

# **Comparative Political Economy: Exploring Varieties of State-Market Relations**

## **7SSPP103**

Module convenors: Dr Christel Koop and Dr Alexandre Afonso

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

### **General information**

#### **Aim of the module**

The aim of this module is to provide a thorough introduction to the key concepts, theories, and issues in comparative political economy. Comparative political economy seeks to apply central concepts used in political science, history, economics, and sociology to the study of economic institutions, economic outcomes, and economic policy-making. In the module, we will assess the differences and similarities in the organisation of state-market relations across the world in a variety of fields: labour markets and industrial relations, corporate governance, economic regulation and industrial policy, and social protection. Questions that will be tackled in the module include: Why is it easier to take over companies in the United States than in France? How can welfare policies improve economic competitiveness? Why did Silicon Valley emerge in the United States and not in Europe? And why has Germany – and not the United Kingdom – become Europe's powerhouse in the last couple of years? The focus of the module will be generic, though the literature is mainly concerned with capitalism in EU and OECD countries. The module is an option for students on the MA Political Economy and the MA Public Policy.

#### **Learning outcomes**

By the end of the module, you should be able to:

- identify the theoretical and empirical foundations of comparative political economy;
- name and contrast the distinctive features of different types of state-market relations;
- compare state-market relations in different EU and OECD countries, and link them to the analytical categories distinguished in the comparative political economy literature;
- apply the theories developed in comparative political economy to empirical cases which have not yet been assessed in the literature;
- make reasoned arguments on the relationship between different types of political-economic institutions and different economic outcomes, such as innovation, wage dispersion, economic growth, unemployment, and women's labour market participation.

#### **Teaching arrangements**

There will be eleven weekly, two-hour lecture/seminar sessions in Term 1. The sessions will take place on Thursdays, 10am-12pm, in Room STD/S0.03 (Strand Campus). You are expected to have read the articles and chapters under 'Core reading' in the reading list before the session. Please also note that attendance is mandatory.

## **Examination arrangements**

The module will be assessed by two essays. The first essay will count as 30 percent of the overall mark, and should not have more than 1,500 words. The second essay will count as 70 percent of the overall mark, and should not have more than 3,500 words. Further details on the content of the essays will be provided during the seminars and on KEATS.

The essays should be submitted electronically on KEATS. Please make sure that your essays include, on the front page, your candidate number, the title of the essay, the title of the module, the date, and the word count. You will normally receive feedback and an indicative mark *within four weeks*. Further details on the submission of essays, and on the word count, can be found in the programme handbook.

The deadlines are the following:

- *Essay 1* (1,500 words) is to be submitted *before 5pm* on Monday, 18 November 2013;
- *Essay 2* (3,500 words) is to be submitted *before 5pm* on Monday, 20 January 2013.

Please note that the essay deadlines are absolute. Failing to submit an essay by the appropriate date 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. Please note the 20MB limit for submissions on KEATS. If you experience problems in the submission process, you are advised to send an electronic copy of the essay by email *before the deadline* and seek to document your problems in case you need to file a request for late submission.

## **Programme of the module**

### **Part I – Models of capitalism**

Week 1 – Models of capitalism (26 September)

Week 2 – Industrial relations and labour markets (3 October 2013)

Week 3 – Capitalism and the Welfare State (10 October 2013)

Week 4 – Exploring the origins of models of capitalism (17 October 2013)

Week 5 – Corporate Governance (24 October 2013)

### **Part II – The role of the state: economic policy-making**

Week 6 – Theories of economic policy-making (31 October 2013)

Week 7 – Reading week

Week 8 – Privatisation and liberalisation (14 November 2013)

Week 9 – Industrial policy and economic patriotism (21 November 2013)

Week 10 – Economic regulation (28 November 2013)

Week 11 – Monetary policy and central banks (5 December 2013)

Week 12 – Economic policy-making and the financial crisis (12 December 2013)

## **Contact details**

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Lecturer in Politics

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Office: First floor, 22 Kingsway

## Part I – Models of capitalism

### Week 1 – Models of capitalism (Alexandre Afonso)

#### Key questions

- What models of capitalism can be distinguished?
- What are the key features of these models?
- What is “institutional complementarity”?
- Is there only one path to economic prosperity?
- Germany is now often presented as a model for other countries. But what does this “model” consist of?

#### Core reading

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 Comparative Advantage*. Oxford: Oxford University Press: 1-68.

#### Further reading

Hancké, B., Martin Rhodes and Mark Thatcher (2007). “Introduction: Beyond varieties of capitalism.” In Bob Hancké, Martin Rhodes and Mark Thatcher (Eds.). *Beyond Varieties of Capitalism: Conflict, Contradictions, and Complementarities in the European Economy* (pp. 3-38). Oxford and New York: Oxford University Press.

Schmidt, V. (2003). “French capitalism transformed, yet still a third variety of capitalism.” *Economy and Society* 32 (4): 526-554.

Crouch, C. (2005). *Capitalist Diversity and Change: Recombinant Governance and Institutional Entrepreneurs*. Oxford: Oxford University Press, Chapter 2 on “Typologies of capitalism” (pp. 25-45).

Howell, C. (2003). “Varieties of capitalism: And then there was one?” *Comparative Politics* 36 (1): 103-124.

Allen, M. (2004). “The varieties of capitalism paradigm: Not enough variety?” *Socio-Economic Review* 2 (1): 87-108.

Crouch, C. and W. Streeck (Eds.) (1997). *Political Economy of Modern Capitalism: Mapping Convergence and Diversity*. London: Sage.

Kitschelt, H., Peter Lange, Gary Marks and John D. Stephens (Eds.) (1999). *Continuity and Change in Contemporary Capitalism*. Cambridge and New York: Cambridge University Press.

Schmidt, V. (2002). *The Futures of European Capitalism*. Oxford: Oxford University Press.

Carlin, W., and D. Soskice (2009) “German Economic Performance: Disentangling the Role of Supply-Side Reforms, Macroeconomic Policy and Coordinated Economy Institutions”, *Socio-Economic Review* 7(1): 67.

Soskice, D. (1999). “Divergent production regimes: Coordinated and uncoordinated market economies in the 1980s and 1990s.” In Herbert Kitschelt, Peter Lange, Gary Marks and John D. Stephens (Eds.). *Continuity and Change in Contemporary Capitalism* (pp. 101-134). Cambridge: Cambridge University Press.

## Week 2 – Industrial relations and labour markets (Alexandre Afonso)

### Key questions

- How do different setups of industrial relations influence economic performance?
- Does high employment come at the price of high inequality?
- Is deregulation the only way to achieve wage moderation?
- How are industrial relations connected to corporate governance?

### Core reading

Soskice, D. (1990). "Wage determination: The changing role of institutions in advanced industrialized countries." *Oxford Review of Economic Policy* 6 (4): 36-61.

Iversen, T., and A. Wren (1998) "Equality, Employment, and Budgetary Restraint: The Trilemma of the Service Economy", *World Politics* 50(4): 507-546.

Johnston, A., and B. Hancké (2009) "Wage Inflation and Labour Unions in EMU", *Journal of European public policy* 16(4): 601-622.

### Further reading

Calmfors, L., and J. Driffill (1988) "Bargaining Structure, Corporatism and Macroeconomic Performance", *Economic policy* 3(6): 14-61.

Baccaro, L., and D. Rei (2007) "Institutional Determinants of Unemployment in OECD Countries: Does the Deregulatory View Hold Water?", *International Organization* 61(3): 527-569.

Hancké, B., and M. Rhodes (2005) "EMU and Labor Market Institutions in Europe: The Rise and Fall of National Social Pacts", *Work and Occupations* 32(2): 196-228.

Baccaro, L., and M. Simoni (2010) "Organizational Determinants of Wage Moderation", *World Politics* 62(4): 594-635.

Thelen, K. and I. Kume (2003). "The future of nationally embedded capitalism: Industrial relations in Germany and Japan." In Kozo Yamamura and Wolfgang Streeck (Eds.). *The End of Diversity? Prospects for German and Japanese Capitalism* (pp. 183-211). Ithaca and London: Cornell University Press.

Pontusson, J. and D. Rueda (2000). "Wage inequality and varieties of capitalism." *World Politics* 52 (3): 350-383.

Thelen, K. (2000) "Why German Employers Cannot Bring Themselves to Dismantle the German Model" in Soskice D. and Iversen, T. (ed.) *Unions, Employers, and Central Banks: Macroeconomic Coordination and Institutional Change in Social Market Economies*. Cambridge: Cambridge University Press: 138-169.

Thelen, K. (2001). "Varieties of labor politics in the developed democracies." In Peter A. Hall and David Soskice (Eds.). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (pp. 71-103). Oxford: Oxford University Press.

## Week 3 – Capitalism and the welfare state (Alexandre Afonso)

### Key questions

- How can we explain the expansion of welfare protection in the 20<sup>th</sup> century?
- Why do some countries redistribute more than others?
- What are the functions of welfare states? Is social spending a net loss for the economy?
- What are the main characteristics of the politics of welfare state reform?

### Core reading

Pierson, P. (1996) "The New Politics of the Welfare State", *World politics* 48(2): 143-179.

Estevez-Abe, M., T. Iversen, and D. Soskice. (2001) "Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State" in Hall, P.A., and D. Soskice (eds.) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press: 145–183.

Iversen, T., and D. Soskice (2006) "Electoral Institutions and the Politics of Coalitions: Why Some Democracies Redistribute More Than Others", *American Political Science Review* 100(2): 165–181.

### Further reading

Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism*. Cambridge: Polity Press.

Iversen, T., and T.R. Cusack (2000) "The Causes of Welfare State Expansion: Deindustrialization Or Globalization?", *World Politics* 52(03): 313-349.

Giger, N., and M. Nelson (2011) "The Electoral Consequences of Welfare State Retrenchment: Blame Avoidance Or Credit Claiming in the Era of Permanent Austerity?", *European Journal of Political Research* 50(1): 1-23. Pierson, P. (1996) "The New Politics of the Welfare State", *World politics* 48:143-179.

Starke, P. (2006) "The Politics of Welfare State Retrenchment: A Literature Review", *Social Policy & Administration* 40(1): 104-120.

Bonoli, G. (1997) "Classifying Welfare States: A Two-Dimension Approach", *Journal of Social Policy* 26(03): 351-372.

Isabela Mares (2001). "Firms and the welfare state: When, why, and how does social policy matter to employers?" In Peter A. Hall and David Soskice (Eds.). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (pp. 185-212). Oxford: Oxford University Press.

## **Week 4 – Origins and institutional change in varieties of capitalism (Alexandre Afonso)**

### **Key questions**

- How can we explain the emergence of different types of capitalism in different countries?
- Who are the leading actors in the institutionalisation of welfare and social protection arrangements?
- Why have some employers supported the expansion of social protection?
- What are the different mechanisms of institutional change in varieties of capitalism?

### **Core reading**

Swenson, P. (1997) “Arranged Alliance: Business Interests in the New Deal”, *Politics & Society* 25(1): 66-116.

Korpi, W. (2006) “Power Resources and Employer-Centered Approaches in Explanations of Welfare States and Varieties of Capitalism: Protagonists, Consenters, and Antagonists”, *World Politics* 58(2): 167.

Hall, P., and K. Thelen (2009) “Institutional Change in Varieties of Capitalism”, *Socio-Economic Review* 7(1): 7-34.

### **Further reading**

Streeck, W. (2001) “Explorations into the Origins of Nonliberal Capitalism in Germany and Japan” in Streeck, W., and K. Yamamura (2001) *The Origins of Nonliberal Capitalism: Germany and Japan in Comparison*. Ithaca: Cornell University Press: 1-38.

Swenson, P. (2002) *Capitalists Against Markets: The Making of Labor Markets and Welfare States in the United States and Sweden*. Oxford: Oxford University Press.

Thelen, K.A. (2004) *How Institutions Evolve : The Political Economy of Skills in Germany, Britain, the United States, and Japan*. Cambridge: Cambridge University Press.

Paster, T (2013) "Business and Welfare State Development: Why Did Employers Accept Social Reforms?" *World Politics* 65(3): 416-51.

Streeck, W., and K. Thelen. (2005) “Introduction: Institutional Change in Advanced Political Economies” in Streeck, W., and K. Thelen (eds.) *Beyond Continuity: Institutional Change in Advanced Political Economies*. Oxford: Oxford University Press: 1–39.

Nijhuis, D.O. (2009) “Revisiting the Role of Labor: Worker Solidarity, Employer Opposition, and the Development of Old-Age Pensions in the Netherlands and the United Kingdom”, *World Politics* 61(2): 296-329.

## Week 5 – Corporate governance (Christel Koop)

### Key questions

- What do we mean by “stakeholder-oriented” and “shareholder-oriented” corporate governance systems?
- What kind of methods can we use to study corporate governance?
- How does corporate governance influence innovation strategies?
- What is the relationship between corporate governance and industrial relations?
- Could Apple have emerged in Germany?
- How does the deregulation of financial markets influence the distinctiveness of different varieties of capitalism?

### Core reading

Vitols, S. (2001) “Varieties of Corporate Governance: Comparing Germany and the UK” in Hall, P.A., and D.W. Soskice (eds.) *Varieties of Capitalism*. Oxford: Oxford University Press: 337-360.

Culpepper, P.D. (2005) “Institutional Change in Contemporary Capitalism. Financial Systems since 1990”, *World Politics* 57(2): 173-199.

Beyer, J., and M. Höpner (2003) “The Disintegration of Organised Capitalism: German Corporate Governance in the 1990s”, *West European Politics* 26(4): 179-198.

### Further reading

Callaghan, H. (2009) “Insiders, Outsiders, and the Politics of Corporate Governance How Ownership Structure Shapes Party Positions in Britain, Germany, and France”, *Comparative Political Studies* 42(6): 733-762.

Callaghan, H., and M. Hopner (2005) “European Integration and the Clash of Capitalisms: Political Cleavages Over Takeover Liberalization”, *Comparative European Politics* 3(3): 307-332.

Cioffi, J.W., and M. Höpner (2006) “The Political Paradox of Finance Capitalism: Interests, Preferences, and Center-Left Party Politics in Corporate Governance Reform”, *Politics & Society* 34(4): 463-502.

Culpepper, P. (2010) *Quiet Politics: Business Power and Corporate Control*. Cambridge: Cambridge University Press.

Gospel, H., and A. Pendleton (2003) “Finance, Corporate Governance and the Management of Labour: A Conceptual and Comparative Analysis”, *British Journal of Industrial Relations* 41(3): 557-582.

Heemskerk, E., and G. Schnyder (2008) “Small States, International Pressures, and Interlocking Directorates: The Cases of Switzerland and the Netherlands”, *European Management Review* 5(1): 41-54.

Höpner, M. (2001) “Corporate Governance in Transition: Ten Empirical Findings on Shareholder Value and Industrial Relations in Germany”, *Max-Planck-Institute for the Study of Societies Working Paper* 5:

Höpner, M. (2005) “What Connects Industrial Relations and Corporate Governance? Explaining Institutional Complementarity”, *Socio-Economic Review* 3(2): 331-358.

Höpner, M. (2007) “Corporate Governance Reform and the German Party Paradox”, *Comparative Politics* 401-420.

## Part II – The role of the state: economic policy-making

### Week 6 – Theories of economic policy-making (Christel Koop)

#### Key questions

- Which approaches to economic policy-making can be distinguished?
- To what extent do economic ideas affect economic policy-making?
- What may prevent political parties from shaping economic policies?

#### Core reading

Peter A. Hall (1997). "The role of interests, institutions, and ideas in the comparative political economy of the industrialized nations." In Mark I. Lichbach and Alan S. Zuckerman (Eds.). *Comparative Politics: Rationality, Culture and Structure* (pp. 174-207). Cambridge: Cambridge University Press.

Hood, Christopher (1990). *Explaining Economic Policy Reversals*. Buckingham: Open University Press, Chapters 1 on "Policy reversals and how to explain them" (pp. 1-18).

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

Rose, Richard (1990). "Inheritance before choice in public policy." *Journal of Theoretical Politics*, 2 (3): 263-291.

#### Further reading

Peter A. Hall (1993). "Policy paradigms, social learning, and the state: The case of economic policy-making in Britain." *Comparative Politics* 25: 275-296.

Colin Crouch (2009). "Privatised Keynesianism: An unacknowledged policy regime." *British Journal of Politics and International Relations* 11 (3): 382-399.

Carles Boix (2000). "Partisan governments, the international economy and macroeconomic policies in advanced nations 1960-93." *World Politics* 53: 38-73.

Peter A. Hall and Rosemary C.R. Taylor (1996). "Political science and the three new institutionalisms." *Political Studies* 44 (4): 936-957.

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.

Douglas C. North (1990). *Institutions, Institutional Change and Economic Performance*. 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 Wolfgang Streeck and Kathleen Thelen (Eds.). *Beyond Continuity: Institutional Change in Advanced Political Economies* (pp. 1-39). Oxford: Oxford University Press.

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.



## **Week 8 – Privatisation and liberalisation (Christel Koop)**

### **Key questions**

- How and why have 'liberal' economic institutions spread across the world?
- Has the state been 'shrunk'?
- Has globalization led to convergence in the role and size of the state across the world?

### **Core reading**

Beth A. Simmons, Frank Dobbin and Geoffrey Garrett (2006). "Introduction: The international diffusion of liberalism." *International Organization* 60 (4): 781-810.

Helen V. Milner and Keiko Kuboto (2005). "Why the move to free trade? Democracy and trade policy in the developing countries." *International Organization* 59 (1): 157-193.

Harvey B. Feigenbaum and Jeffrey R. Henig (1994). "The political underpinnings of privatization. A typology." *World Politics* 46 (2): 185-208.

Volker Schneider, Simon Fink and Marc Tenbücken (2005). "Buying out the state: A comparative perspective on the privatization of infrastructures" *Comparative Political Studies* 38 (6): 704-27.

### **Further reading**

Beth A. Simmons and Zachary Elkins (2004). "The globalization of liberalization: Policy diffusion in the international political economy." *American Political Science Review* 98 (1): 171-189.

Christopher Hood (1994). *Explaining Economic Policy Reversals*. Buckingham: Open University Press, Chapter 3.

Mark Thatcher (2007). *Internationalisation and Economic Institutions: Comparing European Experiences*. Oxford: Oxford University Press, Chapters 1 and 13.

Patrick Dunleavy (1986). "Explaining the privatisation boom: Public choice versus radical approaches." *Public Administration* 64 (1): 13-34.

Judith Clifton, Francisco Comín, and Daniel Díaz Fuentes (2006). "Privatizing public enterprises in the European Union 1960-2002: Ideological, pragmatic, inevitable?" *Journal of European Public Policy* 13 (5): 736-756.

James Caporaso and Sidney Tarrow (2009). "Polanyi in Brussels: Supranational Institutions and the Transnational Embedding of Markets." *International Organization* 63 (4): 593-620.

Duane Swank and Sven Steinmo (2002). "The New Political Economy of Taxation in Advanced Capitalist Democracies." *American Journal of Political Science* 46 (3): 642-655.

Graeme Hodge (Ed.) (2006). *Privatization and Market Development: Global Movements in Public Policy Ideas*. Cheltenham: Edward Elgar, Chapters 1-5.

William L. Megginson (2005). *The Financial Economics of Privatization*. New York: Oxford University Press.

Covadonga Meseguer (2004). "What role for learning? The diffusion of privatisation in OECD and Latin American countries." *Journal of Public Policy* 24 (3): 299-325.

## **Week 9 – Industrial policy and economic patriotism (Alexandre Afonso)**

### **Key questions**

- Why has the importance of ‘traditional’ industrial policy diminished?
- To what extent do governments still employ industrial policy?

### **Core reading**

Jack Hayward (1995). “Introduction: Europe’s endangered industrial champions.” In Jack Hayward (Ed.), *Industrial Enterprise and European Integration: From National to International Champions in Western Europe* (pp. 1-20). Oxford: Oxford University Press.

Dani Rodrik (2008). “Normalizing industrial policy.” Commission on Growth and Development Working Paper No 3. Available from: [http://dev.wcfia.harvard.edu/sites/default/files/Rodrick\\_Normalizing.pdf](http://dev.wcfia.harvard.edu/sites/default/files/Rodrick_Normalizing.pdf).

Jean-Marc Trouille (2007). “Re-inventing industrial policy in the EU: A Franco-German approach.” *West European Politics* 30 (3): 502-523.

Ben Clift and Cornelia Woll (2012). “Economic patriotism: Reinventing control over open markets.” *Journal of European Public Policy* 19 (3): 307-323.

### **Further reading**

Glenn Morgan (2012). “Supporting the City: Economic patriotism in financial markets.” *Journal of European Public Policy* 19 (3): 373-387.

Ben Rosamond (2012). “Supranational governance as economic patriotism? The European Union, legitimacy and the reconstruction of state space.” *Journal of European Public Policy* 19 (3): 324-341.

Helen Callaghan and Paul Lagneau-Ymonet (2012). “The phantom of Palais Brongniart: Economic patriotism and the Paris Stock Exchange.” *Journal of European Public Policy* 19 (3): 388-404.

Mairi Maclean (1997). “Privatisation, *dirigisme* and the global economy: An end to French exceptionalism?” *Modern & Contemporary France* 5 (2): 215-227.

Vivien A. Schmidt (2002). *The Futures of European Capitalism*. Oxford: Oxford University Press.

Vivien A. Schmidt (1996). *From State to Market? The Transformation of French Business and Government*. Cambridge: Cambridge University Press.

Rainer Eising and Nicolas Jabko (2001). “Moving targets: National interests and electricity liberalization in the European Union.” *Comparative Political Studies* 34 (7): 742-767.

## Week 10 – Economic regulation (Christel Koop)

### Key questions

- How can we explain the introduction of regulation?
- How has the importance of regulation changed over the past three decades?
- Why has the ‘regulatory state’ replaced the ‘positive state’ in Europe?
- Why do politicians delegate to independent regulatory agencies?

### Core reading

Robert Baldwin, Martin Cave and Martin Lodge (2012). *Understanding Regulation: Theory, Strategy, and Practice*. Second edition. Oxford: Oxford University Press, Chapter 4 on “Explaining regulation” (pp. 40-67).

Giandomenico Majone (1997). “From the positive to the regulatory state: Causes and consequences of changes in the mode of governance.” *Journal of Public Policy* 17 (2): 139-168.

David Levi-Faur (2005). “The global diffusion of regulatory capitalism.” *Annals of the American Academy of Political and Social Science* 598: 12-32.

Mark Thatcher (2002). “Delegation to independent regulatory agencies: Pressures, functions and contextual mediation.” *West European Politics* 25 (1): 125-147.

### Further reading

Steven K. Vogel (1996). *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries*. Ithaca, NY: Cornell University Press, Chapters 1, 2 and 11.

Giandomenico Majone (1994). “Paradoxes of privatisation and deregulation.” *Journal of European Public Policy* 1 (1): 53-69.

Christopher Hood (1994). *Explaining Economic Policy Reversals*. Buckingham: Open University Press, Chapter 2 on “Regulation, deregulation and reregulation” (pp. 19-36).

George J. Stigler (1971). “The theory of economic regulation.” *Bell Journal of Economics and Management Science* 2 (1): 3-21.

Sam Peltzman (1989). “The economic theory of regulation after a decade of deregulation.” *Brookings Papers on Economic Activity*, pp. 1-41.

Sam Peltzman (1976). “Towards a more general theory of regulation.” *Journal of Law and Economics* 19 (2): 211-240.

Giandomenico Majone (1994). “The rise of the regulatory state in Europe.” *West European Politics* 14 (3): 77-101.

Michael Moran (2002). “Understanding the regulatory state.” *British Journal of Political Science* 32 (3): 391-413.

Fabrizio Gilardi (2002). “Policy credibility and delegation to independent regulatory agencies: A comparative empirical analysis.” *Journal of European Public Policy* 9 (6): 873-893.

Fabrizio Gilardi (2005). “The institutional foundations of regulatory capitalism: The diffusion of independent regulatory agencies in Western Europe.” *Annals of the American Academy of Political and Social Science* 598: 84-101.

Jacint Jordana, David Levi-Faur and Xavier Fernández i Marín (2011). “The global diffusion of regulatory agencies: Channels of transfer and stages of diffusion.” *Comparative Political Studies* 44 (10): 1343-1369.

## **Week 11 – Monetary policy and central banks (Christel Koop)**

### **Key questions**

- How does monetary policy affect the operation of markets?
- Why have politicians delegated monetary functions to independent central banks?
- Why does central bank independence vary across countries and over time?

### **Core reading**

Torben Iversen and David Soskice (2006). "New macroeconomics and political science." *Annual Review of Political Science* 9: 425-453.

Melvyn King (2012). "Twenty years of inflation targeting." The Stamp Memorial Lecture, London School of Economics and Political Science, 9 October. Available from:  
<http://www.bankofengland.co.uk/publications/Documents/speeches/2012/speech606.pdf>

Martin Marcussen (2005). "Central banks on the move." *Journal of European Public Policy* 12 (5): 903-923.

Kathleen R. McNamara (2002). "Rational fictions: Central bank independence and the social logic of delegation." *West European Politics* 25 (1): 47-76.

### **Further reading**

John B. Goodman (1991). "The politics of central bank independence." *Comparative Politics* 23 (3): 329-349.

William Bernhard (1998). "A political explanation of variations in central bank independence." *American Political Science Review* 92 (2): 311-328.

Finn E. Kydland and Edward C. Prescott (1977). "Rules rather than discretion: The inconsistency of optimal plans." *Journal of Political Economy* 85 (3): 473-491.

Michael R. King (2005). "Epistemic communities and the diffusion of ideas: Central bank reform in the United Kingdom." *West European Politics* 28 (1): 94-123.

Alex Cukierman, Steven B. Webb and Bilin Neyapti (1992). "Measuring the independence of central banks and its effect on policy outcomes." *World Bank Economic Review* 6 (3): 353-398.

Arend Lijphart (1999). *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*. New Haven: Yale University Press, Chapter 13.

Alan S. Blinder (1998). *Central Banking in Theory and Practice*. Cambridge, MA: MIT Press.

Robert Elgie (2002). "The politics of the European Central Bank: Principal-agent theory and the democratic deficit." *Journal of European Public Policy* 9 (2): 186-200.

Robert Elgie (1998). "Democratic accountability and central bank independence: Historical and contemporary, national and European perspectives." *West European Politics* 21 (3): 53-76.

Kathleen McNamara (1998). *The Currency of Ideas: Monetary Politics in the European Union*. Ithaca: Cornell University Press.

Susanne Lohmann (1995). "Federalism and central bank independence: The politics of German monetary policy, 1957-92." *World Politics* 50 (3): 401-446.

Robert J. Barro and David B. Gordon (1983). "Rules, discretion and reputation in a model of monetary policy." *Journal of Monetary Economics* 12: 101-121.

## Week 12 – Economic policy-making and the financial crisis (Christel Koop)

### Key questions

- How has regulatory failure contributed to the financial crisis?
- What initiatives for regulatory reform have been introduced to deal with the financial crisis?
- What obstacles have we observed in the policy-making process which aims to deal with the financial crisis?

### Core reading

Eric Helleiner (2011). "Understanding the 2007-2008 Global Financial Crisis: Lessons for Scholars of International Political Economy." *Annual Review of Political Science* 14: 67-87.

Daniel Carpenter (2010). "Institutional Strangulation: Bureaucratic Politics and Financial Reform in the Obama Administration." *Perspectives on Politics* 8 (3): 825-846.

Stefano Pagliari (2011). "Who governs finance? The shifting public-private divide in the regulation of derivatives, rating agencies and hedge funds." *European Law Journal* 18 (1): 44-61.

John Kay (2011). "Should We Have 'Narrow Banking'?" Available from: <http://www.johnkay.com/2011/06/02/should-we-have-%E2%80%99narrow-banking%E2%80%99>.

### Further reading

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