

UNIVERSITY OF TORONTO
DEPARTMENT OF POLITICAL SCIENCE
WINTER 2024

POL443H:
Topics in Comparative Politics II:
Globalization, Democracy and Growth

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Wednesdays 11:00-1:00pm

Office hours: Wednesdays, 2:00-4:00pm, and by
appointment

Overview:

Comparative political economy is the study of how political context influences economic policy choice and economic performance. It has been one of the most active research areas in political science over the past twenty years, as scholars in have placed a renewed emphasis on the way in which political institutions influence economic outcomes. In this course, we will focus on the link between institutions and economic policy, starting with an examination of the effect on economic outcomes of specific democratic institutions, such as the separation of powers or delegation to unelected officials like central bankers. In so doing we will also ask whether globalization has altered the relationship between democratic institutions and economic policy choices. Empirical studies in the field of comparative political economy have used both qualitative historical methods and quantitative comparisons across broad groups of countries. We will read studies that use both approaches, and as a result, students taking the course should be familiar with quantitative methods in political science.

Objectives:

To gain an overview of the latest research in comparative political economy of the positive/formal/quantitative type, and to learn how to critically read and interpret such research results.

Prerequisites:

Formally, sufficient prior credits in Comparative Politics. Practically speaking, familiarity with quantitative methods as acquired through POL2504 or equivalent. For undergraduates, this typically means one of *POL232H1S: Introduction to Quantitative Reasoning II*, the first two econometrics courses, or two statistics courses in any other discipline. Without this preparation, you will have a hard time making sense of the readings. It is in your own best interests to only take the courses if you have this preparation.

Teaching method:

Weekly two-hour seminar led by the instructor, with in-class presentations by students.

**Assignments, Grade
Breakdown, and Policy on
Absences:**

- Two 1000-word **response papers** (10% for the first, 25% for the second paper, due Jan 24 and Mar 27 respectively in class, submitted electronically **on Quercus**). The response papers should summarize and critically evaluate the theories and evidence offered in all readings of a given week. Response papers must be written on a set of readings not yet discussed in class, so for example for your response paper due on January 24, you can write either on the readings of that week or a later week only. Papers submitted at least a week early automatically earn a 3% bonus. Submit
- **In-class presentation** and analysis of a paper, either individually or in a pair or small group. The analysis is similar to a response paper but presented in front of the class. You will also be asked questions about the

paper that will give you an opportunity to demonstrate your understanding (25%). We will distribute the presentation slots during the first two sessions.

- **Class participation** (15%).
- **Final take-home test** (25%), due April 5 at midnight as **electronic submission on Quercus**.
- Late submission of papers or take-home test incurs a penalty of 5% per day, including weekend days. Extensions can only be granted in cases of medical or family emergencies and require documentation as appropriate (e.g. the university-prescribed medical note). Late response papers cannot be written on a topic we have already discussed in class.

Absences and Accommodations: Two absences are allowed without requiring any further documentation, though I appreciate a notice by email beforehand if you know that cannot attend the session. If you become ill and it affects your ability to do your academic work, consult me right away. Normally, I will ask you for documentation in support of your specific medical circumstances. This documentation can be an Absence Declaration (via ACORN) or the University's Verification of Student Illness or Injury (VOI) form. The VOI indicates the impact and severity of the illness, while protecting your privacy about the details of the nature of the illness. If you cannot submit a VOI due to limits on terms of use, you can submit a different form (like a letter from a doctor), as long as it is an original document, and it contains the same information as the VOI (including dates, academic impact, practitioner's signature, phone and registration number). For more information on the VOI, please see <http://www.illnessverification.utoronto.ca>. For information on Absence Declaration Tool for A&S students, please see <https://www.artsci.utoronto.ca/absence>. If you get a concussion, break your hand, or suffer some other acute injury, you should register with Accessibility Services as soon as possible. There may be times when you are unable to complete course work on time due to non-medical reasons. If you have concerns, speak to me or to an advisor in your College Registrar's office; they can help you to decide if you want to request an extension or other forms of academic consideration. They may be able to email your instructors directly to provide a College Registrar's letter of support and connect you with other helpful resources on campus.

Readings: Purchase of the Drazen and the Acemoglu/Robinson books is recommended. Weekly required readings are listed below. We may substitute some readings during the course to adjust to specific interests.

Drazen, Allan, (2000), *Political Economy in Macroeconomics*, Princeton, NJ: Princeton University Press

Persson, Torsten and Guido Tabellini, (2003), *The Economic Effects of Constitutions*, Cambridge, MA: MIT Press.

Watson, Joel. 2013. *Strategy: An Introduction to Game Theory*. Third Edition. New York, NY: W. W. Norton & Company.

Diversity: A conscious effort has been made to include authors who identify as minority, LGBTQ+ or members of equity-seeking groups underrepresented among social scientists, without identifying authors as such in the syllabus.

Academic integrity and use of LLMs ("AI") All suspected cases of academic dishonesty will be investigated following procedures outlined in the [Code of Behaviour on Academic Matters](https://governingcouncil.utoronto.ca/secretariat/policies/code-behaviour-academic-matters-july-1-2019) (<https://governingcouncil.utoronto.ca/secretariat/policies/code-behaviour-academic-matters-july-1-2019>). If you have questions or concerns about what constitutes appropriate academic behaviour or appropriate research and citation methods, please reach out to me. Note that you are expected to seek

out additional information on academic integrity from me or from other institutional resources. For example, to learn more about how to cite and use source material appropriately and for other writing support, see the U of T writing support website at <http://www.writing.utoronto.ca>. Consult the Code of Behaviour on Academic Matters for a complete outline of the University's policy and expectations. For more information, please see [A&S Student Academic Integrity \(https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity\)](https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity) and the [University of Toronto Website on Academic Integrity \(https://www.academicintegrity.utoronto.ca\)](https://www.academicintegrity.utoronto.ca).

Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the Centre for Teaching Support & Innovation web site (<https://uoft.me/pdt-faq>).

You may use large language models (LLMs) such as ChatGPT to assist you in your writing. Keep in mind that LLMs are not (yet) very good at interpreting mathematical models or tables of statistical results.

Recording the seminars is not permitted as it risks infringing on the rights of other seminar participants.

Contacting the instructor:

Office hours are listed above, but please confirm by email that I will be holding office hours that day. If you cannot make those, please ask for an alternative appointment by e-mail. Email is far better to get in touch with me than leaving a phone message

Session 1 (January 10): Institutions and Economic Policy

This introductory week will have several objectives. First it will define what "comparative political economy" is, discussing various conceptions of political economy within the discipline. We will also allocate presentation slots.

Required

Drazen, Allan. 2000. *Political Economy in Macroeconomics*, pp.3-18. <http://press.princeton.edu/chapters/s6819.pdf>

Thelen, Kathleen. 1999. "[Historical Institutionalism in Comparative Politics.](#)" *Annual Review of Political Science*, vol. 2: 369-404.

Recommended

Clark, William Roberts. 1998. "Agents and Structures: Two Views of Preferences, Two Views of Institutions," *International Studies Quarterly*, Vol. 42, No. 2, pp. 245-70.

Munck, Gerardo. 2001. "Game Theory and Comparative Politics: New Perspectives and Old Concerns," *World Politics*, vol. 53, no. 2: 173-204. <http://www.jstor.org/stable/25054144>

Session 2 (January 17): Determinants of Democracy

In many of the subsequent sessions we will take democratic institutions as "given" and assume that the rules of the democratic game are respected. This assumption is obviously unrealistic. This suggests that comparative political economy needs to focus not only on the effect of democratic institutions on economic policy, but also on the sources of democratic institutions. When are they established? When are they likely to endure?

(1) What causes best explain democratization? (2) Under what conditions are democratic institutions most likely to endure? (3) Why does authoritarianism persist against the predictions of the earlier literature?

Olson, Mancur. 1993. [“Dictatorship, Democracy, and Development.”](#) *American Political Science Review*, Vol. 87, No. 3, pp. 567-76.

Acemoglu, Daron, and James A. Robinson. 2005. *Economic Origins of Dictatorship and Democracy*. Cambridge University Press. pp. 1-47.

Levitsky, Steven, and Lucan Way. 2002. [“The Rise of Competitive Authoritarianism.”](#) *Journal of Democracy* 13 (2): 51-65.

Ding, Iza. 2020. [“Performative Governance.”](#) *World Politics* 72 (4): 525-56.

Session 3 (January 24): Inequality, Immigration, and Democracy

Growing disparities in wealth and income within developed countries have prompted much handwringing in recent years and have been blamed for a rise in populist politics. Others point to immigrants as source of economic competition.

(1) What explains why voters appear more in support of redistribution in some countries than in others? (2) What are the challenges to a simple explanation of redistributive politics like the Meltzer-Richards model? (3) Does support for redistribution depend on the ethnic diversity of the population?

Background Reading

Scheve, Kenneth, and David Stasavage. 2017. [“Wealth Inequality and Democracy.”](#) *Annual Review of Political Science* 20(1): 451-68.

Required

Pontusson, Jonas, and David Weisstanner. 2018. [“Macroeconomic Conditions, Inequality Shocks and the Politics of Redistribution, 1990-2013.”](#) *Journal of European Public Policy* 25(1): 31-58.

Rueda, David. 2005. [“Insider-Outsider Politics in Industrialized Democracies: The Challenge to Social Democratic Parties.”](#) *American Political Science Review* 99(1): 61-74.

Alt, James, and Torben Iversen. 2017. [“Inequality, Labor Market Segmentation, and Preferences for Redistribution.”](#) *American Journal of Political Science* 61 (1): 21-36.

Session 4 (January 31): Majoritarian vs. Consensus Institutions and their Effect on Policy

Democratic institutions differ in the extent to which they allow majorities to set policies unhindered, or alternatively, whether they require a broader consensus before any policy can be changed. Contemporary theory suggests that consensus democracy is associated with the presence of multiple “veto points”. There are three main ways to distinguish between these “majoritarian” and “consensual” forms. First, is there a unicameral or a bicameral legislature? Second, is there a separately elected executive who can veto legislation? Finally, do governments tend to be formed out of a single party, or are they instead based on multi-party coalitions?

(1) Is there convincing evidence that “consensus” institutions lead to more stable policies? (2) What are the strengths and weaknesses of the “veto player” framework? (3) How do different election systems and constitutional arrangements shape fiscal policy and other economic policy outcomes?

Lijphart, Arend. 1994. [“Democracies: Form, performance and constitutional engineering,”](#) *European Journal of Political Research*, vol. 25, no. 1: 1-17

Tsebelis, George. 1999. [“Veto Players and Law Production in Parliamentary Democracies,”](#) *American Political Science Review*, Vol. 93, No. 3, pp. 591-608

Persson, Torsten, and Guido Tabellini. 2004. [“Constitutions and Economic Policy.”](#) *Journal of Economic Perspectives* 18 (1): 75-98.

Session 5 (February 7): Politics of Fiscal Policy

This session will consider alternative theories about the determinants of public indebtedness. We will consider theories emphasizing incentives for politicians to run deficits, the effects of fiscal federalism, as well as the effect of institutions on debt. Many authors have claimed that fiscal policy institutions can be designed so as to limit the emergence of excessive debt and deficits. The question is whether such institutions actually have an effect, and whether they may in some cases actually unduly constrain government action.

(1) How do political institutions interact with levels of public debt? (2) Are there variations in impact of political institutions, including federalism, on economic policy between developed and developing countries?

Asatryan, Zareh, César Castellón, and Thomas Stratmann. 2018. "[Balanced Budget Rules and Fiscal Outcomes: Evidence from Historical Constitutions.](#)" *Journal of Public Economics* 167 (November): 105–19.

Rodden, Jonathan. 2002. "[The Dilemma of Fiscal Federalism: Grants and Fiscal Performance around the World.](#)" *American Journal of Political Science*, vol. 46, no.3: 670-687.

Potrafke, Niklas. 2017. "[Partisan Politics: The Empirical Evidence from OECD Panel Studies.](#)" *Journal of Comparative Economics* 45 (4): 712–50.

Session 6 (February 14): Elections, Opportunism, and Partisanship: The PBC

Elections are designed to make leaders accountable to the public, but political observers have long suggested that they may also prompt politicians to prioritize short-run objectives at the expense of long-run goals. For both fiscal and monetary policy, some have suggested that there is a problem of an "opportunistic political business cycle". In addition, some authors have suggested that shifts between governments can create a "partisan political business cycle".

(1) Is there significant empirical evidence of political business cycles? (2) To what extent does the effect of political business cycles depend upon other institutions and the level of economic development? (3) How do expectations of a political business cycle affect macroeconomic and market performance?

Drazen, Allan. 2000. "[The Political Business Cycle After 25 Years.](#)" *NBER Macroeconomics Annual*.

Franzese, Robert. 2002. "[Electoral and Partisan Cycles in Economic Policies and Outcomes.](#)" *Annual Review of Political Science*, Vol. 5, pp. 369-421.

Schamis, Hector E., and Christopher R. Way. 2003. "[Political cycles and exchange rate-based stabilization.](#)" *World Politics* 56(1): 43-78.

Philips, Andrew Q. 2016. "[Seeing the Forest through the Trees: A Meta-Analysis of Political Budget Cycles.](#)" *Public Choice* 168 (3): 313–41.

Session 7 (February 28): Party Government vs. Pressure Group Politics

Political parties are key features of democratic politics. What effect do they have on policy? In democracies we also frequently observe that pressure groups attempt to exert collective influence on individual issues. Pressure groups can influence policy in several ways. First, they may lobby by making campaign contributions or by paying bribes. Second, pressure groups can revert to "outside options", such as strikes or violence. Each of these activities involves a problem of collective action; people in a group may benefit from acting collectively but on an individual basis they may face an incentive to "free ride" on the efforts of others.

(1) Is there evidence of a partisan bias to economic policy making? (2) Are parties sources of moderation, or alternatively does party politics make policy outcomes more volatile? (3) How can parties matter (or not) if voters do not vote with their pocketbook?

Hall, Richard L., and Alan V. Deardorff. 2006. "[Lobbying as Legislative Subsidy.](#)" *American Political Science Review* 100 (1): 69-84.

Kayser, Mark Andreas, and Christopher Wlezien. 2011. [Performance pressure: Patterns of partisanship and the economic vote.](#) *European Journal of Political Research* 50 (3): 365–394.

Alexiadou, Despina. 2015. [“Ideologues, Partisans, and Loyalists: Cabinet Ministers and Social Welfare Reform in Parliamentary Democracies.”](#) *Comparative Political Studies* 48 (8): 1051–86.

Session 8 (March 6): Delegation in Economic Policy

Delegation to unelected officials can be beneficial when politicians have incentives to act opportunistically if they choose policies directly. It can impose costs, however, if unelected officials then pursue policies that suit narrow, private goals. This session focuses on central bank independence as an example of delegation.

(1) Is delegation to independent central bankers consistent with other features of democracy? (2) Can delegation be truly credible, given that laws and constitutions can be changed? (3) Are central banks political actors?

Background Reading:

Drazen, Allan. 2000. *Political Economy in Macroeconomics*, Princeton University Press, ch.5.

Required

Keefer, Philip and David Stasavage. 2003. [“The Limits of Delegation: Veto Players, Central Bank Independence, and the Credibility of Monetary Policy,”](#) *American Political Science Review*, Vol. 93, No. 3, pp. 407-23.

Mukherjee, Bumba and David Andrew Singer. 2008. [“Monetary Institutions, Partisanship and Inflation Targeting,”](#) *International Organization*, Vol. 62, No. 2, pp. 323-358.

Gavin, Michael, and Mark S. Manger. 2023. [“Populism and de facto Central Bank Independence.”](#) *Comparative Political Studies* 56 (8): 1189–1223.

Session 9 (March 13): Globalization and Democratic Politics

[Due to conference travel, our schedule may be pushed back a week from here on]

Previous sessions will have already encountered the question whether globalization has changed the relationship between democratic institutions and economic policy. This session will focus on this debate more directly by looking at capital mobility.

(1) Has increased capital mobility led to convergence between right and left? (2) Has increased capital mobility led to a shift in the balance of political power between labour and capital?

Required Reading:

Kriekhaus, Jonathan, Byunghwan Son, Nisha Mukherjee Bellinger, and Jason M. Wells. 2013. [Economic Inequality and Democratic Support.](#) *The Journal of Politics* 76 (1): 139–151.

Busemeyer, Marius R. 2009. [From myth to reality: Globalisation and public spending in OECD countries revisited.](#) *European Journal of Political Research* 48 (4): 455–482.

Schmitt, Carina. 2016. [“Panel Data Analysis and Partisan Variables: How Periodization Does Influence Partisan Effects.”](#) *Journal of European Public Policy* 23 (10): 1442–59.

Session 10 (March 20): Democracy and Government Spending in the Developing World

While we will have already considered theories of fiscal policy, there are a number of additional questions about democracy and government spending in the developing world that merit examination. In particular, how has the shift to democracy in many countries affected government spending decisions?

(1) Have democratic governments tended to be more responsive to public demands for social spending? (2) Has the effect of globalization on government spending varied between democracies and non-democracies?

Rudra, Nita. 2002. "[Globalization and the Decline of the Welfare State in Less Developed Countries](#)," *International Organization*, Vol. 56, No. 2, pp. 411-50.

Stasavage, David. 2005. "[Democracy and Education Spending in Africa](#)" *American Journal of Political Science*, Vol. 49, No. 2, pp. 343-58.

Campello, Daniela. 2014. "[The Politics of Financial Booms and Crises Evidence From Latin America](#)." *Comparative Political Studies* 47 (2): 260–86.

Session 11 (March 27): Democratic Institutions & Economic Crisis

Democracy is characterized by what Adam Przeworski has called "institutionalized uncertainty." This session asks what the relationship between democracy's uncertainty and economic crises is. Does the practice of democratic politics provoke crisis? Do countries with democratic institutions find it easier or more difficult to respond to economic crises that require a change in government policy? What types of democracy are more or less likely to help or hinder reform efforts?

(1) What is the relationship between the practice of democracy and financial crises? (2) What is the interaction between political institutions and the policies adopted during and after crises?

Background Readings:

Drazen, Allan. 2000. *Political Economy in Macroeconomics*, ch.10.

Required:

Ha, Eunyoung, and Myung-koo Kang. 2015. "[Government Policy Responses to Financial Crises: Identifying Patterns and Policy Origins in Developing Countries](#)." *World Development* 68 (April): 264–81.

Brooks, Sarah M., Raphael Cunha, and Layna Mosley. 2015. "[Categories, Creditworthiness, and Contagion: How Investors' Shortcuts Affect Sovereign Debt Markets](#)." *International Studies Quarterly* 59 (3): 587–601.

Hübscher, Evelyne, Thomas Sattler, and Markus Wagner. 2021. "[Voter Responses to Fiscal Austerity](#)." *British Journal of Political Science* 51 (4): 1751–60.

Session 12 (April 3): Varieties of Capitalism

A large literature has argued that national comparative advantage depends on the combination of different institutions of the political economy, so that policy outcomes and socio-economic performances depend on those institutions and their interaction. This has become known as the "Varieties of Capitalism" approach, which was theorized by Hall & Soskice (2001). In this session, we will explore this school of thought and its potential.

(1) Which are the key actors and the key institutions in of the Varieties of Capitalism approach? (2) Can the varieties of capitalism approach be applied to developing countries? (3) What is the role of politics in the Varieties of Capitalism approach?

Background reading

Hall, Peter and David Soskice. 2001. "An Introduction to Varieties of Capitalism," in Hall and Soskice (eds.) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press, pp.1-68. [CC HB501 V29](#)

Required

Iversen, Torben. 1998. "[Wage Bargaining, Central Bank Independence, and the Real Effects of Money](#)," *International Organization*, Vol. 52, No. 3, pp. 469-504.

Iversen, Torben and David Soskice. 2006. "[Electoral Institutions and the Politics of Coalitions: Why Some Democracies Redistribute More Than Others.](#)" *American Political Science Review*, vol.100, no. 2: 165-181.

Johnston, Alison, Bob Hancké, and Suman Pant. 2014. "[Comparative Institutional Advantage in the European Sovereign Debt Crisis.](#)" *Comparative Political Studies* 47 (13): 1771-1800.