

Political Science 580 State and Economy

Autumn 2007

Boyd Laboratory 311
Tu-Th, 9:30 a.m.-11:18 p.m.

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Thurs, 12-1 p.m.

Course Description

This is an upper level undergraduate course in political economy. We will examine the relationship between the state and economy as distinct, but closely related systems for organizing political, social and productive relations. The course begins with a look at the major debate between advocates of state and market organization, through a study of the philosophical groundings of each perspective. Next we will examine how these distinct perspectives came to dominate political and economic systems from the liberal market era in the late 19th century, to the rise of the post-war welfare state and economic interventions. As we examine the experiences of Europe and Latin America, we'll see how economic crises in the 1970s and 1980s brought a shift in economic ideas from a belief in the benefits of state intervention, toward the embrace of markets as the dominant model of economic organization. With the breakdown of the post-war economic order, we will also examine the new roles assumed by the International Monetary Fund (IMF) and World Bank. Finally, we will consider the political consequences of international economic integration, or "globalization."

Course Requirements

1. Everyone is required to complete the readings in advance of each class.
2. In addition to regular participation in class discussion, there will be two in-class review tests.
3. The final exam will be comprehensive and based on analytical essays.

Evaluation

The final grade for the course will be determined as follows:

Review Test 1: 35%

Review Test 2: 35%

Final Exam: 30%

Required Readings

1. **Course packet** – Available at the book store, or may be purchased online at: www.zippublishing.com.
2. **Books**
 - Polanyi, Karl. *The Great Transformation*. (1946,)
 - Caporaso, James & David Levine. *Theories of Political Economy* (Cambridge, 1992).
 - Rodrik, Dani. *Has Globalization Gone Too Far?*
→ Rodrik is downloadable from *Institute for International Economics*:
http://bookstore.iie.com/merchant.mvc?Screen=PROD&Product_Code=57
3. **Newspaper and magazine articles:** will be distributed in class for discussion and posted on the course web page each week.

Academic Honesty

All of the work you do in this course is expected to be your own. Absolutely no cheating or plagiarism (using someone else's words or ideas without proper citation) will be tolerated. Any cases of cheating or plagiarism will be reported to the university committee on academic misconduct and handled according to university policy. It is the responsibility of the Committee on Academic Misconduct to investigate or establish procedures for the investigation of all reported cases of student academic misconduct. The term “academic misconduct” includes all forms of student academic misconduct wherever committed; illustrated by, but not limited to, cases of plagiarism and dishonest practices in connection with examinations. Instructors shall report all instances of alleged academic misconduct to the committee (Faculty Rule 3335-5-487). For additional information, see the Code of Student Conduct:

(http://studentaffairs.osu.edu/info_for_students/csc.asp).

Special Needs

Students with disabilities that have been certified by the Office for Disability Services will be appropriately accommodated, and should inform the instructor as soon as possible of their needs. The Office for Disability Services is located in 150 Pomerene Hall, 1760 Neil Avenue; telephone 292-3307, TDD 292-0901; <http://www.ods.ohio-state.edu/>.

Course Schedule

September 20: Introduction to political economy

(no readings)

Week II: Liberalism: Groundings for the belief in market systems

Questions

- Why are believers in *small* government called “liberals” outside the US?

Readings

September 25

- Caporaso & Levine, *Theories of Political Economy*, Intro and Chapter 1.

September 27

- Caporaso & Levine, Chapter 2 (p. 33-54)
- Heilbroner: Smith **R**

Week III. Marxism: Groundings of the belief in state-governed economy

Questions

- Why didn't Marx think workers could claim a large share of business profits?
- What was Marx's solution to the problems of capitalism? Was it realistic?

Readings

October 2:

- Caporaso & Levine, Chapter 3 (p. 55-78)

October 4:

- Heilbroner: Marx **R**

Week IV. The “Great Transformation” of State and Market Relations

Questions

- Why do we have programs like welfare and unemployment benefits in a market system?
- What does it mean for economic relations to be “embedded” in social relations?

Readings

October 9:

- Polanyi, *The Great Transformation*, Chapters 1-5 (p. 1-67).

October 11:

- Polanyi, Chapters 6-13 (p. 68 – 162)

Week V. Keynes and the Origins of the Postwar System I.

Questions

- If our economy works so well, why does the government try to “stimulate” it with tax refunds or interest rate cuts?
- Keynes advocated significant public interventions in the market system. How was his view different from Marx’s?

Readings

October 16:

- **Review Test #1**

October 18:

- Caporaso & Levine, Chapter 5.

Week VI. Postwar System II: Bretton Woods

Questions

- Why do we see herding and crash behavior in stock markets such as the high-tech bubble?
- What are the World Bank and IMF? Why were they created?

Readings

October 23:

- Heilbroner: Keynes **R**

October 25:

- Oatley: The International Monetary System, (1st part of the chapter: p.220-236)

Week VII: State intervention and open markets: “Embedded Liberalism”

Questions

- How could the post-war era be “liberal” if governments were busily creating large welfare states?
- How did they ever manage to coordinate economic policy across different countries?

Readings

October 30:

- Ruggie “International regimes, transactions and change: embedded liberalism in the postwar economic order”

November 1:

- Oatley: The International Monetary System: (2nd part of the chapter: p.237-266)

Film: “The Commanding Heights”

Week VIII: State-led Economic Development

Questions

- What is the role of the state in developing countries? Why do they suffer so much poverty and so many economic crises?
- Does it matter who owns the businesses and capital in a country? Isn't all investment the same?

Readings

November 6:

- Dietz, "A Brief Economic History" *Latin America's Economic Development*. **R**

November 8:

Review Test #2

Week IX: Crises of the 1970s and 1980s: Decline of State Intervention and Resurgence of Liberalism

Questions

- Why were developing countries so indebted? Was the debt crisis their fault alone?
- How did major economic crises change the ideology of government policy?

Readings

November 13:

- Alexander, "The Import Substitution Strategy of Economic Development". **R**

November 15:

- Franko, "Latin America's Debt Crisis" **R**.

Film: "Hell to Pay"

Week X: Globalization and Economic Integration

Questions

- Should we expect that globalization will cause a "race to the bottom" in government interventions?
- Is this the most "global," or interconnected, the world has ever been?

Readings

November 20:

- Keohane & Nye, "Globalization: What's New? What's Not? (And So What?)"

November 25:

- **No Class – Thanksgiving.**

Week XI: Globalization: Crises and Consequences

Questions

- What were the international financial crises of the late 1990s all about? Who is to blame?
- Is globalization likely to go further, or be turned back by domestic opposition?

Readings

November 27:

- Rodrik, *Has Globalization Gone too Far?* Chs. 1-3 (p. 1-48).
- **Film: “The Crash”**

November 29:

- Rodrik, *Has Globalization Gone too Far?* Chs. 4-5 (p. 49-85).
- WRAP-UP AND REVIEW FOR FINAL EXAM

December 4 (9:30 a.m.) Final Exam