

CAPITALISM AND DEMOCRACY

This course is an introduction to political economy, the zone where politics and economics intersect. It reviews some of the classic concepts and looks at how they are being applied in contemporary research. The syllabus is ecumenical and eclectic, on the assumption that no single approach holds all the answers. So students will be expected to attain a superficial grasp of a broad range of ideas and a thorough mastery of those few approaches that appeal to them.

All the readings are on Blackboard for the course, except for the suggested book purchases. Those together with most of the other books mentioned in the syllabus are on Olin reserve.

Assessment

Students will form groups of 2-3 and make one presentation during the course of the semester. Groups will sign up on Friday of Week One.

Each week students will submit a two page commentary on one or more of the week's assigned readings, to be put in Rutland's mailbox or emailed to him by 10.00 am Wednesday. You are allowed three free weeks, and will not submit a report during your presentation week, so nine assignments will be due in all.

Assessment will consist of two parts:

- 1) 33% class participation, including presentation.
- 3) 66% nine weekly papers, two pages in length.

Suggested book purchases

Iain McLean, *Public Choice. An Introduction* (Blackwell, 1987)

Paul Seabright, *The Company of Strangers* (Princeton University Press, 2005).

Douglass North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press 1990).

Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge University Press 2002).

Jeffrey Sachs, *The End of Poverty* (Penguin, 2006).

Ian Shapiro, *The State of Democratic Theory* (Cambridge University Press, 2005)

Week 1 Sept 6-8

WHAT IS PUBLIC CHOICE ?

A review of key concepts stemming from methodological individualism: public goods, Condorcet paradox, logic of bureaucratic action.

Ian Mclean
S.M. Amadae

Public Choice (1987), part 1
Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism (2003). ch. 2 on Arrow and Black; ch. 3 on Buchanan, ch. 4 on Riker

**Week 2
Sept 13**

GAME THEORY

For this week the assignment will be an exercise: choose a specific example of a collective action dilemma and model it using prisoner's dilemma framework.

Ian Mclean	<i>Public Choice</i> (1987), part 2
Russell Hardin	"The free rider problem," <i>Stanford Encyclopedia of Philosophy</i>
Garrett Hardin	"The Tragedy of the Commons" (1968) At: http://dieoff.org/page95.htm
Wikipedia	Public good, Tragedy of the Commons, Prisoner's dilemma
Duncan Black	"On the rationale of group decision-making," <i>Journal of Political Economy</i> , v. 56, n. 1, Feb. 1948, 23-34.
Anthony Downs	<i>An Economic Theory of Democracy</i> (1958) ch. 8

**Week 2
Sept 15**

THE EVOLUTION OF COOPERATION

How did we develop norms of trust and reciprocity? Does economics or political science give sufficient attention to the historical evolution of institutions?

Paul Seabright	<i>The Company of Strangers</i> (2006)
Gordon Tullock	"Who so much stability?" <i>Public Choice</i> , v. 37, n. 2, Apr, 1981, 189-203
Geoffrey Brennan & James Buchanan	<i>The Reason of Rules</i> , Ch. 1
Randall Calvert	"The rational choice theory of social institutions," ch. 8 in Jeffrey Banks & Eric Hanushek (eds.), <i>Modern Political Economy</i> , (1995), 216-67

**Week 3
Sept 20-22**

HISTORICAL INSTITUTIONALISM

1) Economists. The evolution of property rights: transaction costs, Coase theorem.

Douglass North	<i>Institutions, Institutional Change and Economic Performance</i> (1990)
Oliver Williamson	"Transaction cost economics," ch. 1 in <i>The Economic Institutions of Capitalism</i> (1985), 15-42
Ronald H. Coase	"The problem of social cost," <i>Journal of Law and Economics</i> , v. 3, n. 1 1960, 1-44
Ronald H. Coase	"The nature of the firm," <i>Economica</i> , v. 4, n. 16, Nov. 1937, 386-405

2) Political scientists. The evolution of institutions such as rule of law, indep. judiciary

Sven Steinmo	"Institutionalism," in Nelson Polsby (ed.), <i>International Encyclopedia of the Social and Behavioral Sciences</i> (2001)
Daron Acemoglu	"Why not a political Coase theorem?" <i>Journal of Comparative Economics</i> , 31, (2003), 620-652
Eli M. Salzberger	"The independence of the judiciary: An economic analysis of law perspective," Paper delivered at CEU Budapest, May 3-5, 2001
Barry Weingast	"The political foundations of democracy and the rule of law," <i>American Political Science Review</i> , v. 91, n. 2, June 1997, 245-63

Week 4
Sept 26

PATH DEPENDENCY

Is path dependency a usable paradigm? Can it help explain the collapse of the USSR?

- Paul David "Clio and the econometrics of QWERTY," *American Economic Review*, v. 75, n. 2, May 1985, 332-37
- Paul Pierson "Increasing returns, path dependence and the study of politics," *American Political Science Review*, v. 94, n. 2. June, 2000, 251-267
- James Mahoney "Path dependency in historical sociology," *Theory and Society*, 2000, v. 29, n. 4, 507-48
- Peter Rutland "The Russian revolution of 1991 and the dissolution of the USSR," (2006)

Sept 29

NO CLASS

Week 5
Oct 4-6

CORRUPTION

- 1) Why are so many politicians and state officials corrupt?
- 2) What can be done to decrease corruption?

- Andrei Shliefer & Robert Vishny "Corruption," *Quarterly Journal of Economics*, Aug. 1993, 599-617
- Transparency International www.transparency.org Indices, reports, analysis
- Ben & Fritz Heineman "The long war against corruption," *Foreign Affairs*, v. 85, n. 3, May 2006, 75-86
- Susan Rose-Ackerman *Corruption and Government: Causes, Consequences, and Reform* (1999)
- John Wallis "The concept of systematic corruption in American economic and political history," forthcoming in *Corruption and Reform* (2006)
- Robert Klitgard *Controlling Corruption* (1991)
- Robert Klitgaard *Tropical Gangsters* (1991)
- Ajit Mishra *The Economics of Corruption* (2005)

Week 6
Oct 11

THE RESOURCE CURSE

Are natural resources a curse or a blessing for development and democracy?

- Michael L. Ross "The political economy of the resource curse," *World Politics*, v. 51, n.1, Jan. 1999, 297-322
- Michael L. Ross "Does oil hinder democracy?," *World Politics*, v. 53, n. 3, 2001, 325-361
- Michael Herb "No representation without taxation? Rents, Development, and Democracy," *Comparative Politics*, v. 37, n. 3 (April 2005), 297-317
- Jeffrey Sachs & Andrew Warner "The curse of natural resources," *European Economic Review*, v. 45 (2001), 827-838
- Richard Auty "The political economy of resource-driven growth," *European Economic Review*, v. 45 (2001), 839-846

Oct 13

NO CLASS

Week 7
Oct 18-20

JUSTICE

An evaluation of the most influential American liberal thinker, John Rawls.

- John Rawls "Justice as fairness," *Journal of Philosophy*, v. 54, n. 22, 1957, 653-62

- John Rawls "The law of peoples," *Critical Inquiry*, fall 1993, v. 20, n. 1, 36-68
 Jan Garrett "Rawl's mature theory of justice," August 2005
<http://www.wku.edu/~jan.garrett/ethics/matrawls.htm#2ndprin>
- Jeremy Waldron "Justice," in Ira Katznelson & Helen Milner (eds.) *Political Science. The State of the Discipline* (2002), 266-85
- Martha Nussbaum "The enduring significance of John Rawls," *Chronicle of Higher Education*, Jul 20 2001. <http://chronicle.com/free/v47/i45/45b00701.htm>
- John Rawls *A Theory of Justice* (1971)
 John Rawls *The Law of Peoples* (1999)
 Chandran Kukathas & Philip Pettit *Rawls: A Theory of Justice and its Critics* (1990)

Week 8 NETWORK ANALYSIS

Oct 25

What can economists & political scientists learn from sociological analysis of networks?
 Visiting professor: Federico Varese, Oxford University

- Mark Granovetter "The strength of weak ties," *American Journal of Sociology*, v. 78, n. 6., May 1973, 1360-1380
- Mark Granovetter "The strength of weak ties: a network theory revisited," *Sociological Theory*, v. 1, 1983, 201-33
- Manuel Castells & Gustavo Cardoso *The Network Society* (2006), ch. 1, 1-21

Week 8-9 THE CHALLENGE OF DEVELOPMENT

Oct 27

What are the prospects for the developing world? Does aid help or hinder development?

- Jeffrey Sachs *The End of Poverty: Economic Possibilities for Our Time* (2006)
 Morton Halperin at al *The Democracy Advantage: How Democracies Promote Prosperity and Peace*, (2005), ch. 5
- William Easterly "The big push déjà vu: A review of Jeffrey Sachs's *The End of Poverty*," *Journal of Economic Literature*, v. 44, Mar. 2006, 118-127
- William Easterly *The White Man's Burden* (2005)
 William Easterly "Does foreign aid add up?," *Foreign Policy*, August 2001

Week 9 DEMOCRACY AND DEVELOPMENT

Nov 1-3

Does democracy help or hinder development? And if so, why? What can we learn from big-N studies?

- Carles Boix *Democracy and Redistribution* (2003) chs. 1 and 7
- James A. Robinson & Daron Acemoglu "Economic development and democracy," *Annual Reviews of Political Science* n. 9 (2006), 503-27
- James A. Robinson & Daron Acemoglu *Economic Origins of Dictatorship and Democracy* (2006)
- Daron Acemoglu, Simon Johnson & James Robinson "The colonial origins of comparative development" *American Economic Review* n. 91 (2001), 1369-1401
- Dani Rodrik et al "Institutions Rule: The primacy of institutions over geography and integration in economic development," *Journal of Economic Growth*, 2004, v. 9, n. 2, 131-65
- Daniel Ziblatt "How did Europe democratize?," forthcoming in *World Politics* 2006
- Amartya Sen "Democracy as a universal value," *Journal of Democracy*, v. 10, n. 3, (July 1999), 3-17
- Adam Przeworski at al *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990* (2000) Introduction
- Carles Boix & Susan Stokes "Endogenous democratization," *World Politics*, v. 55, n. 4, (July 2003), 517-49

Week 10
Nov 8-10

FROM KEYNES TO NEOLIBERALISM

While rational choice focuses on the calculation of interest, ideas also matter. Blyth examines the rise and fall of economic theories as the explanation for the changing fortunes of social democracy in Sweden and the US since 1930.

Visiting professor: Mark Blyth, Johns Hopkins University

Mark Blyth *Great Transformations: Economic Ideas and Institutional Change in the 20th Century* (2002)

Week 11
Nov 15

WHITHER THE WELFARE STATE ?

What are the possibilities and limits for the welfare state in the new global economy?

Peter Evans "The eclipse of the state? Reflections on stateness in an era of globalization"
World Politics, v. 50, n. 1, 1997

Philip Cerny "Globalization and the erosion of democracy," *European Journal of Political Research*, v. 36, n. 1, August 1999, 1-26

Giulio Gallarotti "The advent of the prosperous society: The rise of the guardian state,"
Review of International Political Economy, v. 7, n. 1 (Feb. 2000)

Christopher Pierson & Frank Castles *The Welfare State Reader* (2000)

Peter Hall & David Soskice (eds.) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (2001), ch. 1

Week 12
Nov 17-25

NO CLASSES !!

Week 13
Nov 29-Dec 1

THE STATE OF DEMOCRACY

Is majoritarianism and electoral choice enough? Can deliberation defeat domination?
How does democracy cope with economic inequality and ethnic division?

Ian Shapiro *The State of Democratic Theory* (Cambridge University Press, 2005)

If you don't want to tackle the whole book, read the essay on which it is based:

Ian Shapiro "The state of democratic theory," in Ira Katznelson & Helen Milner (eds.) *Political Science. The State of the Discipline* (2002), 235-65

John E. Mueller *Capitalism, Democracy and Ralph's Pretty Good Grocery*, 243-53

Larry Diamond "The quality of democracy," *Journal of Democracy*, v. 15, n. 4, October 2004, 20-31

David Beetham "Freedom as the foundation," *Journal of Democracy*, v. 15, n. 4, Oct 2004

Week 14
Dec 6-8

ISLAM AND THE WEST

Finally a look at the cultural dimension. How does religion factor into political economy?
The findings of the World Values Survey; modernization and the Islamic world.

Pippa Norris & Ronald Inglehart "Islam and the West. Testing the clash of civilizations thesis," May 2002.

<http://ksghome.harvard.edu/~pnorris/Acrobat/Clash%20of%20Civilization.pdf>

Adrian Karatnycky "Moslem countries & the democracy gap," *Journal of Democracy*, 13/1, Jan 2002

Pippa Norris & Ronald Inglehart *Sacred and Secular. Religion and Politics Worldwide* (2000)