

# **Political Economy of Policy Reform: The International Political Economy Perspective**

CSS

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## **The Purpose of the Course**

This course is designed to help to develop an understanding of the variety of distinctive models of capitalism in the contemporary world, and discusses the issue of convergence versus divergence in the globalising economy. Both theoretical debates and the results of empirical research will be discussed during the course.

The central questions under consideration are: how to explain variations in economic policy and performance across nations, and what kind of lessons for the transforming societies can be drawn. In this context several processes will be discussed, among them: privatisation, changing labour relations, corporate governance. Beside the basic models of advanced economies and Central-East European transformation, the case of China will be considered.

The expected outcomes of the course bring together two perspectives. The one is the overview of advanced capitalist economies in terms of their major institutional settings. In this respect, it is expected that students will understand major differences between them, as well as major forces promoting and objecting globalisation. The other perspective put in this context the transforming economies of the Central-Eastern Europe, and demonstrate the scope of manoeuvre in their policy-making and outcomes of the institutional change.

Students attending the course are expected to participate actively in class discussions on the basis of the selected readings and prepare at least one oral presentation for the class meeting. The term essay of about 3000 words will be due at the end of the term. The essay topic chosen by the student should be initially discussed with the course instructors.

## **Topics and Readings:**

### **1. Convergence versus Divergence: Tendencies in the Globalizing World Economy and in Transforming Economies. Is 'Glocalization' the suitable term?**

#### *Readings:*

S. Strange: An International Political Economy Perspective. In: J. H. Dunning (ed.), *Governments, Globalization, and International Business*, Oxford, 1999, pp. 132-145.

D. C. Korten: The Failures of Bretton Woods. In: J. Mander and E. Goldsmith (ed.): *The Case Against the Global Economy: and For a Turn Toward the Local*. San Francisco: Sierra Club, 1996, pp. 20-30.

### **2. Typologies of Capitalisms**

#### *Readings:*

P. Hall and D. Soskice, An Introduction to Varieties of Capitalism. In: P. Hall, D. Soskice (ed.) *Varieties of Capitalism: the Institutional Foundations of Comparative Advantage*, Oxford: Oxford University Press 2001, pp. 1-70.

B. Amable, *The Diversity of Modern Capitalism*. Oxford: Oxford University Press, 2003, chapter 3, pp. 74-114.

### **3. Anglo-Saxon and German Models of Political Economy: The Main Line of Comparison.**

#### *Readings:*

D. Soskice: The Institutional Infrastructure for International Competitiveness: A Comparative Analysis of the UK and Germany. In: A. B. Atkinson and R. Brunetta (eds.): *The Economics for the New Europe*, Houndmills: MacMillan, 1991.

Ch. S. Allen: The German Political Economy in the 1990s: Departure From the Model, paper for the conference on the Political Economy of the New Germany, Ithaca NY, Cornell University, October 1994.

#### *Recommended:*

R. Sally: The Social Market and Liberal Order: Theory and Policy Implications, *Government and Opposition*, Vol. 29 No 4, Autumn 1994.

G. Andretta and M. Baethge: The Institutional Transfer Paradox: Outcomes of Labour Market Politics in East Germany, paper presented in the Workshop "Institution Building in the Transformation of Central and Eastern European Society", Budapest, December 1997.

### **4. Labour-Capital Relations: Sources and Outcomes of National Diversity "within" Western Europe.**

#### *Readings:*

T. Iversen: Power, Flexibility, and the Breakdown of Centralized Wage Bargaining: The Case of Denmark and Sweden in Comparative Perspective, *Comparative Politics*, 1995.

M. Muller, Development in the Management of Human Resources in Austria, Germany, and Sweden, paper for the 13th EGOS Colloquium, Budapest, July 1995.

Freeman, R. 2000. Single-Peaked vs. Diversified Capitalism. The relation Between Economic Institutions and Outcomes. National Bureau of Economic Research Working Paper 7556, (<http://www.nber.org/papers/w7556>)

### **5. Labour-Capital Relations in the East-Central Europe**

#### *Readings:*

D. Ost: The Defeat of Solidarity. Anger and Politics in Postcommunist Europe. Ithaca, NY: Cornell University Press, 2006, Chapters 1, 5 and 6, pp. 13-37, 121-179.

S. Avdagic, State-Labor Relations in East-Central Europe: Explaining Variations in Union Effectiveness', *Socio-Economic Review* 2(3), 2004.

#### *Recommended:*

Country cases from the European Industrial Relations Observatory (<http://www.eurofound.europa.eu/eiro/index.htm>)

### **6. The Political Economy of Privatization**

#### *Readings:*

B. Chavance and E. Magnin: Emergence of Path-dependent Mixed Economies in Central Europe, in A. Amin and J. Hausner (eds.), *Beyond Market and Hierarchy: Interactive Governance and Social Complexity*, Cheltenham: Edward Elgar, 1997.

Z. Antal-Mokos: 'Politicking' and Privatization, *Business Strategy Review*, Vol. 8 no. 1, 1997.

P. Mertlik: Czech Privatization: From Public Ownership to Public Ownership in Five Years? *Prague Economic Papers*, Vol. 4 No. 4, 1995.

#### *Recommended:*

Z. Antal-Mokos: *Privatisation, Politics, and Economic Performance in Hungary*, Cambridge University Press, 1988.

Chapter 2: A Political Bargaining Framework, Chapter 3: The Policy Context.

V. Kabalina, P. Faifbrother, S. Clarke, and V. Borisov: Privatization and the Struggle for Control of the Enterprise in Russia, paper for the 13th World Congress of Sociology, Bielefeld, July 1994.

## **7. The Corporate Governance: A Missing Institutional Bridge in the Relation Between Micro and Macro-Level Perspective**

### *Readings:*

A. Shleifer, and R. W. Vishny, A Survey of Corporate Governance, *Journal of Finance*, Vol. 52, No.2, 1998, 737-784.

J. C. Coffee, Institutional Investors in Transitional Economies: Lessons from the Czech Experience, in R. Frydman, Ch. W. Gray, A. Rapaczynski (eds.), *Corporate Governance in Central Europe and Russia*, CEU Press, 1996.

M. Lehrer, The German Model of Industrial Strategy in Turbulence: Corporate Governance and Managerial Hierarchies in Lufthansa, WZB, Discussion paper series, 1996.

T. Clarke: Mechanisms of Corporate Rule, in J. Mander and E. Goldsmith, *The Case Against the Global Economy*, Sierra Club, San Francisco, 1996.

### *Recommended:*

Banking Sector Development in Central and Eastern Europe, Summary of the First Forum Report of the Economic Policy Initiative, Institute for East West Studies, CEPR, 1996.

E. Voszka: Dinosaurs Don't Want To Die: Restructuring and Privatization of Big Enterprises, manuscript

## **8. The worlds of welfare state**

### *Readings:*

G. Esping-Andersen, 1999. *Social Foundations of Postindustrial Economies*. Oxford: Oxford University Press. 1999, 73-94.

P. Pierson, 2001. Coping with Permanent Austerity: Welfare State Restructuring in Affluent Democracies. In: P. Pierson (ed.) *The New Politics of the Welfare State*. Oxford: Oxford University Press, 2001, 410-456.

## **9. The political economy of welfare state reform in the East-Central Europe**

### *Readings:*

S. Haggard, R. R. Kaufman, *Development, Democracy, and Welfare States. Latin America, East Asia and Eastern Europe*. Princeton University Press, 2008, chapters 5 and 8, pp. 181-220; 305-345.

## **10. The Japanese Case: From Institutional Implant to a Different Model, and the South Korean Way of Catching Up: Advantages and Threats.**

### *Readings:*

R. Komiya: *The Japanese Economy: Trade, Industry, and Government*, Tokyo: University of Tokyo Press, 1993; Chapter 9. *Economic Policy Makers in Japanese Government*, pp 361-390.

Ch. J. Choi, S. H. Lee, and M. Raman: *Emerging Business Systems*, paper for the 13th EGOS Colloquium, Budapest, July 1995.

A. H. Amsden and T. Hikino: *Project Execution Capability, Organizational Know-how and Conglomerate Corporate Growth in Late Industrialization*, Oxford University Press, 1994.

### *Recommended:*

M. L. Gerlach: *Alliance Capitalism: The Social Organization of Japanese Business*, Berkeley - Los Angeles Oxford, University of California Press, 1992, Chapter 2: Rethinking the Market Capitalism.

D. Soskice: Germany and Japan: Industry-coordinated versus Group-coordinated Market Economy, paper for the conference on the Political Economy of the New Germany, Ithaca NY, Cornell University, October 1994.

A. H. Amsden: *Asia's Next Giant: South Korea and Late Industrialization*, New York, Oxford, Oxford University Press, 1989:

- Chapter 1: Industrializing through Learning.

- Chapter 13: From Learner to Teacher.

## 11. Chinese Reforms: Does China Provide a New Model?

### *Readings:*

Y. Qian, How Reform Worked in China. In: D. Rodrik (ed.) *In Search of Prosperity. Analytic Narratives on Economic Growth*. Princeton University Press, 2003, pp. 297-333.

Y. Huang, Just how capitalist is China? *MIT Sloan Research Paper* No. 4699-08, April 2008 (<http://ssrn.com/abstract=1118019>)

## 12. The Post-communist Transformation in a Global Context.

### *Readings:*

B. Chavance: National Trajectories of Post-Socialist Transformation: Is There Convergence Towards Western Capitalism?, paper presented in the Workshop "Institution Building in the Transformation of Central and Eastern European Society", Budapest, December 1997.

P. Jasiński, C. Ross, The Use of Policies for Competition in the Promotion of Structural Change in Transforming Economies, in *Post-Communist Economies*, Vol. 11, No. 2, 1999,

J. Goldsmith: The Winners and the Losers, in J. Mander and E. Goldsmith, *The Case Against the Global Economy*, Sierra Club, San Francisco, 1996.

Lawrence King, Central European Capitalism in Comparative Perspective. In: Bob Hancké, Martin Rhodes and Mark Thatcher, *Beyond varieties of capitalism. Conflict, contradictions, and complementarities in the European economy*. Oxford: Oxford University Press, 2007.