisis. In Helleiner et al. (Eds.), *Global Finance in Crisis: The Politics of International Regulatory Change*. London: Routledge: 93-107.

## April 12<sup>th</sup>: Political Economy of International Trade I

### *Economic Principles*

Rodrik, Dani. (1995). Political Economy of Trade Policy. In Gene Grossman and Kenneth Rogoff (eds.) *Handbook of International Economics, Vol. III*. New York: Elsevier. 1457-1494.

### *Domestic Interests and Institutions*

Ronald Rogowski. (1987). Political Cleavages and Changing Exposure to Trade.

*American Political Science Review*. 81:4 (December): 1121-1137.

Alt, James, Jeffrey Frieden, Gilligan, Rodrik, Rogowski. (1996). The Political Economy of International Trade. *Comparative Political Studies*. V. 29: 689-717.

Susanne Lohmann and Sharyn O'Halloran. (1994) Divided Government and U.S. Trade Policy: Theory and Evidence. *International Organization*. 48(4): 595-632.

Ken Scheve and Matthew Slaughter. (2001). What Determines Individual Trade-Policy Preferences? *Journal of International Economics*. 54: 2 (August): 267-92.

Mayda, Anna and Dani Rodrik. (2005). Why Are Some People (and Countries) More Protectionist Than Others? *European Economic Review*. 49(6): 1393-1430.

***Recommended:***

Milner, H. (1999). The Political Economy of International Trade. *Annual Review of Political Science*. Vol. 2: 91-114.

**April 19<sup>th</sup>: The Political Economy of Trade II**

***The World Trading System***

Stephen D. Krasner. (1976). State Power and the Structure of International Trade. *World Politics*. 28: 317-347.

Robert Gilpin (1987). *The Political Economy of International Relations*. Princeton, Princeton University Press. Chapter 2: 25-64.

Mearsheimer, J.J. (2001). The Future of the American Pacifier. *Foreign Affairs*. 80(5): 46-61.

Robert O. Keohane. (1984). *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton, Princeton University Press. Chapter 6: 85-110.

Milgrom, Paul, Douglass C. North and Barry R. Weingast. (1990) The Role of Institutions in the Revival of Trade. *Economics and Politics* 2: 1-23.

Sell Susan. (1995). Intellectual Property and Antitrust in the Developing World: Crisis, Coercion, and Choice. *International Organization*. 49(2): 315-349.

Judith Goldstein, Doug Rivers, and Michael Tomz. (2007). Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade. *International Organization*. 61(1): 37-67.

Ikenberry, G. John. (2010). The Liberal International Order and its Discontents. *Millennium: Journal of International Studies*. 38: 509-521.

***Final Paper Due April 29<sup>th</sup>***