

POLI 4062 Comparative Political Economy, Spring 2014

The Politics of Socio-Economic Development

Tuesday and Thursday 12:00 – 1:20 pm, 218 Coates

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Office Hours: 1:30 – 3:00 pm, Tuesday and Thursday, 153B Howe-Russell

Or by appointment, 229 Stubbs Hall

Natura non facit saltum.

Alfred Marshall, *Principles of Economics*

Nowhere has liberal philosophy failed so conspicuously as in its understanding of the problem of change.

Karl Polanyi, *The Great Transformation*

The Misery of being exploited by capitalists is nothing compared to the misery of not being exploited at all.

Joan Robinson, *Economic Philosophy*

This advanced upper-level course provides the fundamentals of political economy or political socio-economics. Our central puzzle throughout the course is: “Why Are We So Rich and They So Poor?” Because the focus of this course is on the “fundamentals,” we take unit of analysis rather broadly, which means that “We” and “They” can be regions, countries, political entities, economic systems, societies, “people,” classes, races, or individuals. As such, answering the question about socio-economic development inevitably involves comparison. In studying this issue, therefore, we will learn why we compare, what to compare, and how to compare.

Traditional political economy studied this topic, by assuming that environments and political institutions are given and neutral with regard to the market allocations; they are there but they do not act. New political economy differs from the traditional approach in its treatment of politics. It accepts that political institutions and their relations to the economy and society are populated by actors who have interests/ideologies/faiths and pursue them. Hence, this course is based on the belief that socio-economic development is fundamentally a political phenomenon. Another belief is that political scientists cannot study political economy without knowing some sort of economics, as we cannot study political history without dealing with history. So, we will study economic theories and formulations.

This course has three main purposes: 1) to provide a rigorous analytical framework and various theories and empirics of socio-economic development, 2) to equip students with solid understanding of the complex relationships between politics and socio-economic performances, and 3) to compare different accumulation strategies and their consequences, e.g., East Asia vs. Latin America, Europe vs. the United States, China vs. India. To do so, this course is divided into four parts: I) The Nature of Socio-Economic Development, II) Theories of Development and Underdevelopment, III) The Structural Transformation and Strategies for Growth, and IV) Varieties of Capitalism.

READINGS

Each student is expected to read (before class) all the required readings for each session (see the reading assignments below). Required readings are:

- 1) Cypher, James, and James Dietz. 2009. *The Process of Economic Development*. 3rd Edition. London and New York: Routledge.
- 2) Bardhan, Pranab. 2010. *Awakening Giants, Feet of Clay: Assessing the Economic Rise of China and India*. Princeton: Princeton University Press.
- 3) Pontusson, Jonas. 2005. *Inequality and Prosperity: Social Europe vs. Liberal America*. Ithaca: Cornell University Press.
- 4) Journal articles and book chapters. These readings are posted on Moodle. All students should have a LSU account for access to Moodle through the PAWS desktop.

Students also need to purchase and read the following book to write a final paper (see below).

- 5) Polanyi, Karl. 2001[1944]. *The Great Transformation: The Political and Economic Origins of Our Time*. Beacon Press. 2nd Edition.

REQUIREMENTS

- 1) In-class midterm exam (25%)
The 6th of March (Thursday), 12:00 – 1:20 pm in class. The format of the midterm exam will be explained in class.
- 2) Final take-home exam (25%)
The test will be given in class on the 24th of April (Thursday). Students will have approximately two days to complete the test and should email the instructor their answers in a word document by noon (12:00 pm) on the 26th of April (Saturday). The format of the final take-home exam will be explained in class.
- 3) Critical review paper (25%)
You will write a critical review of Polanyi's *The Great Transformation*. The text should be no longer than six single-spaced pages. The format and guide of the paper will be discussed in class. You should submit a hard copy. The deadline is the 24th of April (Thursday).
- 4) Attendance and participation (25%)
It is extremely important to come to class. Attendance will be taken for each session. Students may earn credit for their attendance at each class session, while repeated and unexcused absence will cause deduction in student's total grade. In addition, students are highly encouraged to ask and answer questions, and to make appropriate comments on issues covered in class.

NOTE: If you do not take any of the examinations, if you do not submit the final paper, or if you miss more than twelve classes (half of lectures throughout the semester), you will automatically receive an F. No “make-up” examinations will be given; no late papers will be accepted.

READING ASSIGNMENTS AND SPECIFIC TOPICS

I. The Nature of Socio-Economic Development

Week 1 (01/16) Introduction

Scope and roadmap of the course.

Week 2 (01/21, 01/23) Meaning, Measures and Trends

What is development? Trends and patterns. Growth and level. GNI and GDP. Purchasing power parity (PPP). Human Development Index (HDI). Within-country, international and world inequality compared. Kuznet curve. Depth and pace of change. Sustainable development.

Cypher and Dietz, Chapter 1 and 2.

Week 3 (01/28, 01/30) Imperialism, Colonialism, and Capitalism

Transition from an organic biological to energy-rich industrial economy. Origins of capitalism: capital-nation-state. The role of war. Merchant and industrial capital. Nationalism. New imperialism. Colonial legacies. Deindustrialization and decolonization. Path dependence and critical juncture. Causality and counterfactuals.

Cypher and Dietz, Chapter 3.

II. Theories of Development and Underdevelopment

Week 4-5 (02/04, 02/06, 02/11, 02/13) Classical and Neoclassical Theories

Universal motive. Miracle of market. Adam Smith: invisible hand vs. pin factory. De-centralized and centralized allocation mechanisms. Malthusian model. Static and dynamic comparative advantage. Primitive accumulation. M-C-M'. Contradiction between forces and relations of production. Neoclassical model.

Cypher and Dietz, Chapter 4.

Week 6 (02/18, 02/20) Developmentalist and Heterodox Theories

Hidden potential and big push. Industrial linkage. Lewis model: surplus labor and dual economy. Take-off. Reactive nationalism. ECLA. Import substitution industrialization (ISI). Terms of trade. Cumulative causation.

Cypher and Dietz, Chapter 5 and 6.

Week 7 (02/25, 02/27) New Growth Theory

Convergence debate. Poverty traps. Endogenous growth model. Increasing returns. Learning by doing. Technical efficiency change. Schumpeter and creative destruction. East Asian "miracle."

Cypher and Dietz, Chapter 8.

Heilbroner, Robert. 1995. *The Worldly Philosophers*. New York: Touchtone Book, pp 288-310.

Week 8 (03/04) Mardi Gras Holiday – No Class

Week 8 (03/06) Midterm Exam (in class 12:00 – 1:20 pm)

III. The Structural Transformation and Strategies for Growth

Week 9 (03/11, 03/13) The State as an Agent of Transformation

Market failure vs. government failure. Export-led industrialization (ELI). Developmental state and embedded autonomy. Fragmented intermediate state. “Miracle” revisited. Efficiency or collusion? Who guards the guardians? Can the East Asia’s success be emulated in other countries?

Cypher and Dietz, Chapter 7.

Evans, Peter. 1989. “Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State.” *Sociological Forum*. 4(1): 561-587.

Doner, Richard et al. 2005. “Systemic Vulnerability and the Origins of Development States: Northeast and Southeast Asia in Comparative Perspective.” *International Organization* 59(2): 327-361.

Week 10 (03/18, 03/20) Initial Transformation and Strategy Switching

Structural change. Dual-economy model revisited. Easy ISI and infant industry tariff. Importance of development bank. Timing of strategy switching. Industrial sequencing. East Asia vs. Latin America: Is this dichotomous view relevant? Lacuna of political dimensions.

Cypher and Dietz, Chapter 9 and 10

Week 11 (03/25, 03/27) Assessing the Economic Rise of China and India

Socialism vs. capitalism. Neoliberal turn in the 1980s. “Socialism with Chinese characteristics?” Township and village enterprises (TVEs). State-owned enterprises (SOEs). Foreign direct investment (FDI). The developmental state revisited in comparison with China and India.

Bardhan, Chapter 1 – Chapter 6.

Week 12 (04/01, 04/03) Comparing China and India Continued

The relevance of socialist legacy: “Are the Chinese better capitalists now (than the Indian) because they were better socialists then?” Social capabilities. Increasing inequality. Environmental disaster. How does political regime (democracy and dictatorship) matter? Decentralized governance structure. Accountability failure.

Bardhan, Chapter 7 – Chapter 10.

IV. Varieties of Capitalism

Week 13 (04/08, 04/10) Growth and Inequality

Income distribution revisited. Europe vs. America. Trade-off between efficiency and equity? Role of labor movement. Democratic class struggle. Three worlds. SMEs (or CMEs) and LMEs. Wage-bargaining institutions. Hump-shape.

Pontusson, Chapter 1 – Chapter 5.

Week 14 (04/15, 04/17) Spring Break – No Class

Week 15 (04/22, 04/24) Welfare States in Retrenchment under Neoliberalism

Risk pooling and social insurance. Capitalists against market. Cross-class coalition. Skill formation. Multidimensionality. Organized interests. Structural dependence on capital. Linkage between capitalism and representation system. Democratic incapacity?

Pontusson, Chapter 6 – Chapter 9.

Final paper on Polanyi's *The Great Transformation* due in class on April 24.

The final take-home test is given in class on April 24. The test is due by noon (12:00 pm) on April 26 via an email attachment.