

## **State and Economy**

### **Political Science 580**

Autumn 2005

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

Course Web Page:

<http://psweb.sbs.ohio-state.edu/faculty/sbrooks/580index.html>

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**Office Hours: Wednesdays, 2-4 pm.**

#### **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 19<sup>th</sup> 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. Participants in this course are 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 SBX, or may be purchased online at: [www.zippublishing.com](http://www.zippublishing.com).
2. **Books**
  - Polanyi, Karl. *The Great Transformation*. (1946, )
  - 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](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.

## Special Needs

The University has stipulated appropriate treatment for students with special needs, such as disabilities. Students with disabilities are responsible for making their needs known to the instructor and seeking available assistance in the first week of the quarter. Course materials are available in alternative formats upon request. For such materials please contact Mr. Wayne DeYoung, 2140 Derby Hall, 154 North Oval Mall, 292-2880.

## Course schedule:

### Introduction to the politics of State and Economy

September 22:

(no readings)

#### Questions

- What is political economy?
- Why are we studying this?
- What is, or should be, the role of the state in the economy?

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

#### Questions

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

#### Readings

September 27

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

September 29

- Caporaso & Levine, Chapter 2 (p. 33-54) **R**
- Heilbroner: Smith (in course reader, **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 4:

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

October 6:

- 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 11:

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

October 13:

- 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 18:

- **Review Test #1**

October 20:

- Caporaso & Levine, Chapter 5 **R**

## **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?
- Where did the World Bank and IMF come from? Why were they created?

### **Readings**

#### October 25:

- Heilbroner: Keynes **R**

#### October 27:

- Oatley: The International Monetary System, (1<sup>st</sup> 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**

#### November 1:

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

#### **Film: “The Commanding Heights”**

#### November 3:

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

## **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 8:

#### **Review Test #2**

#### November 10:

- Dietz, *Latin America's Economic Development*. P 143-148, Ch. 9 (Alexander). **R**

**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 15:

- Randolph, “Mixed Blessings of Foreign Capital Flows” **R**.
- **Film: “Hell to Pay”**

November 17:

- Edwards, *Crisis and Reform*, Ch.1. **R**

**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 22:

- Keohane & Nye, “Globalization: What’s New? What’s Not? (And So What?)” **R**
- **Film: “The Crash”**

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 30:

- Rodrik, *Has Globalization Gone too Far?* Chs. 1-3 (p. 1-48).

December 2:

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

**Final Exam**

Wednesday, **December 7** (9:30 a.m.)