

**Título em Inglês:
FLS 6433
Politics and Markets
in the International and Comparative Political Economy**

**Título em Português:
Política e Mercados na Economia Política Comparativa e Internacional**

Professoras:

**Allyson L. Benton
Centro de Investigación y Docencia Económicas (CIDE)**

**Lorena G. Barberia
Departamento de Ciência Política
Universidade de São Paulo**

Course Meeting Time: Monday, 9 am – 1 pm

A disciplina será ministrada em Inglês.

Course Goals and Descriptions:

This course introduces both master's degree and doctoral students to the political analysis of economic policymaking. It covers comparative and international political economy theories and applications. In the first half of the course, we will focus on the preferences of actors over economic policies and how institutions influence the transformation of preferences into policies and outcomes, as well as macroeconomic fundamentals. In the second half of the course, we will investigate the effects of international economic factors (globalization, finance, trade, debt, etc.) on economic processes and outcomes and their implications for domestic politics. The goal of this class is to make students conversant in the dominant themes of modern political economy, preparing them to do original research in the subfield.

Learning Objectives

1. To survey the state of the contemporary international and comparative political economy literature.
2. To gain substantive knowledge about finance, globalization, fiscal and monetary policies, and economic development.
3. To critically compare and evaluate diverse approaches to the subject.
4. To prepare for independent research in international and comparative political economy.

Requirements:

Class Format:

All students are responsible for being prepared to discuss the required readings. Furthermore, each student will be designated to ***co-lead with another student during one class discussion***, which involves thinking of five discussion questions meant to spark a rich and compelling discussion during each class.

In addition to regular participation and seminar leadership, each student must also submit one research proposal on comparative political economy on international political economy. A final paper based on the research proposal will be due by **Thursday, December 14, 2018**.

Each research proposal should be about five-to-six double-spaced pages. It should contain a 1) critical review of the literature in one area (i.e. redistributive politics and economic development) of a given week's section (i.e. comparative or international political economy), and a 2) proposal for future research. These papers should not only propose a promising research design, but also evaluate the strengths and weaknesses of the theory, research design and empirical methodology of the assigned readings.

Each final paper should be about twenty-to-thirty double-spaced pages. The final paper should be an extension and a further development of the research proposal in which an empirical exercise is undertaken based on the proposed research design.

Course Outlines and Readings:

Class Meeting #1 Introduction to Political Economy

Political Economy

Bates, Robert. 1990. "Macropolitical economy in the field of development." In *Perspectives on Positive Political Economy*, edited by James E. Alt and Kenneth A. Shepsle. Cambridge [England] ; New York.

Drazen, Allan. 2008. "Is There a Different Political Economy for Developing Countries? Issues, Perspectives, and Methodology." *Journal of African Economies* 17 (suppl1):18-71.

Keech, William R. 1995. "Macroeconomic Politics and the Costs of Democracy." In *Economic Politics: The Costs of Democracy*. Cambridge [England]; New York, NY: Cambridge University Press.

Class Meeting #2: Macroeconomic Theories and their Political Implications

Keech, William R. 1995. "Macroeconomic theories and their political implications." In *Economic Politics: The Costs of Democracy*. Cambridge [England]; New York, NY: Cambridge University Press.

Mankiw, N. Gregory. 1990. A Quick Refresher Course in Macroeconomics. *Journal of Economic Literature* 28(4): 1645-1660.

Class Meeting #3: Economic Models for Policy Analysis

Austen-Smith, David. 2011. "Economic Methods in Positive Political Theory." In *Oxford Handbook of Political Science*, edited by Robert E. Goodin. Oxford: Oxford University Press.

Drazen, Allan. 2000. *Political Economy in Macroeconomics*. Princeton, N.J.: Princeton University Press.: Chapter 1-2.

Class Meeting #4: Political Agency and Accountability

Keech, William R. 1995. "The Authority of Macroeconomic Goals." In *Economic Politics: The Costs of Democracy*. Cambridge [England]; New York, NY: Cambridge University Press.

Keech, William R. 1995. "Voters, Elections, Accountability, and Choice." In *Economic Politics: The Costs of Democracy*. Cambridge [England]; New York, NY: Cambridge University Press.

a) Moral Hazard

Ferejohn, J. 1986. "Incumbent Performance and Electoral Control," *Public Choice* 50, 5-26.

Besley, Timothy. 2006. *Principled Agents: Motivation and Incentives in Politics*. Oxford, Oxford University Press: Chapter 3

b) Selection

Banks, J. and R. Sundaram (1993), "'Adverse Selection and Moral Hazard in a Repeated Elections Model," in Barnett, ed. *Political Economy: Institutions, Information, Competition, and Representation*, Cambridge, UK: Cambridge University Press.

Fearon, J. 1999. "Electoral Accountability and Control of Politicians: Selecting Good Types Versus Sanctioning Poor Performance," in Przeworski, Stokes, and Manin (eds.) *Democracy, Accountability, and Representation*, Cambridge, UK: Cambridge Univ. Press.

Class Meeting #5: Government Discretion and Accountability in Fiscal and Monetary Policy

Keech, William R. 1995. "Discretion and accountability in the fiscal policy process." In *Economic Politics: The Costs of Democracy*. Cambridge [England]; New York, NY: Cambridge University Press.

Keech, William R. 1995. "Discretion and accountability in the monetary policy process." In *Economic Politics: The Costs of Democracy*. Cambridge [England]; New York, NY: Cambridge University Press.

Tanzi, Vito and Ludiger Schuknecht. 2000. *Public Spending in the 20th Century: A Global Perspective* (Cambridge: Cambridge University Press), pp. 1-70.

a) Credibility in Monetary Policy

Drazen, Allan. 2000. *Political Economy in Macroeconomics*. Princeton, N.J.: Princeton University Press.: Chapter 6.

Backus, D. and J. Driffill. 1985. "Inflation and Reputation," *American Economic Review* 75, 530-38.

Vickers, J. 1986. "Signaling in a Model of Monetary Policy with Incomplete Information," *Oxford Economic Papers* 38, 443-55.

Class Meeting #6: Introduction to International Political Economy and Review of International Economic Principles

Oatley, Thomas H. 2012. "The International Monetary System." In *International Political Economy*. 5th ed. ed. Boston: Longman.

Oatley, Thomas H. 2012. "Cooperation, Conflict, and Crisis in the Contemporary International Monetary System." In *International Political Economy*. 5th ed. ed. Boston: Longman.

Oatley, Thomas H. 2012. "A Society-Centered Approach to Monetary and Exchange-Rate Policies" In *International Political Economy*. 5th ed. ed. Boston: Longman.

Oatley, Thomas H. 2012. "A State-Centered Approach to Monetary and Exchange-Rate Policies" In *International Political Economy*. 5th ed. ed. Boston: Longman.

Lake, David A. 2008. "International Political Economy A Maturing Interdiscipline." In *Oxford Handbook of Political Economy*, edited by Donald A. Wittman and Barry R. Weingast. Oxford: Oxford University Press.

Class Meeting #7: Politics and Financial Markets. How does politics affect stock, bond and currency markets?

- Bechtel, Michael M. 2009. "The Political Sources of Systematic Investment Risk: Lessons from a Consensus Democracy." *The Journal of Politics* 71 (2):661-677.
- Benton, Allyson and Andrew Q. Philips. Unpublished Manuscript. "Does @theRealDonaldTrump Really Affect Financial Markets?"
- Bernhard, William, and David Leblang. 2006. *Pricing Politics: Democratic Processes and Financial Markets*. Cambridge: Cambridge University Press. (Selected Chapters)
- Fowler, James H. 2006. "Elections and Markets: The Effect of Partisanship, Policy Risk, and Electoral Margins on the Economy." *The Journal of Politics* 68 (1):89-103.
- Sattler, Thomas. 2013. "Do Markets Punish Left Governments?" *The Journal of Politics* 75 (2):343-356. doi: 10.1017/s0022381613000054.
- Mosley, Layna, and David Andrew Singer. 2008. "Taking Stock Seriously: Equity Market Performance, Government Policy, and Financial Globalization." *International Studies Quarterly* 58 (2):405-425.

Class Meeting #8: Politics and International Capital Markets

- Ahlquist, John S. 2006. "Economic Policy, Institutions, and Capital Flows: Portfolio and Direct Investment Flows in Developing Countries." *International Studies Quarterly* 50: 681-704.
- Mosley, Layna and David Andrew Singer. 2008. "Taking Stock Seriously: Equity Market Performance, Government Policy, and Financial Globalization," *International Studies Quarterly* 58 (2): 405-25.
- Pepinsky, Thomas B. "The Domestic Politics of Financial Internationalization in the Developing World." *Review of International Political Economy* 20 (3): 848-880.
- Mosley, Layna. 2000. "Room to Move: International Financial Markets and National Welfare States." *International Organization* 54: 737-74.
- Saiegh, Sebastian M. 2005. "Do Countries Have a "Democratic Advantage"? Political Institutions, Multilateral Agencies, and Sovereign Borrowing," *Comparative Political Studies* 38 (4): 366-87.
- Tarzi, Shah M. 2001. "Attracting Portfolio Capital Inflows: National Political and Economic Attributes of Emerging Markets," *The Journal of Social, Political and Economic Studies* 26 (2):461-85.

Class Meeting #9: Politics and Foreign Direct Investment

- Büthe, Tim, and Helen V. Milner. 2008. "The Politics of Foreign Direct Investment into Developing Countries: Increasing FDI through International Trade Agreements?" *American Journal of Political Science* 52: 741-62.
- Garriga, Ana Carolina. 2016. "Human Rights Regimes, Reputation, and Foreign Direct Investment," *International Studies Quarterly*, 60(1): 160-172.

- Jensen, Nathan M. 2008. *Nation-States and the Multinational Corporation. A Political Economy of Foreign Direct Investment*. Princeton, NJ: Princeton University Press.
- Pinto, Pablo. 2013. *Partisan Investment in the Global Economy: Why the Left Loves Foreign Direct Investment and FDI loves the Left* (Cambridge University Press).
- Pinto, Pablo, Nathan M. Jensen, Glen Biglaiser, Quan Li, Edmund J. Malesky, Santiago M. Pinto, and Joseph L. Staats. 2012. *Politics and Foreign Direct Investment* (Ann Arbor: University of Michigan Press).

Class Meeting #10: Politics and Currency Markets

- Bernhard, William, J. Lawrence Broz, and William Roberts Clark. 2002. "The Political Economy of Monetary Institutions." *International Organization* 56 (4):693-723.
- Frieden, Jeffrey. 2016. *Currency Politics: The Political Economy of Exchange Rate Policy* (Princeton: Princeton University Press).
- Steinberg, Steve A. 2015. *Demanding Devaluation: Exchange Rate Politics in the Developing World*. Ithaca: Cornell University Press.
- Weymouth, Stephen. 2011. "Political Institutions and Property Rights: Veto Players and Foreign Exchange Commitments in 127 Countries." *Comparative Political Studies* 44(2): 211-240.

Class Meeting #11: Politics and Central Banks

- Bernhard, W., J. L. Broz and W. R. Clark, 2002, "The Political Economy of Monetary Institutions." *International Organization* 56, 693-723.
- Bodea, C., & Hicks, R. 2015. Price Stability and Central Bank Independence: Discipline, Credibility, and Democratic Institutions. *International Organization*, 69(1), 35-61.
- Garriga, Ana Carolina. 2016. "Central Bank Independence in the World: A New Data Set." *International Interactions* 42 (5):849-868.
- Garriga, Ana Carolina and César M. Rodríguez. Unpublished manuscript. "Stepping Up During Elections: Independent Central Banks and Inflation." Under review.
- Garriga, Ana Carolina, Cristina Bodea, and Masaaki Higashima. Forthcoming. "Economic Institutions and Autocratic Breakdown: Monetary Constraints and Spending in Dominant-Party Regimes." *Journal of Politics*.

Class Meeting #12: Mini-Conference with Student Paper Drafts

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**Lorena G. Barberia
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Course Meeting Time: Monday, 9 am – 1 pm

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Objetivos:

Este curso examina as principais teorias da interação entre política e mercados. O objetivo do curso é familiarizar os alunos nos temas dominantes da economia política moderna, preparando-os para realizar pesquisas originais na área. Na primeira parte do curso, as aulas serão voltadas a introduzir os conceitos básicos de economia e economia política. Na segunda parte do curso, as aulas discutem temas de economia política internacional investigando os efeitos dos fatores da economia internacional (globalização, finanças, comércio, dívida, etc) sobre os processos políticos domésticos e os resultados dos mesmos.

Objectives:

This course introduces both master's degree and doctoral students to the main theories aimed at examining the interaction between markets and politics. It covers comparative and international political economy theories and applications. In the first half of the course, we will focus on the preferences of actors over economic policies and how institutions influence the transformation of preferences into policies and outcomes, as well as review macroeconomic fundamentals. In the second half of the course, we will investigate the effects of international economic factors (globalization, finance, trade, debt, etc.) on domestic political processes and outcomes. The goal of this class is to make students conversant in the dominant themes of modern political economy, preparing them to do original research in the subfield.

Justificativa:

O motivo da oferta do curso é familiarizar os alunos nos principais temas da economia política moderna e prepara-los para realizar pesquisas originais na área.

Justification

The goal of this class is to make students conversant in the dominant themes of modern political economy, preparing them to do original research in the subfield.

Conteúdo: 1. Introdução a Economia Política. 2. Teorias Macroeconômicas e suas Implicações Políticas 3. Modelos Econômicos para Análise de Políticas 4. Agência Política e Responsabilização 5. Discrição e *Accountability* do Governo na Política Fiscal e Monetária 6. Introdução a Economia Política Internacional 7. Política e Mercados Financeiros 8. Política e Mercados de Capitais Internacionais 9. Política e Investimento Direto Estrangeiro 10. Política e Mercado Cambial (Currency Markets) 11. Política e Bancos Centrais.

Content: 1. Introduction to Political Economy. 2. Macroeconomic Theories and their Political Implications 3. Economic Models for Policy Analysis 4. Political Agency and Accountability 5. Government Discretion and Accountability in Fiscal and Monetary Policy 6. Introduction to International Political Economy 7. Politics and Financial Markets 8. Politics and International Capital Markets 9. Politics and Foreign Direct Investment 10. Politics and Currency Markets 11. Politics and Central Banks.

Forma de avaliação:

A avaliação do curso será composta de apresentação de artigo e participação em sala de aula.

Forma de avaliação: (ingles)

The student's grade in the course will be based on a written article and class participation.

Observação:

As primeiras seis aulas serão conduzidas pela professora Lorena Barberia. A seguintes seis aulas serão conduzidas pela Allyson Benton do CIDE.

Observation:

The first six classes will be conducted by Professor Lorena Barberia. The following six classes will be conducted by CIDE's Allyson Benton.

Bibliografia

- Ahlquist, John S. 2006. "Economic Policy, Institutions, and Capital Flows: Portfolio and Direct Investment Flows in Developing Countries." *International Studies Quarterly* 50: 681-704.
- Austen-Smith, David. 2011. "Economic Methods in Positive Political Theory." In *Oxford Handbook of Political Science*, edited by Robert E. Goodin. Oxford: Oxford University Press.
- Backus, D. and J. Driffill. 1985. "Inflation and Reputation," *American Economic Review* 75, 530-38.

- Banks, J. and R. Sundaram (1993), "'Adverse Selection and Moral Hazard in a Repeated Elections Model," in Barnett, ed. *Political Economy: Institutions, Information, Competition, and Representation*, Cambridge, UK: Cambridge University Press.
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- Bechtel, Michael M. 2009. "The Political Sources of Systematic Investment Risk: Lessons from a Consensus Democracy." *The Journal of Politics* 71 (2):661-677.
- Benton, Allyson Lucinda 2008. "Do Investors Assess the Credibility of Campaign Commitments? The Case of Mexico's 2006 Presidential Race," *Political Research Quarterly*, Vol. 61, No. 3, September 2008 (pp. 403-18).
- Benton, Allyson and Andrew Q. Philips. Unpublished Manuscript. "Does @theRealDonaldTrump Really Affect Financial Markets?"
- Besley, Timothy. 2006. *Principled Agents: Motivation and Incentives in Politics*. Oxford, Oxford University Press.
- Bernhard, William, J. Lawrence Broz, and William Roberts Clark. 2002. "The Political Economy of Monetary Institutions." *International Organization* 56 (4):693-723.
- Bernhard, William, and David Leblang. 2006. *Pricing Politics: Democratic Processes and Financial Markets*. Cambridge: Cambridge University Press. (Selected Chapters)
- Bodea, Cristina, and Raymond Hicks. 2015. "International Finance and Central Bank Independence: Institutional Diffusion and the Flow and Cost of Capital." *Journal of Politics* 77: 268-84.
- Büthe, Tim, and Helen V. Milner. 2008. "The Politics of Foreign Direct Investment into Developing Countries: Increasing FDI through International Trade Agreements?" *American Journal of Political Science* 52: 741-62.
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- Fearon, J. 1999. "Electoral Accountability and Control of Politicians: Selecting Good Types Versus Sanctioning Poor Performance," in Przeworski, Stokes, and Manin (eds.) *Democracy, Accountability, and Representation*, Cambridge, UK: Cambridge Univ. Press.
- Ferejohn, J. 1986. "Incumbent Performance and Electoral Control," *Public Choice* 50, 5-26.
- Fowler, James H. 2006. "Elections and Markets: The Effect of Partisanship, Policy Risk, and Electoral Margins on the Economy." *The Journal of Politics* 68 (1):89-103.
- Frieden, Jeffrey. 2016. *Currency Politics: The Political Economy of Exchange Rate Policy* (Princeton: Princeton University Press).
- Garriga, Ana Carolina. 2016. "Human Rights Regimes, Reputation, and Foreign Direct Investment," *International Studies Quarterly*, 60(1): 160-172.
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- Jensen, Nathan M. 2008. *Nation-States and the Multinational Corporation. A Political Economy of Foreign Direct Investment*. Princeton, NJ: Princeton University Press.
- Keech, William R. 1995. *Economic Politics: The Costs of Democracy*. Cambridge [England]; New York, NY: Cambridge University Press.
- Lake, David A. 2008. "International Political Economy A Maturing Interdiscipline." In *Oxford Handbook of Political Economy*, edited by Donald A. Wittman and Barry R. Weingast. Oxford: Oxford University Press.

- Mankiw, N. Gregory. 1990. A Quick Refresher Course in Macroeconomics. *Journal of Economic Literature* 28(4): 1645-1660.
- Mosley, Layna. 2000. "Room to Move: International Financial Markets and National Welfare States." *International Organization* 54: 737-74.
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- Oatley, Thomas H. 2012. *International Political Economy*. 5th ed. ed. Boston: Longman.
- Pepinsky, Thomas B. "The Domestic Politics of Financial Internationalization in the Developing World." *Review of International Political Economy* 20 (3): 848-880.
- Pinto, Pablo. 2013. *Partisan Investment in the Global Economy: Why the Left Loves Foreign Direct Investment and FDI loves the Left* (Cambridge University Press).
- Pinto, Pablo, Nathan M. Jensen, Glen Biglaiser, Quan Li, Edmund J. Malesky, Santiago M. Pinto, and Joseph L. Staats. 2012. *Politics and Foreign Direct Investment* (Ann Arbor: University of Michigan Press).
- Saiegh, Sebastian M. 2005. "Do Countries Have a "Democratic Advantage"? Political Institutions, Multilateral Agencies, and Sovereign Borrowing," *Comparative Political Studies* 38 (4): 366-87.
- Sattler, Thomas. 2013. "Do Markets Punish Left Governments?" *The Journal of Politics* 75 (2):343-356. doi: 10.1017/s0022381613000054.
- Steinberg, David A. 2015. *Demanding Devaluation: Exchange Rate Politics in the Developing World*. Ithaca: Cornell University Press.
- Tanzi, Vito and Ludiger Schuknecht. 2000. *Public Spending in the 20th Century: A Global Perspective* (Cambridge: Cambridge University Press), pp. 1-70.
- Tarzi, Shah M. 2001. "Attracting Portfolio Capital Inflows: National Political and Economic Attributes of Emerging Markets," *The Journal of Social, Political and Economic Studies* 26 (2):461-85.
- Vickers, J. 1986. "Signaling in a Model of Monetary Policy with Incomplete Information," *Oxford Economic Papers* 38, 443-55.
- Weymouth, Stephen. 2011. "Political Institutions and Property Rights: Veto Players and Foreign Exchange Commitments in 127 Countries." *Comparative Political Studies* 44(2): 211-240.