

STATES AND MARKETS

Linking Political Institutions and Economic Outcomes

INSTRUCTOR: Paula D. Ganga, pdg23@georgetown.edu

CLASS TIME: TR 9:30 - 10:45 AM, Car Barn 300.

OFFICE HOURS: 11:00 AM Tuesdays, and by appointment.

COURSE OBJECTIVES:

During the current electoral campaign Donald Trump has argued that the “government should be run like a business,” whereas Bernie Sanders focused his platform on an increased role of the state in the market in what he calls “democratic socialism.” The tension in the relationship between states and markets has been present in remarks by other candidates not only during the current campaign season but throughout contemporary political discourse. The constant recurrence of this topic is due to the centrality of the relationship between politics and economics in the twentieth century and the policy implications of even a slight change in the balance between states and markets in creating new winners and losers at all levels of society both in the US and across the world.

This course is motivated by three questions at the heart of political science: (1) What is the appropriate role of government in the economy? (2) How do we explain the actual role of government in the economy? (3) What do changes in this balance mean for political and economic institutions?

This course aims to engage in an in-depth treatment of the link between states and markets, between political institutions and their economic consequences, as well as the possibility of reverse causality in this relationship and endogenous evolution of politics and economics. It will also connect theories of political institutions to broader topics in political science and political economy as well as regional instances of the state-market interaction. Finally, the course will expose students to the variety of methods used to study the relationship between states and markets such as historical analysis, case studies and statistical analysis.

The first part of the course will answer more directly the question of how states and markets interact. The class will look at the historical school of analyzing the co-evolution of political and economic institutions. It will also connect theories of political institutions to broader topics in political science and political economy such as the Western European varieties of capitalism, historical and contemporary alternatives to capitalism, political transition and economic liberalization.

The second part of the course will focus on the dynamic relationship between the state and the market. The class discussion will engage with the topics of economic liberalization and political transition as well as the retreat of the state from the market through privatization and the return of the state through nationalization. The final weeks will take a global perspective looking into recent

developments such as failures of the state and the market through corruption and the effects of the resource curse as well as the consequences of the financial crisis on the evolving role of the state in the market.

Finally, this class will also encourage students to think of these processes in the context of a large scale individual research project. The goal will be to push students toward using all the resources available at Georgetown and around Washington DC in order to create a project that will make an original contribution and could potentially become a senior thesis. Through class readings on writing original research in social science as well as through individual meetings and mentoring, the papers will make use of primary materials either through quantitative data analysis, use of archival material or interviews with policy-makers. This approach will encourage students to think originally and prepare them for the rigors of a more extensive research project down the line such as a thesis or dissertation.

LEARNING GOALS

In this course, students will:

- examine key concepts and theories that describe and explain the role of states and markets.
- explore the relationship between economic development and political change.
- develop oral presentation skills through class presentations and class discussions.
- hone research and analytical writing skills by planning, developing and writing a term paper.

REQUIREMENTS

Attendance

Attendance at all class meetings is required.

Readings

Required readings should be completed before the class for which they are assigned. The midterm exam and final paper will require you to have a strong comprehension of the material covered in both the readings and the class discussions.

Examinations

There will be an in-class midterm examination.

Class participation

This is a class designed for upper level students and will be run as a seminar. All students are expected to come prepared to participate in class and contribute with arguments and questions to the class discussion.

Class presentations

Each student will be expected to make short class presentations on readings for that day and set the discussion up with questions on the material covered.

Paper Assignment

There will be a final course paper due at the end of class. The final project is a 20-25 page research paper based on the course themes. Students may choose any topic related to the economic consequences of political institutions and investigate it in one or two cases. Students will have to turn a short research proposal for this paper midway through the semester as well as a paper outline by November 15. We will work together to identify sources for students to use and develop an outline for the paper. The last weeks of the course will be dedicated to student presentations of their research and findings to the class for feedback, before submitting a revised finished product for evaluation.

Course Outline

Introduction	September 1
Part I. States and Markets under Capitalism	September 6-20
Part II. States and Markets under Communism	September 22-29
Part III. The Dynamic State-Market Relationship	October 4-13
Writing an Academic Paper	October 13
Midterm Examination	October 18
Part III. The Dynamic State-Market Relationship	October 20 - November 3
Part IV. State-Market Relations in a Global Perspective	November 8-22
Student Presentations	November 29-December 6
Paper Due	Exam Period

PROCEDURES:

Office Hours

I will hold office hours each week to discuss substantive questions about readings, lectures, exams, and papers. As a general rule of thumb, if you have a substantive question that probably requires more than one or two sentences to answer thoroughly, I recommend that you come to office hours, email me a time to meet or save the question for class. This will be better for everyone because it not only saves time, but I will also be able to sit with you and work through the material in a much more comprehensive way, and in a way that I know will be clear to you. Moreover, people in class probably will have the same questions, and if you ask the question in class, other people will benefit as well. If you have administrative or organizational questions, however, I encourage you to email me first.

Late Assignments

Deadlines are strict. No extensions will be granted in the absence of a genuine emergency or documented illness. Predictable events, such as a heavy workload or extracurricular activities, are not normally considered grounds for an extension. All appeals for extensions will be considered on a case-by-case basis. Late papers will be penalized one full letter grade for each day they are late.

Grading

Grades will be based on the absolute merit of your work, so there is no grading curve employed in this class. Your final grade will be calculated as follows:

Participation	20%
Class Presentations	10%
Midterm Examination	25%
Paper Proposal and Outline	5%
Paper Presentation	5%
Paper	35%

Grading Disputes

You may email me about a grading concern after a 48-hour waiting period. You are entitled to a satisfactory explanation for why you received a particular grade. If you are not satisfied with the explanation provided by me, you may submit a written explanation for why you believe that your work was misgraded. The work will then be regraded by me with the understanding that I may ultimately issue a grade that is better, the same, or worse than the original grade.

Plagiarism

Plagiarism or other acts of academic dishonesty will not be tolerated. As defined by the Georgetown University Honor Council, plagiarism is “the act of passing off as one’s own the ideas or writings of another.”

Blackboard

A Blackboard site has been created for this class. You can access the site at <http://campus.georgetown.edu>. On the site, you will find announcements, the syllabus, pdf copies of the readings, lecture slides, and information about assignments.

READING ASSIGNMENTS

In addition to the books and articles below, you should read the international affairs section of a major national newspaper, such as the *New York Times* or the *Washington Post*, on a daily basis. You might also consider reading the *Economist*, which is generally considered the best weekly news magazine available. Class discussion will often include references to contemporary political and economic events, so it is critical that you are aware of important current developments in the world in order to be able to examine the real life consequences of the concepts studied in class.

September 1. Introduction

Part I. States and Markets under Capitalism and Communism

September 6. Capitalism

Strange, Susan. 2015. *States and markets*. Bloomsbury Publishing. (Prologue, p. 3-6)

Bandelj, Nina. 2010. *Economy and state: a sociological perspective*. Cambridge: Polity. (Introduction, Chapter 2)

September 8. Historical Development of Capitalism and the State

Olson, Mancur. "Dictatorship, Democracy, and Development." *American Political Science Review* 87, no. 03 (1993): 567-576.

North, Douglass C., and Barry R. Weingast. "Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England." *The Journal of Economic History* 49, no. 04 (1989): 803-832.

September 13. Varieties of Capitalism in Western Europe

Hall, Peter A., and David Soskice, eds. 2001. *Varieties of capitalism: The institutional foundations of comparative advantage*. (Chapter 1)

Thelen, Kathleen. 2012. "Varieties of capitalism: Trajectories of liberalization and the new politics of social solidarity." *Annual Review of Political Science* 15: 137-159.

September 15. Modernization Theory

Rostow, W.W. *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge Uni-

versity Press, 1960. Chapter 2, “The Five Stages of Growth A Summary,” (pp. 4-16)

Lipset, Seymour Martin. “Some social requisites of democracy: Economic development and political legitimacy.” *American Political Science Review* 53, no. 01 (1959): 69-105.

Przeworski, Adam and Fernando Limongi. 1997. “Modernization: Theories and Facts.” *World Politics* 49: 155-83.

September 20. Corporatism

Schmitter, Philippe C. “Still the century of corporatism?.” *The Review of politics* 36, no. 01 (1974): 85-131.

Wiarda, Howard J. *Corporatism and Comparative Politics: The Other Great Ism*. ME Sharpe, 1996. (3-27, 34-46)

September 22. The State Replacing the Market. Alternative Political and Economic Institutions under Communism

Verdery, Katherine. *What Was Socialism and What Comes Next?*. Princeton University Press, 1996. (Chapter 1)

Hare, Paul G., and Gerard Turley. 2013. *Handbook of the economics and political economy of transition*. Abingdon, Oxon: Routledge. (Chapter 6)

September 27. The State as an Alternative to the Market

Myant, Martin R., and Jan Drahekoupil. 2011. *Transition economies: political economy in Russia, Eastern Europe, and Central Asia*. Hoboken, NJ: Wiley. (Chapter 2, Skim chapter 1)

Bandelj, Nina, and Dorothy J. Solinger. 2012. *Socialism vanquished, socialism challenged: Eastern Europe and China, 1989-2009*. New York: Oxford University Press. (Chapter 10)

September 29. The State as an Alternative to the Market. The Chinese Case

Nee, Victor, and Sonja Opper. *Capitalism from below. Markets and Institutional Change in China*. Harvard University Press, 2012. (Chapters 1, 2)

Tsai, Kellee. *Capitalism without democracy: The private sector in contemporary China*. Cornell University Press, 2007.(Chapters 1, 2)

Part II. The Dynamic State-Market Relationship

October 4. Political Transition and Economic Liberalization

Roland, Gerard. "The political economy of transition." *The Journal of Economic Perspectives* 16, no. 1 (2002): 29-50.

Stark, David, and Laszlo Bruszt. *Postsocialist pathways: Transforming politics and property in East Central Europe*. Cambridge University Press, 1998. (Introduction, Chapter 1)

October 6. Case Studies of Political Transition and Economic Liberalization

Stark, David, and Laszlo Bruszt. *Postsocialist pathways: Transforming politics and property in East Central Europe*. Cambridge University Press, 1998. (Chapters 3, 4)

Myant, Martin R., and Jan Drahekoupil. 2011. *Transition economies: political economy in Russia, Eastern Europe, and Central Asia*. Hoboken, NJ: Wiley. (Chapters 4, 9)

October 11. Is the transition over?

Lane, David Stuart, and Martin R. Myant, eds. *Varieties of capitalism in post-communist countries*. Basingstoke: Palgrave Macmillan, 2007. (Chapter 1)

Hare, Paul G., and Gerard Turley. 2013. *Handbook of the economics and political economy of transition*. Abingdon, Oxon: Routledge. (Chapters 4, 20)

October 13. Writing an Academic Paper

Geddes, Barbara. 1990. "How the Cases You Choose Affect the Answers You Get: Selection Bias in Comparative Politics." *Political Analysis* 2 (1): 131-150.

Pierson, Paul. 1993. "When Effect Becomes Cause: Policy Feedback and Political Change.?" *World Politics*, 45: 3, 595-628.

Angrist, Joshua D., and Jörn-Steffen Pischke. "Questions about Questions," in *Mostly harmless econometrics: An empiricist's companion*. Princeton University Press, 2008.

October 18. Midterm Examination

October 20. Special Cases of Capitalism – Russia

Markus, Stanislav. *Property, Predation, and Protection. Piranha Capitalism in Russia and Ukraine*. Cambridge University Press, 2015. (Chapters 1, 2, 3)

October 25. Special Cases of Capitalism – China

Zeng, Jin. 2013. *State-led privatization in China: The politics of economic reform*. (Chapters 1, 5)

October 27. The State's Return through Nationalization

Shlapentokh, Vladimir, and Anna Arutunyan. *Freedom, Repression, and Private Property in Russia*. Cambridge University Press, 2013. (Introduction)

Frye, Timothy. "The Limits of Legacies: Property Rights in Russian Energy." *Historical Legacies of Communism in Russia and Eastern Europe* (2014): 90.

November 1. State Capitalism in the case of Brazil

Musacchio Farias, Aldo, and Sergio G. Lazzarini. 2014. *Reinventing state capitalism: Leviathan in business, Brazil and beyond*. Cambridge, Massachusetts : Harvard University Press. (Chapters 2, 3, 4)

Part III. State-Market Relations in a Global Perspective

November 3. Failures of the State and Failures of the Market

Brown, J. David, John S. Earle, and Scott Gehlbach. 2009. "Helping hand or grabbing hand? State bureaucracy and privatization effectiveness." *American Political Science Review* 103.02: 264-283.

Albertus, Michael, and Victor Menaldo. "If You're Against Them You're With Us The Effect of Expropriation on Autocratic Survival." *Comparative Political Studies* 45, no. 8 (2012): 973-1003.

November 8. States and the Market for Natural Resources

Ross, Michael L. 2001. "Does Oil Hinder Democracy?." *World Politics* 53(3): 325-361.

Haber, Stephen, and Victor Menaldo. 2011. "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse." *American Political Science Review* 105(1): 1-26.

Mahdavi, Pasha (2014). "Why do leaders nationalize the oil industry? The politics of resource expropriation." *Energy Policy*, 75, 228-243.

November 10. Capitalism in America

Hacker, Jacob S., and Paul Pierson. "Making America Great again: The Case for the Mixed Economy." *Foreign Affairs*. 95 (2016): 69.

Hacker, Jacob S., and Paul Pierson. *American Amnesia: How the War on Government Led Us to Forget What Made America Rich*. Simon & Schuster, 2016. (Introduction, Chapters 1, 2)

November 15. Capitalism in America continued

Hacker, Jacob S., and Paul Pierson. *American Amnesia: How the War on Government Led Us to Forget What Made America Rich*. Simon & Schuster, 2016. (Chapters 3, 4, Conclusion)

November 17. Economic nationalism and Economic supranationalism

Pryke, Sam. “Economic nationalism: Theory, history and prospects.” *Global Policy* 3, no. 3 (2012): 281-291.

Helleiner, Eric. “Economic nationalism as a challenge to economic liberalism? Lessons from the 19th century.” *International Studies Quarterly* 46, no. 3 (2002): 307-329.

Hemerijck, A., Knapen, B. and Doorne, E.V., 2009. *Aftershocks: Economic Crisis and Institutional Choice*. Amsterdam University Press. (Chapters 16, 30, skim 29)

November 22. Globalization and the State-Market Relationship

Simmons, Beth A., and Zachary Elkins. “The globalization of liberalization: Policy diffusion in the international political economy.” *American political science review* 98, no. 01 (2004): 171-189.

Hemerijck, A., Knapen, B. and Doorne, E.V., 2009. *Aftershocks: Economic Crisis and Institutional Choice*. Amsterdam University Press. (Chapter 23)

November 29. Student Presentations of Papers

December 1. Student Presentations of Papers

December 6. Student Presentations of Papers and class conclusions

Final Examination – PAPERS DUE