

# Political Economy: Approaches, Concepts and Issues

## 5SSPP201

Module convenors: Dr Alexandre Afonso and Dr Christel Koop

King's College London  
Department of Political Economy  
Academic year 2013-2014

### Aim of the module

This module introduces students to a number of approaches theorising the relationships between politics, the state and markets. The module is divided into five parts, with each part focusing on one theoretical approach. The module is designed to link classical approaches with contemporary analyses. The themes the module will focus on are (1) Marxism and the role of classes (2) culture and the economy, (3) the social embeddedness of markets, (4) methodological individualism and public choice, and (5) the role of institutions. Within each part, we will start by looking at one major work that has offered a major contribution to the approach (*The Communist Manifesto* by Marx and Engels, *Weber's Protestant Ethic and the Spirit of Capitalism*, Polanyi's *Great Transformation*, Olson's *Logic of Collective Action*, and North's *Institutions, Institutional Change and Economic Performance*) We will focus on the main arguments of these books, their underlying assumptions, their methodology, and their contribution to the approach. We will then continue by assessing recent work applying these approaches to contemporary issues in political economy.

### Learning outcomes

At the end of the module, students should be able

- to identify the specific assumptions and characteristics of different approaches in political economy;
- to compare these different approaches and their ability to explain real-world phenomena;
- to use the theoretical tools acquired in the module to analyse and compare concrete empirical cases.

### Teaching arrangements

The module will be co-taught by:

- Dr Alexandre Afonso (lectures)
- Dr Christel Koop (lectures)
- Dr Colin Jennings (lectures)
- Mr Aris Trantidis (seminars)
- Mr James Hill (seminars)
- Mr Anton Howes (seminar)

There will be eleven weekly, one-hour lectures, ten weekly, one-hour seminars (seminars start in week 2), and one revision session before the exam, all in Term 1. The lecture will take place on *Tuesdays, from 12pm to 13pm, in room STD/S-2.18.*

The schedule for the seminars is the following:

Group	Teacher	Day	Time	Room
Group 1	Aris Trantidis	Tuesday	13:00-14:00	STD/S-1.29
Group 2	James Hill	Tuesday	13:00-14:00	STD/S-1.01
Group 3	James Hill	Tuesday	14:00-15:00	STD/S-1.01
Group 4	Aris Trantidis	Tuesday	15:00-16:00	STD/342N
Group 5	James Hill	Tuesday	17:00-18:00	STD/K4.31
Group 6	Aris Trantidis	Tuesday	17:00-18:00	STD/S2.28
Group 7	Anton Howes	Wednesday	9:00-10:00	STD/S-3.19
Group 8	Anton Howes	Wednesday	10:00-11:00	STD/S0.12

You are expected to have read the articles and chapters under 'Core reading' in the reading list before the lecture and seminar. Please also note that attendance is mandatory, and participation is part of the module assessment.

### Assessment

The module will be assessed in three ways. **10** percent of the overall module mark will be assessed by means of an evaluation of your module attendance and participation. Second, **45** percent of the overall mark will be assessed by an essay. Third, **45** percent of the overall mark will be assessed by a two-hour, unseen written exam.

The assessed essay should not have more than 2,500 words, and should be submitted electronically. The essay questions will be posted on KEATS. Please make sure that your essay includes, on the front page, your candidate number, the title of your essay, the title of the module, the date, and – very important – the word count. Normally, you will receive feedback and an indicative mark in four weeks. Further details on the submission of essays, and on the word count, can be found in the programme handbook.

The essay is to be submitted *before 5pm (4:59 at latest) on Friday, 13 December 2013*. Please note that the essay deadlines are absolute. Failing to submit an essay by the appropriate date and time will result in a mark of zero. Word limits for the essays are fixed, and penalties will be applied in the case of over-length essays. Be aware that KEATs does not accept documents above 20MB. If for some reason you experience problems while submitting your essay, it is advised to email it to us before the deadline, and seek to document your problems in case you need to apply for mitigating circumstances.

### Reading

There are a few core texts for this module, but the reading list will also consist of articles and chapters. The reading list for each week is divided into two sections. First, under 'Core reading', the central reading for the topic of that week is listed. Second, under 'Further reading', you will find additional articles and chapters on the topic. The latter section aims to enable those students who are particularly interested in the topic to deepen their knowledge.

You are expected to have read the chapters and articles under 'Core reading' before the lecture and seminar. In order to understand the different views on, and aspects of, the topics that are covered, you are advised to focus on the main arguments that are made in the various readings rather than to spend all your time on one or two readings. The discussion questions that are formulated for each week should help you in this process.

The core texts of the module are the following:

- Karl Marx and Friedrich Engels – *The Communist Manifesto*.
- Max Weber – *The Protestant Ethic and the Spirit of Capitalism*.
- Karl Polanyi – *The Great Transformation: The Political and Economic Origins of Our Time*.
- Mancur Olson – *The Logic of Collective Action: Public Goods and the Theory of Groups*.
- Douglass C. North (1991). *Institutions, Institutional Change and Economic Performance*. Cambridge, MA: Cambridge University Press.

A number of copies of these books have been made available at the KCL Maughan Library. However, you are also encouraged to acquire them; they are classics that certainly have a place in your private library. The particular edition does not matter. Electronic versions of some these books are freely available on repositories such as Gutenberg.org or Marxists.org. You can find them with a quick Google search.

## Programme

Week	Title	Lecture	Lecturer
1	Introduction	24 September	Dr Alexandre Afonso
2	Marxism: <i>The Communist Manifesto</i>	1 October	Dr Alexandre Afonso
3	Contemporary Marxian approaches	8 October	Dr Alexandre Afonso
4	Max Weber: <i>The Protestant Ethic and the Spirit of Capitalism</i>	15 October	Dr Alexandre Afonso
5	Contemporary approaches in economic sociology	22 October	Dr Alexandre Afonso
6	<i>The Great Transformation</i> and the concept of embeddedness	29 October	Dr Christel Koop
7	Reading week	5 November	
8	<i>The Great Transformation</i> and the politics of countermovements	12 November	Dr Christel Koop
9	Methodological individualism: <i>The Logic of Collective Action</i>	19 November	Dr Colin Jennings
10	Contemporary public choice approaches	26 November	Dr Colin Jennings
11	The role of institutions: <i>Institutions, Institutional Change and Economic Performance</i>	3 December	Dr Christel Koop
12	Institutional theory and the economy	10 December	Dr Christel Koop

## Contact details

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## **Week 1 – Introduction (Alexandre Afonso)**

In the first section, we will present the outline of the module, the modalities of assessment as well as an outline of the questions we will tackle in the course.

### **Discussion questions:**

1. What is the scope of political economy?
2. Does politics shape the economy, or does the economy shape politics?
3. What kind of explanatory variables can we use in political economy?
4. What are the limits of rational choice in the analysis of economic phenomena?

### **Core reading**

Hall P., (1997) "The Role of Interests, Institutions and Ideas in the Political Economy of Industrialized Nations" In Lichbach and Zuckerman (ed.), *Comparative Politics: Rationality, Culture and Structure*, Cambridge: Cambridge University Press: 174-207.

Gourevitch, P., (2008) "The Role of Politics in Economic Development", *Annual Review of Political Science* 11: 137-159.

## **Week 2 – Marxism: *The Communist Manifesto* (Alexandre Afonso)**

### **Discussion questions:**

1. How has capitalism transformed divisions in society?
2. Are workers and capitalists engaged in a "free exchange"? Does everybody benefit equally from this exchange?
3. How are wages supposed to evolve under capitalism?
4. Is capitalism stable?
5. According to Marx, what is the driver of political change?
6. What is the role of the state in the economy?
7. Can capitalism coexist with a free society?
8. Was Marx wrong? Where was he right?

### **Core reading**

Marx, K. and F. Engels (2008, first ed. 1848) *The Communist Manifesto*. London: Wordworths, 1-34. (other editions available).

Singer, P. (2009) *Marx: A Very Short Introduction*. Oxford: Oxford University Press, 59-77.

### **Further reading**

Engels, Friedrich (1844), "The condition of the working class in England in 1844", in Marx and Engels, *The Communist Manifesto*. London: Wordwoths, 1-34. (other editions available).

Harvey, D. (2010, 2013) *A Companion to Marx's Capital*. London: Verso (2 Volumes)

Elster, John (1985) *Making Sense of Marx*. Cambridge: Cambridge University Press.

Morrison, K. (2006) *Marx, Durkheim, Weber: Formations of Modern Social Thought*. London: Sage: 35-61

## **Week 3 – Contemporary Marxian approaches (Alexandre Afonso)**

### **Discussion questions:**

1. How can we explain the rise of neoliberalism from the late 1970s onwards?
2. What are the main characteristics and functions of the "neoliberal state"?
3. How do Marxists explain the global financial crisis?
4. How is the "new" Marxism different from the old?

### **Core reading**

Harvey, D (2007) *A Brief History of Neoliberalism*. Oxford: Oxford University Press, pp. 5-38, 64-86.

### **Secondary Readings (includes non-Marxian but connected perspectives)**

Callinicos, A. (2013). *Bonfire of Illusions: the Twin Crises of the Liberal World*. Cambridge: Polity.

Hay, C. (1999) "Marxism and the State" in Gamble, A; Marsh, R., Tant, T. (eds) *Marxism and Social Science*. Basingstoke: MacMillan: 152-174.

Jessop, B. (1990) *State Theory: Putting the Capitalist State in Its Place*. Cambridge: Polity.

Streeck, W (2011) "The Crises of Democratic Capitalism". *New Left Review* 71, 5-29.

Tridico, P (2012) Financial Crisis and Global Imbalances: Its Labour Market Origins and the Aftermath, *Cambridge Journal of Economics* 36(1): 17-42.

Van Apeldoorn, B. (2002) *Transnational Capitalism and the Struggle Over European Integration*. London: Routledge.

## **Week 4 – Max Weber: *The Protestant Ethic and the Spirit of Capitalism* (Alexandre Afonso)**

### **Discussion questions:**

1. According to Weber, why did capitalism prosper under Protestantism?
2. How does Weber's view of religion and culture differ from the one proposed by Marx?
3. What is the empirical problem Weber starts from?

4. Does religion still influence economic life?
5. How is Weber's methodology different from the one employed by Marx?
6. Can you think of other examples whereby culture influences economic behaviour?

### **Core Reading**

Weber, M. (1992, first ed. 1930) *The Protestant Ethic and the Spirit of Capitalism*. London: Routledge: 1-50 + Introduction by Anthony Giddens.

### **Secondary Readings**

Triglia, C (2002) *Economic Sociology: State, Market, and Society in Modern Capitalism*, London: Blackwell (Chapter 3: Capitalism and the Western Civilization: Max Weber, pp. 54-75).

Swedberg, R. (2000) *Max Weber and the Idea of Economic Sociology*. Princeton: Princeton University Press.

Becker, Sascha O., and Ludger Woessmann. "Was Weber wrong? A human capital theory of Protestant economic history" *The Quarterly Journal of Economics* 124(2) (2009): 531-596.

McCleary, Rachel M., and Robert J. Barro. 2006. "Religion and Economy" *Journal of Economic Perspectives*, 20(2): 49-72.

Morrison, K. (2006) *Marx, Durkheim, Weber: Formations of Modern Social Thought*. London: Sage: 273-334.

## **Week 5 - Contemporary approaches in economic sociology (Alexandre Afonso)**

### **Discussion questions:**

1. How does the sociological analysis of the economy differ from mainstream economics?
2. Where do actors' preferences come from?
3. How does social structure influence economic outcomes?
4. Do markets function in a similar manner everywhere?

### **Core Reading**

Dobbin, F. (2005) "Comparative and Historical Approaches to Economic Sociology", in Smelser, N. And R. Swedberg (eds.) *The Handbook of Economic Sociology*. New York: Russell Sage/Princeton University Press: 26-48.

Triglia, C (2002) *Economic Sociology: State, Market, and Society in Modern Capitalism*, London: Blackwell (Chapter 9: The Crisis of Fordism and New Economic Sociology)

Granovetter, M. (2005) "The impact of social structure on economic outcomes" *The Journal of Economic Perspectives* 19(1): 33-50.

### **Secondary Reading**

Graeber, David (2011) *Debt: the first 5000 years*. London: Penguin.

Fligstein, Neil (2002) *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*. Princeton: Princeton University Press.

Smelser, N. And R. Swedberg (eds.) (2005) *The Handbook of Economic Sociology*. New York: Russell Sage/Princeton University Press.

## **Week 6 – The Great Transformation and the concept of embeddedness (Christel Koop)**

### **Key questions**

1. How does Polanyi use the concept of embeddedness?
2. What are the similarities and differences between the use of the concept by Polanyi and Granovetter?
3. What implications does using the concept of embeddedness have for studying the economy?

### **Core reading**

Karl Polanyi (1944). *The Great Transformation: The Political and Economic Origins of Our Time*, Chapter 5 (and Foreword by Stiglitz)

Karl Polanyi (1957). "The economy as instituted process." In Mark Granovetter and Richard Swedberg (Eds). *The Sociology of Economic Life*. Boulder, CO: Westview Press.

Mark Granovetter (1985). "Economic action and social structure: The problem of embeddedness." *American Journal of Sociology* 91 (3): 481-510.

James Caporaso and Sidney Tarrow (2009). "Polanyi in Brussels: Supranational institutions and the transnational embedding of markets." *International Organization* 63 (4): 593-620.

### **Further reading**

Greta Krippner (2001). "The elusive market: Embeddedness and the paradigm of economic sociology." *Theory and Society* 30, 775–810.

Greta Krippner et al. (2004). "Polanyi symposium: a conversation on embeddedness." *Socio-Economic Review* 2 (1): 109-135.

John G. Ruggie. (1982). "International regimes, transactions, and change: Embedded liberalism in the postwar economic system." *International Organization* 36 (2): 379-415.

Peter Evans (1995). *Embedded Autonomy: States and Industrial Transformations*. Princeton: Princeton University Press.

Benjamin Barber (1995). "All economies are 'embedded': The career of a concept, and beyond." *Social Research* 62: 387–413.

Jens Beckert (2003). "Economic sociology and embeddedness: How shall we conceptualize economic action?" *Journal of Economic Issues* 37: 769–787.

Fred Block (2003). "Karl Polanyi and the writing of *The Great Transformation*." *Theory and Society* 32: 275–306.

Paul DiMaggio and Hugh Louch (1998). "Socially embedded consumer transactions: For what kinds of purchases do people most often use networks?" *American Sociological Review* 63: 619–637.

## **Week 8 – *The Great Transformation* and the politics of countermovements (Christel Koop)**

### **Key questions**

1. What does Polanyi's concept of countermovement refer to?
2. How has the concept been used in contemporary political economic studies?
3. To what extent is the concept of countermovement useful in understanding the aftermath of the financial crisis?

### **Core reading**

Karl Polanyi (1944). *The Great Transformation: The Political and Economic Origins of Our Time*, Chapters 4, 6, 12, 21.

Owen Worth (2013). Polanyi's *magnum opus*? Assessing the application of the countermovement in international political economy. Forthcoming in *The International History Review*.

Peter Evans (2008). "Is an alternative globalization possible?" *Politics & Society* 36 (2): 271-305.

Brian Burgoon (2009). "Globalization and backlash: Polanyi's revenge?" *Review of International Political Economy* 16 (2): 145-177.

### **Further reading**

Dani Rodrik (1998). "Why do more open economies have bigger governments?" *Journal of Political Economy* 106 (5): 997-1032.

Jonathan Hopkin and Mark Blyth (2012). "What can Okun teach Polanyi? Efficiency, regulation and equality in the OECD." *Review of international Political Economy* 19(1): 1-33.

Stefanie Walter (2010). "Globalization and the welfare state: Testing the microfoundations of the compensation hypothesis." *International Studies Quarterly* 54 (2): 403-426.

## **Week 9 – Methodological individualism: *The Logic of Collective Action* (Colin Jennings)**

### **Discussion questions**

1. According to standard economic logic, why are smaller groups more likely to be effective in forming than larger groups?
2. Why is this insight likely to have major implications for political and economic outcomes?



### **Core reading**

Mancur Olson – *The Logic of Collective Action: Public Goods and the Theory of Groups* (1965)

### **Further reading**

Mancur Olson – *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities* (1982)

Andrew Hindmoor – *Rational Choice (Political Analysis)* (2006) – chapter 5

## **Week 10 – Contemporary public choice approaches (Colin Jennings)**

### **Discussion questions**

1. How can elections be likened to an economic market place with buyers and sellers? Using economic logic, if there are assumed to be only two parties motivated only by winning the election, what is the likely outcome? Is this outcome good?
2. Do politicians require constraints? To what extent do you think electoral concerns constrain politicians? What do we mean by a political principal/agent problem?
3. Other than elections, what other sorts of institutions may be useful in attempting to resolve the principal/agent problem?

### **Core reading**

Andrew Hindmoor – *Rational Choice (Political Analysis)* (2006) – chapters 1, 2 & 7

### **Further reading**

Joseph Stiglitz – *Economics of the Public Sector* (2000) – chapter 7

## **Week 11 – The role of institutions: *Institutions, Institutional Change and Economic Performance* (Christel Koop)**

### **Discussion questions**

1. What are institutions?
2. What role do institutions play in the political economy?

### **Core reading**

North, D.C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press, Chapters 1 and 9-11.

Peter A. Hall and Rosemary C.R. Taylor (1996). "Political science and the three new institutionalisms." *Political Studies* 44 (4): 936-57.

### **Further reading**

W. Richard Scott (2008). *Institutions and Organizations: Ideas and Interests*. Third edition. Thousand Oaks: Sage, Chapters 1 and 2.

Paul Pierson (2000). "Increasing returns, path dependence, and the study of politics." *American Political Science Review* 94 (2): 251-268.

Shepsle, K. (1989). "Studying Institutions: Some Lessons from the Rational Choice Approach." *Journal of Theoretical Politics* 1 (2): 131-147.

Kathleen Thelen and Sven Steinmo (1992). "Historical institutionalism in comparative politics." In Sven Steinmo, Kathleen Thelen, and Frank Longstreth (Eds). *Structuring Politics: Historical Institutionalism in Comparative Analysis* (pp. 1-32). Cambridge: Cambridge University Press.

James G. March and Johan P. Olsen (1984). "The new institutionalism: Organizational factors in political life." *American Political Science Review* 78 (3): 734-749.

Wolfgang Streeck and Kathleen Thelen (2005). "Introduction: Institutional Change in Advanced Industrialized Economies." In Streeck W. and Thelen, K. (Eds). *Beyond Continuity: Institutional Change in Advanced Political Economies* (pp. 1-39). Oxford: Oxford University Press.

Paul Pierson (2000). "The limits of design: Explaining institutional origins and change." *Governance* 13 (4): 475-501.

Mancur Olson (2000). *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships*. New York: Basic Books, Chapter 8.

B. Guy Peters (1996). "Political institutions, old and new." In Robert E. Goodin and Hans-Dieter Klingemann (Eds). *A New Handbook of Political Science* (pp. 205-220). Oxford: OUP.

Fritz W. Scharpf (1997). *Games Real Actors Play: Actor-Centred Institutionalism in Policy Research*. Boulder: Westview Press, Introduction, Chapters 1 and 2.

## **Week 12 – Institutional theory and the economy (Christel Koop)**

### **Discussion questions**

- How have studies in institutional economics applied the concept of institution?
- How have studies in political science applied the concept of institution?

### **Core reading**

Daron Acemoglu, Simon Johnson and James Robinson (2004). "Institutions as the fundamental cause of long-run growth." NBER Working Paper Series 10481. Available from: <http://www.nber.org/papers/w10481>.

Peter A. Hall and David Soskice (2001). "An introduction to varieties of capitalism." In

Peter A. Hall and David Soskice (Eds.). *Varieties of Capitalism: The Institutional Foundations of*

George Tsebelis (1995). "Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism." *British Journal of Political Science* 25: 289-325.

### **Further reading**

Malcolm Rutherford (2001) "Institutional Economics: Then and Now." *Journal of Economic Perspectives* 15 (3): 173-194.

Daron Acemoglu and James A. Robinson (2013). "Economics versus politics: Pitfalls of policy advice." *Journal of Economic Perspectives* 27 (2): 173-192.

Daniel Béland (2009). "Ideas, institutions and policy change." *Journal of European Public Policy* 16 (5): 701-718.

Peter A. Hall (1986) *Governing the Economy: The Politics of State Intervention in Britain and France*. Cambridge: Polity.

Herbert Kitschelt (2003). "Competitive party democracy and political-economic reform in Germany and Japan: Do party systems make a difference?" In Kozo Yamamura and Wolfgang Streeck (Eds). *The End of Diversity? Prospects for German and Japanese Capitalism* (pp. 334-363). Ithaca and London: Cornell University Press.

Peter A. Hall and Kathleen Thelen (2009). "Institutional change in varieties of capitalism." *Socio-Economic Review* 7: 7-34.