

# **Political Science 375: Comparative Politics of Business-Government Relations**

Northwestern University  
Winter 2013  
Monday & Wednesday 3:30 – 4:50 P.M  
Scott Hall 212

**Prof. Stephen Nelson**

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**Office hours:** Tuesday 2-4PM

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## **Course Overview**

Over the next ten weeks we will explore how market-based economies work across different national settings. What distinguishes the German variety of capitalism from the British or American varieties? Are national models converging on a single type or do big differences remain? What are the main dimensions along which national varieties of capitalism differ? Are there systematic differences in how business and government work together that distinguish the successful developers (like South Korea and, more recently, China) from the stalled economies (like Russia)? Was the global financial crisis of 2008 driven by the excessive power of the financial sector in the United States and, if so, how did finance become so powerful?

Political Science 375 is split into five related topics. We start with different perspectives on the relative merits of two different organizing principles for any economy: authoritative/state-driven and decentralized/market-driven. In this section we will discuss whether governments should get out of firms' way and allow price signals to shape business decisions or whether successful collaboration between states and firms is possible. Next, we develop the idea of "institutional complementarities" in the context of the advanced industrial democracies. Germany, the archetypal "coordinated market economy" is compared to the United States, the archetypal "liberal market economy." We will discuss whether there is a relationship between the political power of business groups and the increasing level of income inequality in the United States. From there we move to the third topic: the divergent trajectories of state-led development efforts in Northeast Asia and South America. How does the business-government relationship differ in these regions? The fourth topic concerns patterns of business-government relations in the countries have undergone transition from command to market economies (with a particular focus on Russia and China). The tour of comparative capitalisms returns to the United States in the concluding part of the course. The fifth topic is organized around the financial crisis of 2008 and the expanding role of the financial sector in the American economy.

This is a demanding course: you will do a lot of writing, the reading load is heavy, and, given that lecturing is minimal and discussion is the centerpiece of the seminar, it is essential that you keep up with the material. If you fall behind early it will be very hard to catch up!

Bear in mind that the syllabus is an outline, not a contract, and it is subject to change – with the caveat that you will have plenty of warning if I choose to shuffle readings around.

### **Prerequisites**

There are no prerequisites for the course. Courses in political economy or introductory economics (macro and/or micro) are helpful but not essential for success in Political Science 375.

### **Course Requirements and Grading**

The weighting of the course requirements is as follows:

- Three take-home essays: 60%
- Discussion participation: 30%
- Discussion leader: 10%
- Research pool participation [mandatory]

You must turn in hard copies of your papers; under no circumstances will I accept papers submitted by email. I will count your paper as received only when I have a hard copy in hand. Essays received after the deadline expires will be considered late and penalized one half-grade step (a B+ becomes a B). Additional half-grade reductions accrue for each 12 hour period after the announced deadline (e.g., a paper that is turned in a full 24 hours after the deadline expires will be marked down by a full grade, from an A to a B, for example).

All students are required to serve as a discussion leader in one course meeting. During the meeting in which you have been assigned the role of discussion leader, you will be stepping into the shoes of a couple of the authors of that week's readings; you will be responsible for presenting the main arguments and evidence in the readings and will be expected to be prepared to respond to tough questions about the readings that are raised by me or the other members of the group.

Discussion participation accounts for a significant proportion of the grade. Securing a good participation grade means regular attendance, keeping up with the readings, and actively contributing to the conversation.

*Note on required participation in the Political Science Research Pool:* students enrolled in this course are required to complete a research assignment that can include up to 4 hours of research study participation. These studies require that students set up an appointment to complete participation at a laboratory on campus (or via an on-line survey). Students will learn how studies are conducted and will receive a synopsis at the conclusion of the quarter describing the study's goal, result, and relevance to the class. Students who prefer not to participate in the research may opt for an alternative that entails reading any one chapter about political science research and writing a five-page reaction paper. The typical chapter is about 20 pages and thus reading it and writing a five-page paper should take approximately four hours.

Near the start of the quarter, students will receive an e-mail asking them whether they prefer study participation or the alternative assignment. The e-mail will also include details on how to complete either requirement. Failure to complete the requirement during the quarter will result in an incomplete. Failure to complete the requirement during the following quarter will result in a failing grade for the class. Note that if you are enrolled in multiple classes that require participation, you only need to satisfy the requirement one time. Also, if you already completed the requirement in another course in a previous quarter, you are excused from the requirement.

### **Required Books (for purchase)**

There are two books that you should purchase for the course:

- Jacob S. Hacker and Paul Pierson, *Winner-Take-All-Politics: How Washington Made the Rich Richer – and Turned Its Back on the Middle Class* (Simon & Schuster, 2011).
- Yasheng Huang, *Capitalism with Chinese Characteristics* (Cambridge University Press, 2008).

The books can be purchased in the Norris bookstore, and there are copies available from online book vendors. I will also place a library copy of each book on 1-day reserve in the main library (second floor).

### **Electronic Reserves**

Aside from the books, all of the required course readings have been forwarded to the library to be placed on electronic reserves. Links – either directly to a PDF of the scanned article/chapter or to the e-journal that contains the reading – should appear on the blackboard page.

### **Respect and Discussion Rules**

Every participant brings a different perspective to the classroom. Part of my job is to make sure that one viewpoint is not privileged over others. Dialogue in my course is expected to always be respectful. We all reserve the right to respectfully disagree with one another; we do not have the right to intimidate anyone. Your professor and will enforce all university policies concerning racial, ethnic, gender, sexual preference, or religious discrimination and harassment.

### **Academic Integrity**

Plagiarism is a serious offense at Northwestern. If I suspect that you have knowingly misrepresented someone else's work as your own, I will report the violation of academic integrity; if the evidence indicates that the student committed an act that violated standards of academic integrity, this constitutes grounds for suspension or even dismissal from the university.

Northwestern's official policy regarding academic integrity is found at:  
<http://www.northwestern.edu/provost/students/integrity/>

### **Student Disability Services**

Students that require any special academic accommodations must provide a letter prepared by the Office of Services for Students with Disabilities detailing the arrangements to me ***no later than the end of the second week of classes***. Please contact Services for Students with

Disabilities (SSD) (<http://www.northwestern.edu/disability/>) or visit Scott Hall 021 (847-467-5530) for more information about services offered by Northwestern.

**Medical illnesses and other emergencies**

Regular attendance is crucial to your success in this course. If you have to miss class due to illness or family emergency, make sure to contact me as soon as you can. I require documentation for illness- and family emergency-related absences.

## ***Course Schedule***

### **Topic 1: markets and states** (January 7-16)

#### **Readings**

- F.A. Hayek, “The Use of Knowledge in Society,” *American Economic Review* 35, 4 (September 1945): pp. 519-30.
- Milton Friedman, “The Social Responsibility of Business is to Increase its Profits,” *New York Times Magazine* (September 13, 1970), pp. 1-6.
- Charles E. Lindblom, “The Market as Prison,” *The Journal of Politics* 44, 2 (May 1982): pp. 324-36.
- David Vogel, “The Power of Business in America: A Reappraisal,” *British Journal of Political Science* 13 (1983): pp. 19-43.
- Ben Ross Schneider and Sylvia Maxfield, “Business, the State, and Economic Performance in Developing Countries,” in Maxfield and Schneider eds., *Business and the State in Developing Countries* (Cornell University Press, 1997), pp. 3-33.

Total pages of required reading for this topic: 87

### **Topic 2: varieties of capitalism in the advanced industrial countries** (January 23 – February 14)

*Part I: the institutional structures of capitalism in rich democracies* (January 23)

#### **Readings**

- Peter Hall and David Soskice, “An Introduction to Varieties of Capitalism,” in Bob Hancke, ed. *Debating Varieties of Capitalism: A Reader* (Oxford University Press, 2009), pp. 21-74.
- Lane Kenworthy, “Institutional Coherence and Macroeconomic Performance,” in *Debating Varieties of Capitalism*, pp. 180-99.

Total pages of required reading for this sub-topic: 74

**\*\*\*ESSAY #1 DISTRIBUTED ON JANUARY 23\*\*\***

*Part II: business-government relations in coordinated market economies – the German case* (January 28-30)

#### **Readings**

- Wolfgang Streeck, “German Capitalism: Does It Exist? Can It Survive?” In Richard Whitley, ed. *Competing Capitalisms: Institutions and Economies, Volume I* (Northampton, MA: Edward Elgar, 2002), pp. 429-50.
- Steven Casper, Mark Lehrer, and David Soskice, “Can High-Technology Industries Prosper in Germany? Institutional Frameworks and the Evolution of the German Software and Biotechnology Industries,” in *Debating Varieties of Capitalism*, pp. 200-220.

- Steven Rattner, “The Secrets of Germany’s Success,” *Foreign Affairs* (July/August 2011): pp. 7-11.

Total pages of required reading for this sub-topic: 51

*Part III: business-government relations in liberal market economies – the American case*  
(February 4-13)

### Readings

- Ben Ross Schneider and David Soskice, “Inequality in Developed Countries and Latin America: Coordinated, Liberal, and Hierarchical Systems,” *Economy and Society* 38, 1 (February 2009): pp. 17-31.
- Jacob S. Hacker and Paul Pierson, *Winner-Take-All-Politics: How Washington Made the Rich Richer – and Turned Its Back on the Middle Class*, pp. 12-72, 98-136, 163-93, 205-22, 236-88.

Total pages of required reading for this sub-topic: 217

## **Topic 3: business, government, and development trajectories in East Asia and South America** (February 18-25)

### Readings

- Chalmers Johnson, “Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea, and Taiwan,” in Frederic Deyo, ed. *The Political Economy of the New Asian Industrialism* (Ithaca: Cornell University Press, 1987): pp. 136-64.
- David C. Kang, “Bad Loans to Good Friends: Money Politics and the Developmental State in Korea,” *International Organization* 56, 1 (Winter 2002): pp. 177-207.
- Ben Ross Schneider and David Soskice, “Inequality in Developed Countries and Latin America: Coordinated, Liberal, and Hierarchical Systems,” *Economy and Society* 38, 1 (February 2009): pp. 31-52.
- Ben Ross Schneider, *Business Politics and the State in Twentieth-Century Latin America* (New York: Cambridge University Press, 2004): pp. 1-15, 173-206.

Total pages of required reading for this topic: 131

\*\*\*ESSAY #2 DISTRIBUTED ON FEBRUARY 25\*\*\*

## **Topic 4: business-government relations in post-socialist Russia and China** (February 28 – March 6)

### Readings

- David E. Hoffman, *The Oligarchs: Wealth and Power in the New Russia* (New York: PublicAffairs, 2002), pp. 100-26, 270-73, 296-324.

- Yasheng Huang, *Capitalism with Chinese Characteristics* (Cambridge University Press, 2008), pp. 1-108, 160-232.

Total pages of required reading for this topic: 241

**Topic 5: financialization and the crisis of 2008** (March 11-13)

**Readings**

- Nolan McCarty, “The Politics of the Pop: the U.S. Response to the Financial Crisis and the Great Recession,” in Nancy Bermeo and Jonas Pontusson, eds. *Coping with Crisis: Government Reactions to the Great Recession* (New York: Russell Sage, 2012), pp. 201-32.
- Jeffrey A. Winters, “Oligarchy and Democracy,” *The American Interest* VII, 2 (November/December 2011): pp. 18-27.
- Joseph E. Stiglitz, “Of the 1%, by the 1%, for the 1%” *Vanity Fair* (May 2011), pp. 1-4.

Total pages of required reading for this topic: 46

**\*\*\*ESSAY #3 DISTRIBUTED ON MARCH 13\*\*\***

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**WCAS Reading Week begins on March 12  
WCAS Exam Week begins on March 18  
ESSAY #3 DUE AT 5PM ON MARCH 19**

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