



SCHOOL OF POLITICS AND INTERNATIONAL RELATIONS

POL20180

Capitalism and Democracy

The Politics of Distribution from the 19th - 21st Century

Lecturer

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Office Hours: Monday 10-12am

Course Timetable

Lectures will be held from 4-5pm on Mondays and 2-3pm on Wednesdays

Description

This module introduces students to the complex relationship between democracy and capitalism in the advanced market economies of the world (particularly North America and Europe). The focus of the course is on the different ways in which nation-states have sought to promote economic growth and redistribute resources in favour of different political interests. The module presents key concepts and theories in the study of political economy, and uses these to compare institutions, policies and outcomes across countries and over time. The core aim of the module is to understand and explain the changing nature of capitalism and the politics of distribution in the 21st century, from a comparative historical perspective. We will seek to address the following questions: why have some countries grown faster than others? Why are some more unequal than others? Why have some countries adapted to international globalisation in such different ways? Key areas of enquiry include the historical evolution of inequality, the role of electoral and party politics in shaping distributional outcomes, the structural influence of business power over public policy, and the consequences of the international financial crisis for the democratic state in Europe and the USA.

Intended learning outcomes

The course is an introduction to comparative capitalism(s) in a globalised world, with a focus on how social scientists have tried to understand and explain cross-country and cross-time differences in distributional outcomes. Each lecture is constructed around a core reading, which you must complete before coming to class. All lectures are participatory with each student expected to contribute toward end-of-class discussions. It is both conceptual and empirical. Large datasets and individual case studies will be used. The core textbook is Thomas Piketty's '*Capital in the 21st Century*'. You are advised to purchase this book and to

start reading it as soon as possible. All of the data/tables and graphs from the book can be downloaded here: <http://piketty.pse.ens.fr/en/capital21c2>

Learning outcomes for the module include the enhancement of your research, professional and personal skills. The course will improve your capacity for:

- Self-management
- Problem solving
- Communication
- Application of numeracy skills
- Dataset awareness
- Conceptual rigor
- Analytic argumentation
- Comparative case study knowledge

Assessment

All students are expected to actively participate in each lecture and to make informed contributions to discussion of the assigned readings. Students will be allocated a fixed reading-group in week 1. We will also set up a Facebook discussion page and Twitter hashtag.

Each group will make a short presentation (5%)

Each student will write a blog entry (25%)

Final examination (70%)

Readings

Readings will be drawn from a wide range of books and journals. All required readings must be completed before the lecture for which they are assigned. Journal articles are accessible on-line through the UCD library's e-journals catalogue. Other readings are available on designated websites or the module's Blackboard site. If you do not read you will not learn.

Disability Support Services

Students whose disabilities, medical conditions or learning difficulties (such as dyslexia) have been recognized and documented by UCD's Disability Support Services and who expect that their disability will affect the conditions of their assessment in this course are encouraged to contact Dr. Regan as soon as possible. Others who suspect that they may have such a disability are encouraged to contact the DSS office as soon as possible. For more information, see <http://www.ucd.ie/disability/index.html>.

Academic Standards

(1) The School's policy on standard academic practice (i.e., avoiding plagiarism) will be strictly enforced. A copy of the policy is available on the module's Blackboard site. (2) All written work submitted for this module should also conform to Harvard style (see guide on UCD Library website) for citations.

Week 1: Introduction

Q) *Does capitalist development inevitably lead to growing inequality?*

L1: Outline of the course

In this lecture I will outline the social contract governing our class: what you can expect from me and what I expect from you. I will provide a synopsis of the entire course, outline the assessment and allocate students into a reading group. I will also introduce the central hypothesis of Piketty's theory, which is as follows: when the rate of return on capital (R) exceeds the rate of growth (G) capitalism generates inequalities that undermine the values upon which democratic societies are based. I will highlight the limitations of the analysis by contextualising income and wealth inequality within the broader institutional study of comparative political economy and cross-country variation in 'national models of capitalism'.

Required reading: T Piketty, p1-3, p20-30, p59 -71, Dani Rodrik (2011), the Globalisation Paradox. Democracy and the Future of the World Economy, p3-23

Recommended: Albert Hirschman, *Rival Views of Market Society*, p105-141, Robert Kuttner, *Everything for Sale*. P11-67, Wolfgang Streeck, "The Crisis of Democratic Capitalism" p5-29

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F0.I.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F0.I.2.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/T1.1.pdf>

L2: Economic growth and inequality: key concepts, facts and figures

In this lecture I will present the core theory and research findings of Thomas Piketty's book, *Capital in the 21st Century*. I will explain the central concepts, facts and figures as they pertain to the long-term evolution of inequality, the concentration of wealth, capital/income ratios, the changing structure of employment and economic growth. These concepts (national income, capital, capital/income ratios) require a lot of patient reading. The concepts will shape our discussion in all subsequent lectures. Therefore it is essential that you do a lot private study outside the classroom during this week. But it will be worth it!

Required reading: T Piketty, p39-55, p72-77, p83-109

Recommended: Daron Acemoglu and James A. Robinson. Why Nations Fail: the Origins of Power, Poverty and Prosperity, p1-60

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F2.2.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F2.3.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F2.4.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/T2.2.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/T2.4.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F2.6.pdf>

Week 2: Theoretical frameworks

Q) *What are the dynamics that drive the accumulation and distribution of capital?*

L3: Malthus, Ricardo and Smith

In this lecture we will discuss the ideas that informed the *classical political economy* of Malthus, Ricardo and Smith in the 19th century. All of these thinkers were concerned with the politics of distribution and economic growth. Malthus thought the biggest threat to capitalist development was over-population and called for an end to welfare assistance. For Ricardo, the biggest concern was the scarcity of land, which would drive up the price of rent. For Smith, only rational self-interest and market competition would lead to economic and social prosperity. All three postulated ‘general laws’ despite very limited empirical data.

Required reading: T Piketty p7-16,
Caporaso, J. and Levin, D. (2006) Ch.2 “the Classical Approach” and Ch.4 “the Neoclassical Approach”, in *Theories of Political Economy*. Cambridge University Press, p33-99

Recommended: Adam Smith (1776) the Wealth of Nations, p10-37, 65-116.

Online: Blogs and YouTube clips

L4: Marx, Schumpeter, Kuznets and Acemoglu

In this lecture we will outline the core ideas that informed political economy in the aftermath of the industrial revolution. For Marx there can be no stable equilibrium in a capitalist society. The law of accumulation implicit in the system will ultimately imiserate the masses and come to an apocalyptic end. In the 20th century, Kuznets came to the opposite conclusion. He argued that in advanced stages of capitalist development inequality would automatically decrease and that the rising tide of economic growth would lift all boats. Schumpeter argued that capitalism evolves in tandem with the creative destruction and innovation of entrepreneurs but concluded that capitalism will evolve into centralised corporatism. More recently, Acemoglu and Robinson argue that only those countries with inclusive political institutions develop the capacity for economic development. Democracy matters.

Required reading: T Piketty p3-7,
Caporaso, J. and Levin, D. (2006) Ch.3 “Marxian Political Economy”, in *Theories of Political Economy*. Cambridge University Press, p55-78

Recommended: Marx, K. and Engels, F. (1848) the Communist Manifesto, Capital p216-300, Schumpeter ‘rethinking capitalism’ part II

Online: Blogs and YouTube clips

Week 3: The structural transformation of capital

Q) *Have the structural dynamics of capital fundamentally changed since the 18th century?*

L5 The metamorphoses of capital

In this lecture we will return to Piketty's data and look at the structural transformation of capital in France, Germany and Britain from the 18th century. The core finding is that the structural composition of capital has fundamentally changed. The composition has shifted from land to real estate, business and financial capital. The total capital stock relative to national income declined significantly after WW1 and WW2 but has since returned to a stable level in both countries. National capital is almost entirely privately owned. Public wealth only constituted a significant percentage of national income during the post-war years, or the '*trente glorieuses*', and which came to an end with the conservative revolutions from the mid 1980's onward. We will also discuss the importance of public debt and inflation in the history of distributional politics.

Required reading: Piketty, chapter 3 + 4, p113-139, p140-146

Recommended: Rueschemeyer, D & Stephens, E & Stephens, J (1992): *Capitalist Development and Democracy*. Chicago: University of Chicago Press, p1-79. Peter Hall (1992), *Governing the Economy*. P1-66

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F3.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F3.2.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F3.5.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F3.6.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F4.3.pdf>

L6 From Old Europe to the New World

In this lecture we will examine the causal factors behind the *rise and decline* in the capital stock in Europe from throughout the 20th century, as measured by the capital/income ratio. We will examine the development of various forms of wealth (buildings, stocks, bonds, patents, firms etc.) and compare the structural transformation of capital in Europe to the USA from the 18th to the 20th century. The dynamics are quite different. The total capital stock began much lower in the USA because of huge differences in demographic and economic growth, whilst WW1 and WWII wiped out a large part of capital in Europe. We will conclude by examining the importance of slavery in the development of US capitalism.

Required reading: chapter 4+5, p146-163, p164-170

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F4.5.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F4.6.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F4.10.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F5.1.pdf>

Week 4: The dynamics of capital-income

Q) What explains 'capital's comeback' in the late 20th century?

L7: Explaining capital's comeback since the 1970's

In this lecture we will examine the factors behind the *increase* in the capital/income ratio since the 70's. Piketty claims there are three reasons for 'capital's comeback' after the shocks of the 20th century. The first mechanism is the return of a low growth regime (economic and demographic), which means that wealth accumulated in the past grows in importance, particularly in a context of low inflation. The second mechanism is the privatisation of wealth in rich countries (often as a response to low growth). The final mechanism is the rebound in asset prices, particularly housing and real estate. After analysing the dynamics of capital accumulation over 200 years, Piketty predicts that wealth inequality in the 21st century will return to levels experienced at the turn of the 19th century, or the Belle Époque. Why?

Required reading: chapter 5, p164-199

Recommended: 'Capital is not back'. A Comment on Piketty's analysis
<http://www.voxeu.org/article/housing-capital-and-piketty-s-analysis>
'Capital is back'. A response
<http://www.voxeu.org/article/capital-back>

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F5.3.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F5.4.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F5.5.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F5.6.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F5.8.pdf>

L8: The capital-labour split in Europe and the USA

In this lecture we will move away from the novel analysis of the capital-income ratio (stocks) to examine the relative shares of *income* from capital (rents, profits, dividends, royalties etc. net of debt) and income from labour (wages, salaries, bonuses etc.) in national income. There has been no pronounced trend upward or downward from the 18th century in either of these. It is roughly a 70-30 split. But medium term trends from 1970 suggest more change. Capital income is primarily divided into real estate and financial assets. The return on capital has averaged between 4-6 per cent (pre-tax) in all advanced industrial societies, whilst the average tax rate on capital income in most rich countries is 30 percent. The upward trend in capital income post-1970 is most likely the outcome of capital's bargaining power over tax policy.

Required reading: chapter 6, excluding pages 215-220, 230-232

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F6.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F6.2.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F6.3.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F6.4.pdf>

Week 5: The structure of inequality (income)

Q) *What explains the origins and subsequent rise in income inequality?*

L9: Income inequality in Europe and the USA

In this lecture we will move away from an analysis of macro-social trends and examine the precise distribution of income and wages at the *individual* level. We will examine the composition of top incomes in France and the USA. This will illustrate the importance of examining the top centile, decile and percentile in the income distribution. I will introduce the concept of ‘worlds of welfare capitalism’ and the importance of domestic political institutions in explaining the cross-country variation in wage and income inequality. Be sure to read ‘Vautrin’s Lesson’ in Balzac’s *Père Goriot*, it’s a humorous anecdote on the role of inheritance and social mobility, and central to what we will discuss over the next weeks!

Required reading: chapter’s 7+8 (p237-291)

Recommended: See OECD: ‘Divided we stand: why inequality keeps rising’?
<https://www.youtube.com/watch?v=ZaoGscbtPWU#t=140>

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/T7.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/T7.2.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/T7.3.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F8.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F8.3.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F8.4.pdf>

L10: The rise of the supermanager in the USA

In this lecture we will compare income inequality in Europe and the USA, and ask why there has been an explosion in wage inequalities from labour income in the USA. A massive growth in income inequality rather than a growth in capital stock is what defines the politics of distribution in the US. We will find that the importance of income from labour gradually disappears the higher one moves up the income hierarchy. Capital income becomes more important in the top thousand of the 0.1 percent. The growth in income inequality in the USA is largely the result of declining minimum wages and a rise in the bargaining power of ‘supermanagers’ and executive pay, rather than changes in technology or productivity.

Required reading: chapter 8+9 (291-335)

Recommended: Jacob Hacker and Paul Pierson (2010) *Winner-Takes-All-Politics*

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F8.5.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F8.8.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F8.9.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F8.10.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F9.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F9.2.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F9.3.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F9.8.pdf>

Week 6: The structure of inequality (wealth)

Q) *What explains the origins and subsequent rise in wealth inequality?*

L11: Wealth inequality in Europe and the USA

In this lecture we will examine the origins of the disparities in the distribution of wealth and capital ownership between social groups in Europe and the USA. The distribution of wealth – and income from capital – is obviously much more unequally distributed than income from labour. The top decile in Europe and the USA typically owns between 60-65 percent of total wealth. In the 19th century it was typically 80-90 percent. This decline in the distribution of capital income can be explained by the emergence of a property owning middle class. Piketty suggest wealth inequality will increase again in the 21st century because we are re-entering a low-growth regime. The middle class emerged in the 20th century because the gap between rate of return on capital and economic growth declined. All signs suggest this is about to end, whilst increased tax competition among nation-states is likely to favour capital owners.

Required reading: chapter 10+11

Recommended: Chris Giles, Financial times (2014), A critique of Piketty

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F10.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F10.3.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F10.4.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F10.5.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F10.6.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F10.9.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F10.10.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F11.12.pdf>

L12: The future of global wealth inequality

In this lecture we will examine the dynamics of wealth inequality between regional blocs at the global level. This will reveal the difficulties in tracking assets in the globalised capitalism of the 21st century. We will examine the role of sovereign wealth funds, and the extent to which there is a growth in the international oligarchy of capital ownership and strategic investment (think about who exactly owns all those rich football clubs in the premier league!). The lecture will conclude with an examination of the global crisis in 2008 and why Piketty thinks that a global wealth tax is the optimal policy solution to reduce inequalities.

Required reading: chapter 12+13

Recommended reading:

Data: <http://piketty.pse.ens.fr/files/capital21c/en/pdf/F12.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F12.4.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F12.5.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F13.1.pdf>
<http://piketty.pse.ens.fr/files/capital21c/en/pdf/F14.1.pdf>

Week 7: National models of capitalism (1)

Q) Does the concept 'models of capitalism' explain the variation in Piketty's analysis?

L13: Ideas, political coalitions and institutions

In this lecture we will step away from Piketty's analysis and draw upon *debates* in comparative political economy to analyse cross-country variation in the public policies and institutions that regulate the relationship between capital and labour in the post WW2 era. We will highlight the importance of cross-class coalitions, power resources and electoral politics in shaping policy outcomes. This draws our attention to the importance of ideas, interests and institutions underpinning political choices in the history of capitalist development.

Required reading: Esping-Andersen, Goesta (1990). *The Three Worlds of Welfare Capitalism*. Cambridge: Polity, Ch.1.

Daron Acemoglu & James Robinson (2013), *Why Nations Fail? The Origins of Power, Prosperity and Poverty*. P1-45, 96-124, 368-404

Recommended: Hall, Peter and David Soskice (2001). 'Introduction', in Hall and Soskice (eds.) *Varieties of Capitalism*. Oxford: Oxford University Press, Ch.1.

Peter Hall (1986) *Governing the Economy*, p139-263, 192-226

L14: Case study: market capitalism and the Anglo-liberal model

In this lecture we will ask whether there is a trade off between economic growth and inequality by examining empirical trends in Europe and the USA. In particular we will analyse the institutions and public policy choices that underpin high levels of economic performance and inequality in the Anglo-Saxon countries: UK, Ireland and the USA. Most research suggests that ideas and the absence/presence of certain political institutions (trade unions, left political parties, collective bargaining, wage-setting and fiscal policy) contribute to the qualitative distinctness of the 'liberal market' model of capital development.

Required reading: Iversen, Torben and David Soskice (2006) 'Electoral Institutions and the Politics of Coalitions: Why some Democracies Distribute More than Others', *American Political Science Review*, 100 (2): 165-181.

Jonas Pontusson, Inequality and Prosperity: Social Europe versus Liberal America chapters 1 & 2, p1-31

Recommended: Cusack, Thomas, Torben Iversen, and David Soskice (2007). 'Economic Interests and the Origins of Electoral Institutions.' *American Political Science Review* 101 (August): 373-91.

Alberto Alesina, Glaeser and Bruce Sacerdote. Why Doesn't the US have a European-style welfare state? *Harvard Institute of Economic Research*, Discussion paper N.1933, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=290047.

Week 8: National models of capitalism (2)

Q) *Why are some countries more egalitarian than others?*

L15: Case study: class conflict and the origins of Social-democratic model

In this lecture we will analyse the institutions and public policy choices that underpin the social democratic model of Northern Europe, particularly Sweden, Finland, Norway and Denmark. We will find that contrary to a lot of assumptions more open economies have larger public sectors and higher tax/GDP ratios. A new revisionist literature in comparative politics gives priority to the interests of business associations in shaping the origins of the social democratic welfare state in northern Europe. Power resource theories, however, give priority to the influence of class politics, solidaristic wage setting, and the institutional legacy of Keynesian oriented macro-economic policies in shaping distributional outcomes.

Required reading: 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(02), 167-206.

Recommended: Rodrick, D. (1998). "Why do More Open Economies Have Bigger Governments?", *Journal of Political Economy*. Vol 106: 997-1032

Esping-Andersen, G (1985). *Politics Against Markets*. Princeton University Press, Princeton NJ, chapters 2 & 3

L16: Case study: welfare without work in the Christian-democratic model

In this lecture we will analyse the institutions and public policy choices that underpin conservative continental welfare states, such as Germany and Italy. Once again, this will draw our attention to the relative importance of country-specific ideas, institutions and political coalitions in shaping policy reform. We will find that the Christian democratic family-oriented model has come under most strain in adapting to the pressures of globalisation.

Required reading: Huber, E & Ragin C, & Stephens J (1993) "Social Democracy, Christian Democracy, Constitutional Structure, and the Welfare State". *American Journal of Sociology*. 99(3): 711-749

Duane Swank. (2005). 'Globalization, Domestic Politics, and Welfare State Retrenchment in Capitalist Democracies,' *Social Policy and Society* 4 (2): 183-95.

Recommended: Levy, J (1999) "Vice into Virtue? Progressive Politics and Welfare Reform in Continental Europe", *Politics and Society*. Vol 27: p239-273

Van Kersbergen, K. (2000) "Contemporary Christian Democracy and the Demise of Politics, in Scharpf F & Schmidt, V eds. *Welfare and Work in the Open Economy: Diverse Responses to Common Challenges*. Oxford University Press.

Week 9: The globalisation challenge

Q) *Has financial globalisation led to a convergence in national models of capitalism?*

L17: The globalisation trilemma

In this lecture we will ask whether ‘globalisation’ has led to the convergence of national models of capitalism. This is the underlying assumption of Piketty’s analysis. We will analyse the new constraints facing all political parties in government when trying to re-design distributive policies for the 21st century. This will draw our attention to Dani Rodrik’s trilemma of the global economy. This suggests that national sovereignty, democracy and global economic integration are mutually incompatible. Elected governments can only choose two of these but *not* three. The forces of market convergence outweigh political divergence. We will conclude by asking whether the trilemma facing policymakers is particularly true for those member-states of the Economic and Monetary Union in Europe (EMU).

Required reading: Dani Rodrik (2011), the Globalisation Paradox. Democracy and the Future of the World Economy, p3-23

Pierson, Paul (1996). ‘The New Politics of the Welfare State’, *World Politics* 48(2): 143-79,

http://muse.jhu.edu/journals/world_politics/v048/48.2pierson.html

Recommended: Glyn, Andrew (2006). *Capitalism Unleashed*. Oxford: Oxford University Press, Chs.2-5.

Häusermann, S. (2010). The politics of welfare state reform in continental Europe: Modernization in hard times. Cambridge University Press.

L18: Business power and institutional change

In this lecture we will return to a core problem of classical political science, namely the structural influence of business power over public policy, particularly as it pertains to a growth in income and wealth inequality. This draws our attention to the difference between *structural* (the threat of capital flight and withdrawing investment) and *instrumental* power (the strategic use of lobbying, campaign financing and interest associations) in explaining how markets shape politics. The lecture will conclude by trying to describe and map the institutional trajectory of reform in advanced capitalist societies.

Required reading: Pepper D. Culpepper (2010). *Quiet Politics and Business Power. Corporate Control in Europe and Japan*. Cambridge University Press. P1-48, 177-195

Hacker, Jacob & Pierson, Paul. (2010). Winner-take-all politics: Public policy, political organization, and the precipitous rise of top incomes in the United States. *Politics & Society*, 38(2), 152-204.

Recommended: Lindblom, C. E. (1977). *Politics and markets: the world's political economic systems* (pp. 161-169). New York: Basic Books.

Week 10: The impact of the ‘great recession’

Q) *What are the origins and consequences of the ‘great recession’?*

L19: The new politics of austerity

In this lecture we will return to the fundamental dilemma facing the democratic state in the 21st century, namely how to finance its expenses (such as your university education!). There are two ways that governments can finance public services: taxes and debt. Debt financing is usually in the interest of those who have the means to lend to government. At the same time, increased tax-competition among states has meant that governments are less and less inclined to tax capital or financial markets. Trade unions and collective bargaining are in decline. The outcome is austerity. But what exactly does this mean and whose interests does it serve?

Required reading: Piketty on taxes and debt, P540-577.
Streeck, W. (2013). The crisis in context: Democratic capitalism and its contradictions. http://www.mpifg.de/pu/mpifg_dp/dp11-15.pdf

Blyth, Mark. *Austerity: The History of a Dangerous Idea* (Oxford University Press 2013): Chapter 1 (page 1-18); Chapter 4 (51-92).

Recommended: Crouch, Colin (2011). *The Strange Non-Death of Neoliberalism*. Cambridge: Polity, Chapters.1-3.

Pontusson, J. (2013). Unionization, inequality and redistribution. *British Journal of Industrial Relations*, 51(4), 797-825.

L20: Monetary union in Europe

In this lecture we examine the roots of the present financial, fiscal and economic crisis as it pertains to the Economic and Monetary union (EMU) in Europe. We will trace the origins of the Eurozone crisis whilst analysing the consequential pressures of trying to consolidate budgets whilst accommodating financial markets. This will draw attention to the complex relationship between capitalism and democracy in a single currency without a government.

Required reading: Scharpf, F. W. (2011). Monetary Union, Fiscal Crisis and the Preemption of Democracy (No. 11/11). MPIfG discussion paper. http://www.mpifg.de/pu/mpifg_dp/dp11-11.pdf

Barry Eichengreen, Kevin H. O’Rourke and Gisela Rua (2010). ‘From Great Depression to Great Credit Crisis: similarities, differences and lessons’ <https://webspace.princeton.edu/users/piirs/pdf/almunia.pdf>

Piketty, p108, 544-545, 554-562, 565-567

Recommended: Johnston, Alison & Regan, Aidan (2014) *European Integration and the Incompatibility of Different Varieties of Capitalism: Institutional Divergence in EMU*. Köln, MPIfG Discussion Paper (forthcoming).

Week 11: The political and policy response

Q) *Can governments satisfy the interests of markets and voters?*

L21: Responsive and responsible government

In this lecture we will pose a question unanswered in Piketty's analysis, namely under what conditions can governments coordinate their policies to enhance cooperation and regulate international markets? In a world of austerity and global finance the responsiveness of governments to voters declines. However, democracy depends upon electoral choice and collective participation in the institutions governing political choice. But if a change in government cannot translate into different policies, democracy is incapacitated. We will analyse data that suggests the capacity for 'fiscal democracy' in all rich countries is shrinking. Electoral turnout, particularly among low-income households, is declining everywhere. Why?

Required reading: Mair, P. (2009). Representative versus responsible government.
<http://www.mpifg.de/pu/workpap/wp09-8.pdf>

Wolfgang Streeck & Daniel Mertens (2010). An Index of Fiscal Democracy. Köln: MPIfG working paper 10/3

Recommended: Kriesi, H., Grande, E., Dolezal, M., Helbling, M., Höglinger, D., Hutter, S., & Wüest, B. (2012). *Political Conflict in Western Europe*. Cambridge University Press.

L22: Case study: governing in the EMU

In this lecture we will examine variation in the comparative responses to the 'great recession', paying particular attention to the different response in EMU and the USA. This will draw our attention to the different economic philosophies and institutions governing the world of central banking on both sides of the Atlantic. The lecture will conclude by asking to what extent do 'different varieties of capitalism' shape the policy response to crises.

Required reading: Hall, Peter A. "The political origins of our economic discontents." *Politics in the new hard times: the great recession in comparative perspective* (2013): 129.

Kahler, M., & Lake, D. A. (Eds.). (2013). *Politics in the New Hard Times: The Great Recession in Comparative Perspective*. Cornell University Press. Chapters to be decided.

Recommended: Culpepper, Pepper & Regan, Aidan. (2014). Why don't governments need trade unions anymore? The death of social pacts in Ireland and Italy. *Socio-Economic Review* 2014.

Hall, P. A. (2012). The economics and politics of the Euro crisis. *German Politics*, 21(4), 355-371.

Week 12: Revision – the politics of distribution

This week is dedicated to group presentations and revision.

L23: Groups 1-5

- Q) *Is the central contradiction of capitalism $R > G$? Why? What explains cross-country differences in wealth and income inequality?*

L24: Groups 6-10

- Q) *Is there a growing tension between capitalism and democracy? Why is this problem particularly amplified in the Eurozone?*
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Useful articles (for advanced study)

Pontusson, J., & Rueda, D. (2010). The politics of inequality: Voter mobilization and left parties in advanced industrial states. *Comparative Political Studies*.
<http://cps.sagepub.com/content/early/2010/03/01/0010414009358672.abstract>

Lupu, N., & Pontusson, J. (2011). The structure of inequality and the politics of redistribution. *American Political Science Review*, 105(02), 316-336.
<http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=8278949&fileId=S0003055411000128>

Pontusson, J. (2013). Unionization, inequality and redistribution. *British Journal of Industrial Relations*, 51(4), 797-825.
<http://onlinelibrary.wiley.com/doi/10.1111/bjir.12045/full>

Useful book:

Salverda, W., Nolan, B., & Smeeding, T. M. (Eds.). (2009). *The Oxford handbook of economic inequality*. Oxford University Press.
<http://ukcatalogue.oup.com/product/9780199231379.do>

DATA sources:

Eurostat provides detailed information on European countries in the follow areas: economy and finance; population and social conditions; industry, trade and services; agriculture and fisheries; external trade; transport; environment and energy; science and technology.
<http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

The European Central Bank (ECB) statistical portal provides data relevant to Eurozone monetary policy, financial stability and other central bank activities. Aggregate series are based on observations from national central banks, credit institutions and other international sources: <http://sdw.ecb.int/>

The **Euro Barometer Survey** consist of approximately 1,000 face-to-face interviews per EU member state, covering social conditions, health, culture, the economy, citizenship, security, information technology, the environment, the Euro and European Union enlargement.

<http://www.gesis.org/eurobarometer/data-access/>

The **EUDO Data Centre** (EUI) provides data on European public opinion, political elites and the media; political parties and representation; institutional change and reform, and citizenship <http://www.eui.eu/Projects/EUDO/EUDODataCentre.aspx>

The **European Social Survey** covers social and public trust; political interest and participation; socio-political orientations; governance; media use; moral, political and social values; social exclusion; national, ethnic and religious allegiances; well-being, health and security, and; demographics and socio-economic topics <http://www.europeansocialsurvey.org/>

The **European Labour Force Statistics** is a household sample survey conducted across the EU and three EFTA countries, providing quarterly results on labour participation. Data ranges from 1983, depending on member state accession and other availability factors. Surveys are conducted by European national statistical agencies and collated by Eurostat.

http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database

EU-SILC is a cross-sectional and longitudinal multi-dimensional micro data set on income, poverty, social exclusion and living conditions in the European Union. Surveys are conducted by European national statistical agencies and collated by Eurostat.

http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc

Other useful websites

<http://ft.com>

<http://www.euractiv.com/en/>

<http://euobserver.com/>

<http://www.ft.com/world/europe/brussels>

http://europa.eu/legislation_summaries/index_en.htm

http://bookshop.europa.eu/eubookshop/index.action?request_locale=EN

<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

<http://www.bruegel.org/>

<http://www.notre-europe.eu/>

<http://www.lisboncouncil.net/index.php>

<http://www.ceps.eu>

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