Political Science 651
Positive Comparative & International Political Economy (C&IPE)
Fall 2006; Class Sessions Meet: Fri 9:00-11:00AM, Location: G437 Mason Hall

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Course Description:
This reading list is intended to provide an introduction to and overview of modern political-economy research, specifically: the positive comparative and international political economy of developed democracies and developing countries. Its readings emphasize how domestic and international political configurations (institutions, structures, etc.) and events (elections, coups, etc.) systematically produce certain sorts of economic policies and on how these comparative and international contexts might condition the effects of the policy so made. In other words, the course takes political economy primarily to mean the politics and economics of macro and international economic policymaking, policy, and outcomes more so than (at least) three other broad areas of inquiry also referred to as political economy: (a) the microeconomics of politics, which studies how self-interested, rational policymakers make choices in a institutionalized environment, employing the utility-maximization theories and game-theoretic tools of microeconomics; (b) normative political economy, which studies, alternatively, what economic policy should be enacted to produce ideal effects or what policy would be enacted under some set of ideal circumstances that may or will not obtain; and (c) the political consequences of economic outcomes wherein political effects are treated as outputs of (typically exogenous) economic causes, e.g., the impact of economic performance on presidential approval or voting.

Requirements and Grading:
We meet once weekly for some mixture of lecture and discussion of the week’s required readings. Although everyone is responsible for being prepared to discuss all of the material every week, some of the readings are technically demanding, and the list is quite long in many weeks: a combination that renders preparing yourselves individually virtually impossible. My previous experience has taught me that I simply cannot recommend strongly enough that you form a study group to divide the readings and assist each other in preparation, so I will require such cooperative behavior. For most weeks, I will assign reading(s), as much as possible by student choice, to individual students who will serve as our resident expert on that (those) reading(s). As a resident expert, your duties include (a) preparing a detailed outline1 of your assigned materials, complete with two or more well and carefully conceived discussion questions;2 for distribution to the class and to me, (b) presenting your material and starting discussion about it in class (5-10 minutes),3 and (c) being ready to field any questions from me or classmates about your assigned material.4 (Developing your skills in skimming material and learning from the summaries and presentations of others will also be important.) Lastly, each student will prepare a final research-paper on a topic to be agreed with me in advance. The seminar papers should be approached with the full intent of producing publishable-quality work from them (eventually, at least) and should be started as soon as possible. We will have individualized meetings about your final-paper ideas sometime around the mid-point of the semester. The “further suggestions” readings and the reference lists from them and the assigned readings may be good places to begin looking for material for your seminar paper, but you should feel constrained by them neither in the breadth of the topics covered nor in the depth of their coverage.

General Participation...20% Seminar Paper...40% Resident Expert Duties...40%

Due Dates: Our paper-proposal meetings will be sometime around November 10; the paper is due December 20. The resident-expert outlines and discussion questions should be sent to me and to all your classmates as e-mail attachments no later than Thursday, the day before class, at noon.

Notes on This Reading List:
Some of the “Further Suggestions” lists are quite extensive, amounting to little less than entire syllabi on their own in some cases. The implication is that you should read or ever have read at any point in your career all of the references in this document. (You

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1 Ideally, these outlines should be preceed by an old-format AJPS abstract (Theory, Hypotheses, Methods, Results/Findings/Conclusion); they must follow standard outline format (I,II,III,IV,...,A,B,C,...,1,2,...,a,b,c,...) your word-processor likely has a template; and they must be detailed enough for your reader to summarize the article (its main arguments, approach, findings, and conclusions) based only upon a reading of the outline (use my lecture-notes outlines as an example in this regard).
2 Please give considerable thought to these questions, and think of your material also in relation to the rest of the week’s readings in doing so. We would like to use your questions as the starting point for our discussion; in fact, consider this on-the-job training for graduate-seminar teaching. One helpful step in these directions is for you to have some responses to your own questions ready, at least sketched in your head if not more-thoroughly developed.
3 Treat these presentations very seriously also; consider them on-the-job training for professional presentations. Assume your audience—classmates and I—has read your outline and at least skinned your material. Use the presentation to show us how the argument(s), model(s), and/or empirics work(s), and to raise some issues about the material (perhaps in relation to other readings that week, and/or perhaps applications, critiques, and/or extensions) that seem important to you.
4 In other words, as the resident expert, you are pedagogically responsible for your assigned material.
may rest assured: I have and will not.) Reading all the required selections is more than challenge enough. (Again, this is part of what your study group and the resident-expert outlines must provide each other: means of collaborating to cover through joint effort a syllabus that would almost surely surpass any individual’s capacity.) Relying extensively on other syllabi from friends and colleagues whom I trust and on secondary references to some of this material, I am trying to direct you to important works in each area of research if you should decide to specialize therein. The long lists are thus “further suggestions” for beginning your specialist training and perhaps for starting your seminar papers; if you would like further direction on either, I would be glad to help as we can.

Many of the authors in this syllabus are prominent figures whose names you should try to remember and to be able to link to research areas and achievements. Prominence, however, should not be taken to imply unassailability; please approach everything we read with an open but scientifically critical mind. On those occasions where I assign my own work, “prominence” certainly does not apply—nor should deference. Please be at least as critically minded in considering it.

University of Michigan, Ann Arbor: Fall 2006 Calendar

<table>
<thead>
<tr>
<th>Event</th>
<th>Dates</th>
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<tbody>
<tr>
<td>Registration</td>
<td>Sep 1, Fri</td>
</tr>
<tr>
<td>Labor Day (Holiday)</td>
<td>Sept 4, Mon</td>
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<tr>
<td>Classes begin</td>
<td>Sept 5, Tue</td>
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<tr>
<td>Fall Study Break</td>
<td>Oct 16-17, Mon-Tue</td>
</tr>
<tr>
<td>Thanksgiving recess</td>
<td>5:00 p.m. Nov 22, Wed</td>
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<tr>
<td>Classes resume</td>
<td>8:00 a.m. Nov 27, Mon</td>
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<tr>
<td>Classes end</td>
<td>Dec 13, Wed</td>
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<tr>
<td>Study Days</td>
<td>Dec 14, Thu &amp; Dec 16-17, Sat-Sun</td>
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<tr>
<td>Examinations</td>
<td>Dec 15, 18-22, Fri, Mon-Fri</td>
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<tr>
<td>Commencement</td>
<td>Dec 17, Sun</td>
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Books Ordered for Purchase (AT SHAMAN DRUM):


Outline of the Course:

**Part I:** Preliminaries & Background
- Week 1 (9/8): Introduction & Logistics; Basic Economic Theory for C&IPE
- Week 2 (9/15): Basic Economic Theory for C&IPE
- Week 3 (9/22): Class Cancelled/On-Your-Own: What is (Positive) C&IPE?

**Part II:** The Building Blocks of Positive Political Economy
- Week 5: (10/6): Models and Tools for C&IPE (Part II)
- Week 6 (10/13): Preferences, Collective Action, & Transaction Costs
- Week 7 (10/20): Institutions: Perspectives, Approaches, & Theoretical Roles

**Part III:** Alternative Views of the Central Conflict in C&IPE
- Week 8 (10/27): Credibility, Time-Consistency, Uncertainty, & Information: PE as a Technocratic Problem
- Week 11 (11/17): Class Canceled;
- Week 12 (11/24): Thanksgiving Holiday

**Part IV:** Topical Applications in C&IPE:

Possible Topics: Electoral & Partisan Cycles; Distributive & Redistributive Politics & Policy; Fiscal Policy (in a Global Economy); Monetary Policy (in a Global Economy); Development, Inequality, & Growth; Reform & Transition; International Regimes, Cooperation, and Security

**Week 13-5 (12/1, 12/8, 12/15):** Topics I-III

READING NOTES: Throughout the syllabus, I have indicated the more-central readings in larger (11pt.) font and the less-central readings in smaller (9pt.) font in an attempt to help render these very demanding lists more manageable. (These font-size variations indicating reading priority may be updated throughout the semester. Check back regularly.) I will also provide some guidance to reading the material in Reading Notes, also to be updated as we proceed, and located on-line at [http://www-personal.umich.edu/~franzese/PS651_Franzese_ReadingNotes_Fall.pdf](http://www-personal.umich.edu/~franzese/PS651_Franzese_ReadingNotes_Fall.pdf). Check this at least weekly.
Part I: Preliminaries & Background

Week 1 (9/8): Introduction & Logistics; Basic Economic Theory for C&IPE

Core Concepts and Topics in Economic Theory for the Political Economist:

1. How markets work, and the efficiency of market exchange under competition
   a. Supply & Demand and Harberger Traingles (Deadweight Loss: DWL)
   b. Consumer & Producer Surplus and Rents
   c. Marginals (returns, utility, productivity, etc.), Returns to Scale, & Elasticities

2. Market Failures
   a. Market power: (Natural) Monopoly, monopsony, imperfect competition
   b. Positive & Negative Externalities
   c. Information asymmetry: credibility, moral hazard, adverse selection

3. (Neo)Keynesian & (Neo)Classical Macroeconomics, with Money
   a. IS-LM (Hicks):
      i. Aggregate Supply & Demand: AS=AD => Y=C+I+G+(C-M)
      ii. Quantity Theory of Money: MV=PQ
   b. Rational Expectations (Lucas)

4. Public Finance:
   a. Ramsay Rule & Elasticities
   b. Tax-smoothing

5. Growth:
   a. Growth Accounting
   b. Solow Growth Model
   c. Endogenous Growth Theory

6. International Trade (& Finance)
   a. Comparative Advantage (Ricardo):
      i. HORSS: Heckscher-Ohlin, Rhybsczinsky, & Stolper-Samuelson (mobile factors)
      ii. Ricardo-Viner (specific factors)
   b. Balance-of-Payments (BOP) Accounting
   c. Purchasing-Power Parity (PPP) & (covered & uncovered) Interest Parity
   d. Tariffs, Quotas, & VER’s

(SEE LECTURE NOTES: http://www-personal.umich.edu/~franzese/PS651.FranzeseHays.BasicEconNotes.pdf)

(READINGS LISTED UNDER WEEK 2)

Suggested Background Reading for Political Economy:

Classics in Socio-Politico-Economic Philosophy:
Heilbroner, Robert L., The Worldly Philosophers; see “Guide to Further Reading” also.
Parsons, Talcott, Introduction to Weber, Max, Economy and Society.
Heilbroner, Robert L., Teachings from the Worldly Philosophy.
Ricardo, David, Principles of Political Economy (esp. ch. 7 “On Foreign Trade”).
Marx, Karl, Das Kapital, The Communist Manifesto, etc.
Weber, Max, Economy and Society.
Weber, Max, General Economic History.
Weber, Max, “Class, Status, and Party”
Schumpeter, Joseph, Capitalism, Socialism, and Democracy.
Hayek, Friedrich, The Road to Serfdom (Routledge).

Some Newier Classics:


Offe, Claus, *Contradictions of the Welfare State.*


Silk, Leonard, *The New Economists.* (Tries for moderns what Heilbroner did for classics.)

Research on the Politics of Economic Ideas: Going From Theory/Ideology to Policy/Politics:

Hall, Peter, ed., *The Political Power of Economic Ideas: Keynesianism Across Nations.*


Goldstein, Judith and Robert Keohane, *Ideas and Foreign Policy*, esp. pieces by Ikenberry and Garrett and Weingast.


**Week 2 (9/15): Basic Economic Theory for C&IPE**


Further Suggestions:


Brian Doyle’s New Open Economy Macroeconomics Webpage: [http://www.geocities.com/brian_m_doyle/open.html](http://www.geocities.com/brian_m_doyle/open.html)


John Stiver’s Syllabus for Economics 242 at the University of Connecticut: [http://www.sp.uconn.edu/~jstiver/Eco242/syllabus%20242.htm](http://www.sp.uconn.edu/~jstiver/Eco242/syllabus%20242.htm)
Week 3 (9/22): What is (Positive) Comparative & International Political Economy?

PE Methodology:

*Alt&Sh*, Intro (Alt & Shepsle), Ch. 1 (Ordeshook), Ch. 6 (Riker), Ch. 9 (Olson).

PE of Development:

*Alt&Sh*, Ch. 2 (Bates).

*BdMF*S², Ch. 1, pp. 3-35.

Ace&Rob, Ch. 1.

Macroeconomic/Developed-Democratic PE:

*One closely, One more quickly:* *Drazen*, Ch. 1, pp. 3-19; *P&T*, Ch. 1, pp. 1-14.


International PE:


Further Suggestions:


Barry, Brian, Sociologists, *Economists, and Democracy*.


Lange, Peter and Marino Regini, eds., *State, Market and Social Regulation: New Perspectives on Italy*, Introduction (pp. 1-25).


Week 5 (10/6): Models & Tools for C&IPE (Part II) [CONTINUE FROM WEEK 4]
**Week 6: (10/13): Preferences, Collective Action, Transaction Costs**

Preferences:
- **Franzese, Robert J., Jr.**, “Lecture Notes on Cleavage Structure and Politics,”

Collective Action:

Transaction Costs:
- **Alt&Sh**, Chs. 3 (Milgrom & Roberts), 8 (Tullock); pp. 57-89, 195-211.

Further Suggestions:
- Collective-Action, Transaction Costs, & Rent-seeking:
- Lane, Jan-Erik and Svante Ersson, *Comparative Political Economy*, Chs. 8, 9 (pp. 190-228).

Preferences:
**Week 7 (10/20): Institutions: Perspectives, Approaches, and Roles**

**Exogenous Institutions:**

**Hall, Peter,** *Governing the Economy,* ch. 1. [Lecture Notes: http://www-personal.umich.edu/~franzese/ps641.hall.pdf]


**Endogenous Institutions?**

**Putnam, Robert D., with Leonardi, Robert, and Nanetti, Raffaella Y.,** *Making Democracy Work,* Princeton UP, 1993, chs. 1,4,6 (pp. 3-16, 83-120, 163-86).


**Endogenous Institutions (& their Epistemological Challenge):**


**Endogenous Institutions (Approaches to Addressing the Challenge):**


**Further Suggestions:**

[THIS LIST COULD OBVIOUSLY BE EXTENDED TREMENDOUSLY]


Part III: Alternative Views of the Central Conflicts in C&IPE

Week 8 (10/27): Credibility, Time-Consistency, Uncertainty, Information (“Technocratic PE”)  


**Roundtable:**

Further Suggestions: 

[There are large literatures on “time-consistency, credibility, and commitment” (some of which appears below in the ‘topical applications Part IV’), “uncertainty & information” in policymaking, and “policy learning” or “policy laboratories”, but this section is new to this syllabus & I have not yet developed a further-readings list.]


**Roundtable:**

Further Suggestions: 

[There are large literatures on agency, accountability, corruption, and rent-seeking (some of which appears below in ‘topical applications Part IV’), but this section is new to this syllabus & I have not yet developed an extensive further-readings list. In lieu of that, I give you the following…]  

…From Acemoglu, Banerjee, & Duflo, MIT Econ 14.773, “Political Economy of Institutions and Development”:  


*Ale&Ros*, Chs. 1-6, pp. 1-160.


Further Suggestions:

[The literatures on partisanship, “heterogeneity” (as Drazen entitles the core of this view), and conflict of interest in political economy is absolutely massive, but this section as such is new to this syllabus so I have not yet developed an extensive further-readings list for this week *per se*. However, most of the readings from the next five weeks emphasize and elaborate this view, as it represents the traditional core of PE…]

**Week 11 (11/17): Class Canceled.**

**Week 12 (11/24): Thanksgiving Holiday.**

**Part IV: Topical Applications in Comparative & International Political Economy**

We will select three from among the Topical Modules that follow. Some will need abbreviation to become a one-week module; others expansion. We can also discuss substituting expanded coverage of any one or two instead of three from among these or one or more alternative(s) developed in consultation.

- Electoral & Partisan Cycles
- Fiscal Policy (in a Global Economy)
- Development, Transition, & Inequality, and Reform & Growth
- Distributive & Redistributive Politics & Policy
- Monetary Policy (in a Global Economy)
- International Regimes, Cooperation, & Security

**Week 13 (12/1): TOPIC I; Week 14 (12/8): TOPIC II; Week 15 (12/15): TOPIC III (TBA)**
Electoral & Partisan Cycles

Electoral Cycles:

(1) Adaptive Explanations & Keynesian:
Hibbs, Ch. 7, pp. 213-54. [Franzese’s Lecture Notes: http://www-personal.umich.edu/~franzese/ps489.Hibbs.pdf]

(2) Rational Expectations & Neoclassical:
Alesina & Roubini with Cohen. Political Cycles and the Macroeconomy, Ch. 2, pp. 15-44.
P&T, Scts. 16-16.1, pp. 419-25.

Partisan Cycles:

(3) Adaptive Explanations & Keynesian:
Hibbs, Ch. 7, pp. 213-54. [Franzese’s Lecture Notes: http://www-personal.umich.edu/~franzese/ps489.Hibbs.pdf]

(4) Rational Expectations & Neoclassical
Ale&Ros, Chs. 7-10, pp. 161-259.
Alesina & Roubini with Cohen, Chs. 3-7, pp. 45-209.
P&T, Scts. 16.2-16.4, pp. 426-34.


Economic Effects on Elections and Voting:


Further Considerations:

Drezan, Ch. 7, “Elections and Changes of Policymakers,” pp. 219-308.


Further Suggestions:

Persson, Torsten, Guido Tabellini, Macroeconomic Policy, Credibility, and Politics, Harwood, 1990, esp. ch. 5.
Alt, James and Alex Chrysal, Political Economics, ch. 5, pp. 103-25.
Alt, James, “World Demand...” APSR.
Clark, William Roberts, Capitalism not Globalism.
Distributive & Redistributive Politics & Policy


Roundtable:

Alt, James and Alex Chrystal, Many, many more cites could go here.


Further Suggestion

Distributive & Redistributive Politics & Policy


Fiscal Policy (in a Global Economy)


Franzese, Ch. 3: 126-195. [Franzese’s Lecture Notes: http://www-personal.umich.edu/~franzese/p489.Franzese.pdf]


Roundtable: The Debate on International Exposure, Government Size, & Fiscal Convergence


http://www.mpi-fg-koeln.mpg.de/pu/coworkpap/csp01-1/csp01-1.html


Further Suggestions:

All Cites in Alesina & Perotti “The Political Economy of Budget Deficits.”

Alesina & Roubini with Cohen, Ch. 9, “Political Parties, Institutions, and Budget Deficits,” pp. 227-52.

Mark Hallerberg’s & Jurgen Von Hagen’s work on bgd inst’s & debts/deficits.


Blanchard, Olivier, Stanley Fischer, Lectures in Macroeconomics MIT, 1989, ch. 11.
Monetary Policy (in a Global Economy)

Central Bank Independence & Monetary Credibility:


Wage/Price-Bargaining Institutions and Corporatism:


Emerging Syntheses:

Franzese, ch 4:196-255. (60) [Franzese’s Lecture Notes: http://www-personal.umich.edu/~franzese/pr489.Franzese.pdf]


International Monetary Political Economy:


P&F, Ch. 18, “International Policy Coordination,” pp. 458-78.

Roundtable:


Further Suggestions:


More on Monetary Policy and Central Bank Independence:


Trade Policy

Development, Transition, & Inequality and Reform & Growth


Huntington, Samuel, Political Order in Changing Societies, Yale UP, ch. 1, pp. 1-92.


Development, Transition, & Inequality and Reform & Growth


Huntington, Samuel, Political Order in Changing Societies, Yale UP, ch. 1, pp. 1-92.


Boix, Carles. 2003. Democracy and Redistribution (Cambridge UP), Ch. 1, and skim Chs. 2-4,6.

Ace&Rob, Ch. 2, pp. 15-44; skim Pt. IV, Chs. 8-10, pp. 221-304.[http://econ-www.mit.edu/faculty/?prof_id=acemoglu&type=books].


