GOVERNMENT 338:

COMPARATIVE POLITICAL ECONOMY

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Economics rhymes with politics, and not just in English.

- Helmut Norpoth

Course Description: This course examines the juncture of politics and the economy in the advanced industrial democracies. Why do some countries have large, inclusive welfare states while others have minimal social programs? Is the welfare state in decline, and if so why? Do big welfare states and their attendant tax regimes stifle innovation and impede job creation, or are they compatible with good economic performance? Does it really make much difference for the economy whether parties of the left or right govern? What are the impacts of elections and partisan competition on monetary and fiscal policy and the macro-economy? Are strong union movements bad for the economy as a whole, or do they actually facilitate good economic performance in some countries? What does increasing globalization of the world economy mean for the constraints and opportunities facing governments in managing the economy and providing social welfare? Why did most European countries abandon their national currencies to create the Euro? We will use a variety of theoretical perspectives to provide some insight into these and other questions, paying particular attention to evaluating the theoretical arguments with both systematic and historical evidence.

We will cover the set of countries sometimes variously called the “OECD democracies” or “advanced industrial democracies” or “advanced capitalist democracies” or “post-industrial countries”: that is, roughly Western Europe, North America, Japan, Australia, and New
Zealand. The course will not touch on the political economy of development or on areas such as Eastern Europe. The bulk of our time will be spent on Western Europe.

We aim to develop an understanding of systematic relationships between certain economic and political variables rather than to provide a detailed historical overview of economic policies of any particular country or time period. Thus the class is not organized primarily around “politics in country x, y, and then z” but instead around an attempt to provide theoretically grounded answers to the types of questions listed above (such as “do strong unions cause higher inflation and unemployment?” and “does globalization dictate a rollback of the welfare state?”). We will indeed discuss particular countries in some detail (especially the United Kingdom, France, and Sweden), but in order to develop typologies and to illustrate and test theories rather than to provide detailed historical accounts.

**Fulfilling Concentration Requirements:** Government 338 can be used to fulfill a course requirement in two interdisciplinary concentrations:

- the **Concentration in European Studies**. Learn about the concentration by pointing your web browser to: [http://www.einaudi.cornell.edu/Europe/academics/concentration.asp](http://www.einaudi.cornell.edu/Europe/academics/concentration.asp)

- the **International Relations Concentration**. To learn about this concentration, go to: [http://www.einaudi.cornell.edu/initiatives/irc.asp](http://www.einaudi.cornell.edu/initiatives/irc.asp)

**Requirements and Grading:** Requirements are one midterm examination, a research paper, a final examination, and participation in a discussion section. The **midterm** will be given in-class on October 18. It will consist of several “explain and describe the significance of ...” short answers and an essay question. The **paper** requires you to do original research on a topic or theory covered in the class. It should be about 10-12 pages in length, and is due at the beginning of class on Thursday, November 30. Details will be provided a couple of weeks into the class. Last, but not least, the **final exam** will be comprehensive and administered in-class during our allotted examination slot: Thursday, December 13, 2:00 – 4:30 PM.

The midterm and the paper each count for 25% of the course grade and the final exam is worth 40%. Discussion section attendance and participation makes up the remaining 10%.

- **Final Examination Date and Time:** Thursday, December 13, 2:00 – 4:30 PM

- Please make sure that you can take the final examination at the designated date and time; no early exam or alternate exam time will be considered. **If you cannot take the final exam at the assigned time, do not take this class.**

You should make a special effort to keep up with the reading in this class since assignments (the research paper and final) are clustered at the end of the term, and the reading load is pretty heavy the last two weeks. If you fall behind and then spend all of your time the last few weeks on the research paper instead of reading, then when dead week rolls around the week won’t be the only thing that is dead....
**Texts:** Three books are available for purchase at the Cornell Campus Store and at Kraftees in Collegetown. Needless to say, you can also order these books from numerous web-based vendors; inexpensive used copies can frequently be found online. The reading packet is available at K C Copy Center in Collegetown (118 Dryden Rd). The reading packet is split into two volumes to lighten the load when lugging readings around campus. Volume 1 contains material up to the midterm exam; volume 2 contains material after the midterm.

The reading load averages 92 pages per week, although it varies substantially from topic to topic. The number of pages is not very heavy, although some of the reading is pretty dense.

The following items are required:

♦ Jonas Pontusson. *Inequality and Prosperity: Social Europe vs. Liberal America.* (Cornell University Press).
♦ Reading packet for Government 338, two volumes. (available at KC Copy).

In addition, reading a periodical such as *The Financial Times* (newspaper) or *The Economist* (weekly magazine) is strongly recommended. Special student subscriptions to *The Financial Times* are available through the instructor; you will be given an opportunity to sign up the first two class sessions.

**Course Web Page:** to sign up, go to:

http://www.cit.cornell.edu/atc/cst/howto_selfenroll.shtml

**Cornell University Policies and Regulations:** Participation in this class commits students and instructors to abide by Cornell’s expectations and policies regarding equal opportunity and academic integrity. Further, it implies permission from students to submit their written work to services that check for plagiarism. Each student in this course is expected to abide by the Cornell University Code of Academic Integrity. **It is your responsibility** to familiarize yourself with university policies regarding plagiarism and other violations of academic integrity. In particular, please make yourself familiar with the definition of plagiarism, and be aware that you may not turn in the same piece of work (or part thereof) for credit in multiple classes, either in the same semester or while at Cornell in general. Violations of the University Code of Academic Integrity will be firmly dealt with in this class. The Code can be found on the web at (a link to the Code can also be found on the Government 338 web page):

http://cuinfo.cornell.edu/Academic/AIC.html

In addition, this instructor observes all university policies addressing racial, ethnic, gender, sexual preference, or religious discrimination and all forms of harassment; he conducts class
in conformance with provisions of the Americans with Disabilities Act. Students are expected to familiarize themselves with pertinent policies and to bring any concerns related to them to the attention of the instructor.

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Course Schedule and Outline:

Topic 1: The “Golden Years” and Beyond

Week 1 (August 28 - 30)


FYI total reading on this topic is 29 pages

Topic 2: The Varieties of Capitalism

Weeks 1 – 4 (August 30 – September 18)


FYI total reading on this topic is 39 pages

• Case Studies of the Three Varieties

The State-Led Model: France


FYI this makes 78 pages on France
The Market-Led Model: The United Kingdom


FYI reading on the UK adds up to 51 pages

The Negotiated Model: Sweden


FYI this makes 73 pages on Sweden

Requiem for the State-led Model: Just Two Varieties of Capitalism?


FYI this makes 16 pages on varieties of capitalism revisited

Topic 3: Social Coalitions and Distributive Coalitions

Week 4-5 (Sept 20 – Sept 27)

Economic Interests: Production Profile Explanations for Policy


FYI total reading on this topic is 100 pages
• **Collective Action Problems and Economic Efficiency**


   ⚫ *FYI* total reading for this topic is 110 pages ⚫

❖ **Topic 4: The Welfare State**

**Weeks 6 – 8**

• **Types of Welfare States, and Consequences of the Welfare State**

  **Week 6 (Oct 2 – Oct 4)**


   ⚫ *FYI* total reading on this topic is 90 pages ⚫

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--- No class Tuesday, Oct 9 – Fall Break ---

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• **The Rise of the Welfare State** ...

  **Week 7 - 8 (Oct 11 – Oct 16)**


   ⚫ *FYI* total reading on this topic comprises 98 pages ⚫


Midterm Examination. Thursday, October 18, in class.

Week 9 (Oct 23 – Oct 25)


FYI these four readings sum to 90 pages

Topic 5: The Organization of Business and Labor

Week 10 (Oct 30 – Nov 1)

Labor Markets and Unions


FYI total reading on this topic is 102 pages

Reminder: You should have consulted with your TA about your paper topic by now!
Topic 6: Government Partisanship and The Politics of Macroeconomic Policy

Week 11 (Nov 6 – Nov 8)

- Political Business Cycles and Electoral Incentives
  

FYI the first four chapters of this book are 96 pages long.

Topic 7: Adjusting to “Europeanization”

Week 11 - 12 (Nov 8 – Nov 13)

- Europeanization and the Creation of the Euro
  

FYI total reading this week is 54 pages.

Topic 8: Globalization: Convergence and the End of Varieties of Capitalism?

Weeks 12 - 14 (Nov 15 – Nov 29)

- Mobile Capital and Economic Pressures for Policy Convergence: the End of Varieties?
  
  1. Dani Rodrik, Has Globalization Gone Too Far?. Chapters 1 - 3 and 5 (pp. 1 – 48 and pp. 69 – 81). In reading packet.
  2. Paulette Kurzer, Business and Banking: Political Change and Economic Integration in Western Europe, chapters 1 and 10 (pp. 3 – 23 and 244 – 254). In reading packet.

FYI these two readings comprise 90 pages.
• *Multiple Paths to Economic Success and Political Pressures against Policy Convergence: Partisan Strategies in a Global Economy*


① *FYI* these two readings comprise 107 pages ①

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---- Thanksgiving Break! November 21 – 25 ----
We will *not* have class on Tuesday, Nov 20

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• *Corporatism Rides Again?*


① *FYI* total reading for this sub-topic is 72 pages ①

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🌟🌟 Your research paper is due November 29 🌟🌟

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Study Period/Dead Week: December 2 - 4, no assignments!
Final Exam Period: December 5 - 14.
Our Final Exam: Thursday, December 13, 2:00 – 4:30 PM.