

THE POLITICAL ECONOMY OF COMPETITION, CONFLICT, AND COOPERATION

Summer Semester 2016, Humboldt University Berlin

Seminar Time: Wednesday, 4.00-6.00 PM (16.00-18.00 Uhr)
Seminar Location: Institutsgebäude - 205 Universitätsstraße 3b (UNI 3)
Instructor: Jan Vogler, M.Sc.
Contact: jan.vogler@duke.edu

Course Abstract:

Political economy deals with the interactions of states and markets. In other words, it is concerned with the economic effects of political choices and the impact of economic conditions on the decisions and performance of political actors. The goal of this seminar is to provide an overview of how the discipline of political economy theorizes about and empirically investigates competition, conflict, and cooperation. After an introduction to political economy and its methods, several broad questions related to competition are discussed in the first part of the seminar. What are the economic effects of political competition? How do states and firms compete in the global economy for market shares and finances? The seminar then moves on to analyze the political economy of conflict. What are the domestic and international reasons for political conflict and civil war? Under which economic conditions does international conflict take place and how is it economically different from domestic violent conflict? In the third part of the class, we ask the question of how cooperation arises within and between political systems. How does the economic environment shape the emergence of domestic coalitions? Why and how do states cooperate on economic issues? The final topic is the political economy of the modern state and bureaucracy. Which conditions led to the rise of the modern state? How was bureaucratization shaped by industrialization and how does bureaucratic performance affect politics and economic growth?

Requirements:

Students are asked to come to class well prepared and to have good knowledge of the required readings' contents. There will be two required readings per week. Throughout the semester, I will randomly distribute four quizzes at the beginning of four sessions to test knowledge of the required readings only. These quizzes will not cover any content of the presentation and background readings! The quizzes should not be a challenge to those students who are prepared.

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Students will sign up for presentation groups. There will be one presentation per week. Each group will give a 20-minute PowerPoint-based presentation that summarizes, links, and discusses the two background readings of the week. This presentation is meant to highlight aspects of the readings that are relevant to the discussion. A handout, which can be a printed version of the PowerPoint slides, should be given out to the students and the instructor. The presentation should end with several discussion questions that are a good point of departure for the seminar. Presentation groups are expected to email me their preliminary slides on Sunday before class for feedback.

Students have the choice to either write a literature review or two discussion papers. The expected length of the literature review is 3,000 words (+/- 10%). The expected length of the discussion papers is 1,500 (+/- 10%) words each.

Requirements for the literature review: students can choose a topic from the class and first write a review on articles that we have not discussed in class. The second part of the literature review should be a comparison to the readings that were discussed in at least one of the sessions. The third part of the literature review should be a conclusion and brief discussion of which questions remain partially or completely unanswered. The deadline of the literature review is August 15th, 2016.

Requirement for the two discussion papers: students can choose any reading on the syllabus starting in week 5. The goal of the discussion paper is to (1st) write a comprehensive summary of the paper, (2nd) identify weaknesses, and (3rd) make suggestions for changes and improvements. The two discussion papers have to deal with readings in different weeks. Articles that are literature reviews cannot be discussed in these papers. If there is any doubt whether or not an article is a literature review, please contact me first. The deadline of the discussion paper is the beginning of the class in which the reading is covered. An example of a discussion paper will be posted on the course website. Students are encouraged to read it.

The grade (for 3 credit points, “Leistungspunkte”) will consist of the following elements:

- 50%: Four quizzes (one grade, i.e. lowest score/one absence, will be dropped)
- 50%: Presentation

The grade (for 5 credit points, “Leistungspunkte”) will consist of the following elements:

- 30%: Four quizzes (one grade, i.e. lowest score/one absence, will be dropped)
- 30%: Presentation
- 40%: Literature review (10 pages) OR two discussion papers (5 pages each)

Textbooks:

We will discuss several chapters from the following books. These books also contain fundamental background information on many issues discussed in the class. It is therefore highly recommended that students purchase them.

- Keech, W., 2013: *Economic Politics in the United States: The Costs and Risks of Democracy* (2nd edition). Cambridge: Cambridge University Press. (Keech 2013)

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- Beramendi, P., Häusermann, S., Kitschelt, H., and Kriesi, H. (editors), 2015: *The Politics of Advanced Capitalism*. Cambridge: Cambridge University Press. (**Beramendi et al. 2015**)
- Grieco, J. and Ikenberry, J.G. 2003: *State Power and World Markets: The International Political Economy*. New York and London: W. W. Norton & Company. (**Grieco & Ikenberry 2003**)

Important Dates and Deadlines:

- First Class: April 20th, 2016 (formally), **May 4th, 2016 (factually)**
- Make-up Class: **May 7th, 2016 (10.00 AM – 2.00 PM)**
- Last Class: July 20th, 2016
- Literature Review: August 15th, 2016

COURSE SCHEDULE:

Part I: Introduction to the Class and to Political Economy

1. Introduction and Course Overview: Competition, Conflict, and Cooperation (May 4th, 2016)

Course overview, no readings

*** Note that the class starts 2 weeks late. Therefore, meetings 2 and 3 will both be on the same day (Saturday, May 7th). For details see below. If you plan to take the class, please make sure that you do the readings of meeting 2 and 3 in advance.

2. Basics of Political Economy and IPE (I) (May 7th, 2016, 10.00 AM – 12.00 PM, Room 205)

Required Readings:

***** Choose 2 out of the following 3 *****

- Keech 2013: Chapter 1 (Macroeconomic politics and the costs and risks of democracy)
- Beramendi et al. 2015: Chapter 1 (Introduction: The Politics of Advanced Capitalism), pp. 1-24.
- Grieco & Ikenberry 2003: Chapter 1 (Introduction)

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3. Basics of Political Economy and IPE (II) (May 7th, 2016, 12.00 PM - 2.00 PM, Room 205)

Required Readings:

***** Choose 2 out of the following 3 *****

- Keech 2013: Chapter 2 (Macroeconomic theories and their political implications)
- Beramendi et al. 2015: Chapter 1 (Introduction: The Politics of Advanced Capitalism), pp. 25-64.
- Grieco & Ikenberry 2003: Chapter 4 (The Political Foundations of the World Economy)

4. Basics of Statistical Analysis and Game Theory (May 11th, 2016)

Required Readings:

- Sykes, Alan O., 1993: An introduction to regression analysis. *The Inaugural Coase Lecture*. Available online at the following URL:
http://www.mcneileconomics.com/uploads/8/1/3/9/8139463/sykes_regression.pdf
- Gibbons, R., 1997. An Introduction to Applicable Game Theory. *The Journal of Economic Perspectives*, 11(1), pp.127-149.

Part II: The Political Economy of Competition

5. The Political Economy of Electoral Competition (May 18th, 2016)

Required Readings:

- Hobolt, S.B. and Klemmensen, R., 2008. Government responsiveness and political competition in comparative perspective. *Comparative Political Studies*, 41(3), pp.309-337.
- Vogler, J., 2016: Political Risk, the Internal Composition of the Electorate, and the Provision of Public Services. *Working Paper*.

Presentation and Background Readings:

- Keech 2013: Chapter 3 (Models of accountability and opportunism: The electoral cycle)
- Besley, T., Persson, T. and Sturm, D.M., 2010. Political competition, policy and growth: theory and evidence from the US. *The Review of Economic Studies*, 77(4), pp.1329-1352.
- Lake, D.A. and Baum, M.A., 2001. The invisible hand of democracy political control and the provision of public services. *Comparative political studies*, 34(6), pp.587-621.

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Additional Literature:

- Bueno de Mesquita, B., Morrow, J.D., Siverson, R.M. and Smith, A., 2001. Political competition and economic growth. *Journal of Democracy*, 12(1), pp.58-72.
- Pinto, P.M. and Timmons, J.F., 2005. The Political Determinants of Economic Performance Political Competition and the Sources of Growth. *Comparative Political Studies*, 38(1), pp.26-50.
- Baum, M.A. and Lake, D.A., 2003. The political economy of growth: democracy and human capital. *American Journal of Political Science*, 47(2), pp.333-347.
- Cleary, M.R., 2007. Electoral competition, participation, and government responsiveness in Mexico. *American Journal of Political Science*, 51(2), pp.283-299.
- Golden, M. and Min, B., 2013. Distributive politics around the world. *Annual Review of Political Science*, 16, pp.73-99.

6. Economic Competition between States, Firms, and Regions (I) – Trade (May 25th, 2016)

Required Readings:

- Milner, H.V. and Kubota, K., 2005. Why the move to free trade? Democracy and trade policy in the developing countries. *International organization*, 59(01), pp.107-143.
- Simmons, B.A. and Elkins, Z., 2004. The globalization of liberalization: Policy diffusion in the international political economy. *American political science review*, 98(01), pp.171-189.

Presentation and Background Readings:

- Grieco & Ikenberry 2003: Chapter 2 (The Economics of International Trade)
- Cerny, P.G., 1997. Paradoxes of the competition state: the dynamics of political globalization. *Government and opposition*, 32(02), pp.251-274.

Additional Literature:

- Stopford, J.M., Strange, S. and Henley, J.S., 1991. *Rival states, rival firms: Competition for world market shares* (Vol. 18). Cambridge University Press, Chapter 1 (The New Diplomacy) and Chapter 3 (Global Competition). (Chapter 2 optional but recommended)
- Findlay, R. and O'Rourke, K.H., 2007. *Power and plenty: trade, war, and the world economy in the second millennium* (Vol. 51). Princeton: Princeton University Press, Chapter 5 (World Trade 1650-1780: The Age of Mercantilism).
- Milner, H.V., 1999. The political economy of international trade. *Annual Review of Political Science*, 2(1), pp.91-114.

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7. Economic Competition between States, Firms, and Regions (II) – Finance (June 1st, 2016)

Required Readings:

- Jensen, N.M., 2003. Democratic governance and multinational corporations: Political regimes and inflows of foreign direct investment. *International organization*, 57(03), pp.587-616.
- Li, Q. and Resnick, A., 2003. Reversal of fortunes: Democratic institutions and foreign direct investment inflows to developing countries. *International organization*, 57(01), pp.175-211.

Presentation and Background Readings:

- Grieco & Ikenberry 2003: Chapter 3 (The Economics of International Money and Finance)
- Schultz, K.A. and Weingast, B.R., 2003. The democratic advantage: institutional foundations of financial power in international competition. *International Organization*, 57(01), pp.3-42.

Additional Literature:

- Broz, J.L. and Frieden, J.A., 2001. The political economy of international monetary relations. *Annual Review of Political Science*, 4(1), pp.317-343.
- Cohen, B.J., 1996. Phoenix risen: the resurrection of global finance. *World Politics*, 48(02), pp.268-296.
- Büthe, T. and Milner, H.V., 2008. The politics of foreign direct investment into developing countries: increasing FDI through international trade agreements?. *American Journal of Political Science*, 52(4), pp.741-762.
- Eichengreen, B.J., 1998. *Globalizing capital: a history of the international monetary system*. Princeton University Press.

Part III: The Political Economy of Conflict

8. The Political Economy of Domestic Political Conflict (June 8th, 2016)

Required Readings:

- North, D.C. and Weingast, B.R., 1989. Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England. *The journal of economic history*, 49(04), pp.803-832.
- Brunnschweiler, C.N. and Bulte, E.H., 2009. Natural resources and violent conflict: resource abundance, dependence, and the onset of civil wars. *Oxford Economic Papers*, 61(4), pp.651-674.

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Presentation and Background Readings:

- Ansell, B. and Samuels, D., 2010. Inequality and democratization: A contractarian approach. *Comparative Political Studies*.
- Acemoglu, D. and Robinson, J.A., 2006. *Economic origins of democracy and dictatorship*. New York: Cambridge University Press, Chapters 1-2.

Additional Literature:

- Beramendi et al. 2015: Chapter 5 (Globalization, Labor Market Risks, and Class Cleavages)
- Mehlum, H., Moene, K. and Torvik, R., 2006. Institutions and the resource curse. *The economic journal*, 116(508), pp.1-20.
- Hiscox, M.J., 2001. Class versus industry cleavages: inter-industry factor mobility and the politics of trade. *International Organization*, 55(01), pp.1-46.
- Rogowski, R., 1987. Political cleavages and changing exposure to trade. *American Political Science Review*, 81(04), pp.1121-1137.

9. The Political Economy of International Conflict (June 15th, 2016)

Required Readings:

- Acemoglu, D. and Robinson, J.A., 2006. Economic backwardness in political perspective. *American Political Science Review*, 100(01), pp.115-131.
- Gartzke, E., 2007. The capitalist peace. *American journal of political science*, 51(1), pp.166-191.

Presentation and Background Readings:

- Oneal, J.R. and Russett, B., 1999. The Kantian peace: The pacific benefits of democracy, interdependence, and international organizations, 1885-1992. *World Politics*, 52(01), pp.1-37.
- Waltz, K.N., 2000. Structural realism after the Cold War. *International security*, 25(1), pp.5-41.

Additional Literature:

- Alesina, A. and Spolaore, E., 2005. War, peace, and the size of countries. *Journal of Public Economics*, 89(7), pp.1333-1354.
- Carr 1946: The Twenty Years' Crisis, Part 1 (The Science of International Politics) and Part 2 (The International Crisis).

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10. The Political Economy of Old Wars and New Wars (June 22nd, 2016)

Required Readings:

- Karaman, K.K. and Pamuk, Ş., 2013. Different Paths to the Modern State in Europe: The Interaction Between Warfare, Economic Structure, and Political Regime. *American Political Science Review*, 107(03), pp.603-626.
- Münkler, H., 2005. *The new wars*. Polity, Chapter 4 (The Economics of Force in the New Wars).

Presentation and Background Readings:

- Newman, E., 2004. The 'new wars' debate: a historical perspective is needed. *Security dialogue*, 35(2), pp.173-189.
- Tilly, C. 1990: *Coercion, Capital and European States: AD 990-1992*, Chapter 3 (How War Made States, and Vice Versa). (Chapters 1 and 2 optional but recommended)

Additional Literature:

- Berdal, M., 2003. How "new" are "new wars"? Global economic change and the study of civil war. *Global Governance*, 9(4), pp.477-502.
- Kennedy, P. 1988: *The Rise and Fall of Great Powers. Economic Change and Military Conflict from 1500 to 2000*. London: Unwin & Hyman. Chapter 3, (Only: *The "Financial Revolution"*), and Chapter 6 (The Coming of a Bipolar World and the Crisis of the "Middle Powers", Part Two, 1919-1942).
- Kaldor, M., 2013. *New and old wars: Organised violence in a global era*. John Wiley & Sons, Chapter 5 (The Globalized War Economy).

Part IV: The Political Economy of Cooperation

11. Cooperation in the Domestic Political Economy (June 29th, 2016)

Required Readings:

- Hall, P.A. and Franzese, R.J., 1998. Mixed signals: central bank independence, coordinated wage bargaining, and European Monetary Union. *International organization*, 52(03), pp.505-535.
- Iversen, T. and Soskice, D., 2010. Real exchange rates and competitiveness: The political economy of skill formation, wage compression, and electoral systems. *American Political Science Review*, 104(03), pp.601-623.

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Presentation and Background Readings:

- Iversen, T. and Soskice, D., 2006. Electoral institutions and the politics of coalitions: Why some democracies redistribute more than others. *American Political Science Review*, 100(02), pp.165-181.
- Grzymala Busse, A., 2003. Political competition and the politicization of the state in East Central Europe. *Comparative Political Studies*, 36(10), pp.1123-1147.

Additional Readings:

- Beramendi et al. 2015: Chapter 9 (Trade Unions and the Future of Democratic Capitalism)

12. Cooperation in the International Political Economy (July 6th, 2016)

Required Readings:

- Ikenberry, G.J., 2001. American power and the empire of capitalist democracy. *Review of International Studies*, 27(05), pp.191-212.
- Jupille, J., Mattli, W. and Snidal, D., 2013. *Institutional choice and global commerce*. Cambridge University Press, Chapters 1 and 2 (pp. 3-52).

Presentation and Background Readings:

- Grieco, J.M., 1988. Anarchy and the limits of cooperation: a realist critique of the newest liberal institutionalism. *International organization*, 42(03), pp. 485-507.
- Keohane, R.O., 2005. *After hegemony: Cooperation and discord in the world political economy*. Princeton University Press, Part II (pp. 49-132).

Additional Literature:

- Guzman, A.T., 2002. A compliance-based theory of international law. *California Law Review*, pp.1823-1887.
- Downs, G.W., Roche, D.M. and Barsoom, P.N., 1996. Is the good news about compliance good news about cooperation?. *International Organization*, 50(03), pp.379-406.

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Part V: The Political Economy of the Modern State and Bureaucracy

13. The Political Economy of the Emergence of the Modern State (July 13th, 2016)

Required Readings:

- Vries, P.H., 2002. Governing Growth: A Comparative Analysis of the Role of the State in the Rise of the West. *Journal of World History*, 13(1), pp.67-138.
- Buzan, B. and Lawson, G., 2013. The global transformation: The nineteenth century and the making of modern international relations. *International Studies Quarterly*, 57(3), pp.620-634.

Presentation and Background Readings:

- Spruyt, H., 2002. The origins, development, and possible decline of the modern state. *Annual review of political science*, 5(1), pp.127-149.
- Michael, M., 1993. The Sources of Social Power, vol. 2. The Rise of Classes and Nation-States 1760-1914, Chapter 11 (The rise of the modern state: I. Quantitative Data).

Additional Literature:

- Cusack, T., Iversen, T. and Soskice, D., 2010. Coevolution of capitalism and political representation: The choice of electoral systems. *American Political Science Review*, 104(02), pp.393-403.
- Cusack, T.R., Iversen, T. and Soskice, D., 2007. Economic interests and the origins of electoral systems. *American Political Science Review*, 101(03), pp.373-391.
- Mann, M., 1997. Has globalization ended the rise and rise of the nation-state?. *Review of international political economy*, 4(3), pp.472-496.
- Gill, G., 2003. *The nature and development of the modern state*. Macmillan, Chapter 4 (The State, Capitalism and Industrialization).
- Hanson, J.K., 2014. Forging then Taming Leviathan: State Capacity, Constraints on Rulers, and Development. *International Studies Quarterly*, 58(2), pp.380-392.
- Spruyt, H., 1994. Institutional selection in international relations: state anarchy as order. *International Organization*, 48, pp.527-527.

14. The Political Economy of Bureaucracy (July 20th, 2016)

Required Readings:

- Evans, P. and Rauch, J.E., 1999. Bureaucracy and growth: A cross-national analysis of the effects of "Weberian" state structures on economic growth. *American sociological review*, pp.748-765.

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- Krause, G.A., Lewis, D.E. and Douglas, J.W., 2006. Political appointments, civil service systems, and bureaucratic competence: Organizational balancing and executive branch revenue forecasts in the American states. *American Journal of Political Science*, 50(3), pp.770-787.

Presentation and Background Readings:

- Michael, M., 1993. *The Sources of Social Power*, vol. 2. *The Rise of Classes and Nation-States 1760-1914*, Chapter 13 (The rise of the modern state: III. Bureaucratization).
- McCubbins, M.D., Noll, R.G. and Weingast, B.R., 1987. Administrative procedures as instruments of political control. *Journal of Law, Economics, & Organization*, 3(2), pp.243-277.

Additional Readings:

- Silberman, B.S., 1993. *Cages of reason: the rise of the rational state in France, Japan, the United States, and Great Britain*. University of Chicago Press, Introduction and Conclusion.

Dates and Deadlines at the End of the Semester:

- Literature Review Deadline: August 15th, 2016