

17.178. Institutional Foundations of Capitalist Development

Fall 2009

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This course offers in depth coverage of key issues in the contemporary analysis of development. The focus ranges widely across contending theoretical perspectives, over time, across countries, and across multiple forms of economic institutions and organizations. Among other dimensions of comparison, the course will examine issues in business-government relations, industrial policy, social welfare regimes, labor relations, vocational training, multinational corporations and global production networks, natural resource dependence, and diversified business groups.

This course differs from others on the political economy of development in a number of respects. For one it concentrates more on enduring structures and institutions than on recent changes in policy and development strategies such as the shift from protectionist to market oriented strategies. The coverage is also more micro than macro with a heavier focus on the incentives and behaviors of economic agents like investors, managers, and workers than on macro dimensions such as inflation, trade and investment flows, fiscal balance, and so forth. Geographically, the readings range across developed countries and developing regions of Latin America, Asia, and Eastern Europe. Theoretically, the readings draw heavily on the 'varieties of capitalism' approach that highlights cross national differences in complementary constellations of institutions across different economic spheres such as corporate governance, labor relations, and education and training. Lastly, the syllabus incorporates recent publications coming out of the multilateral development agencies (especially the Inter-American Development Bank and the World Bank) in part because so much original research is funded by them and in part because their publications have such resonance in policy circles in developing countries.

Course requirements: participation in seminar discussions (30%); four 4-page (double spaced) reviews of the weekly reading (28%); and a final presentation (7%) and paper (35%). The weekly reviews are due on the day of the seminar and should be posted by 10 am to our website. A two page paper proposal, with a one page bibliography, is due by late October, and the final 15-20 page paper is due at the beginning of exam week.

Unless otherwise noted, the readings will be on Stellar. We will read several chapters from Hall & Soskice, *Varieties of Capitalism*, and from Haggard & Kaufman, *Development, Democracy, and Welfare States*, so these books are recommended for purchase.

Week 1 (9 September). **Introduction and Organization**

Week 2 (16 September). **Varieties of Capitalism: Critiques and Extensions**

Hall, Peter, and David Soskice. 2001. "An Introduction to Varieties of Capitalism." In *Varieties of Capitalism*, ed. Hall and Soskice. New York: Oxford University Press.

Crouch, Colin. 2005. *Capitalist Diversity and Change: Recombinant Governance and Institutional Entrepreneurs*. Oxford: Oxford University Press. Chapter 2, "Typologies of Capitalism." pp. 25-45.

Hancké, Bob, Martin Rhodes, and Mark Thatcher. 2007. "Introduction: Beyond Varieties of Capitalism." In *Beyond Varieties of Capitalism*, ed. Hancké, Rhodes, and Thatcher. Oxford: Oxford University Press.

Schneider, Ben Ross. 2008. "Comparative Capitalisms: Liberal, Coordinated, Network, and Hierarchical," Unpublished paper.

Recommended

Pontusson, Jonas. 2005. "Varieties and Commonalities of Capitalism." In *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates. New York: Palgrave Macmillan.

Hall, Peter, and Daniel Gingerich. 2004. "Varieties of Capitalism and Institutional Complementarities in the Macroeconomy: An Empirical Analysis." Discussion Paper 04/5. Cologne: Max Planck Institute for the Study of Societies.

Boyer, Robert. 2005. "How and Why Capitalisms Differ." *Economy and Society* 34(4): 509–57.

Höpner, Martin. 2005. "What Connects Industrial Relations and Corporate Governance? Explaining Institutional Complementarity." *Socio - Economic Review* 3(2, May): 331-58.

Taylor, Zachary. 2004. "Empirical Evidence Against Varieties of Capitalism's Theory of Technological Innovation." *International Organization* 58(3): 601.

Deeg, Richard. 2005. "Path Dependency, Institutional Complementarity, and Change in National Business Systems." In *Changing Capitalisms?* ed. Glenn Morgan, Richard Whitley, and Eli Moen. New York: Oxford University Press.

Amable, Bruno. 2000. "Institutional Complementarity and Diversity of Social Systems of Innovation and Production." *Review of International Political Economy* 7(4, Winter): 645-87.

Week 3 (23 September). Labor Relations, Skill Formation, and Human Capital

Thelen, Kathleen. 2001. "Varieties of Labor Politics in the Developed Democracies." In *Varieties of Capitalism*.

Iversen, Torben, and John Stephens. 2008. "Partisan Politics, the Welfare State, and Three Worlds of Human Capital Formation." *Comparative Political Studies*.

Sehnbruch, Kirsten. 2006. *The Chilean Labor Market: A Key to Understanding Latin American Labor Markets*. New York: Palgrave Macmillan. Chapter 4. The Characteristics of Employment in Chile, and Chapter 7. Vocational Training: Missing the Opportunities.

IDB. 2003. Chapter 8, "A New Labor Policy Agenda." In *Good Jobs Wanted: Labor Markets in Latin America*. Washington, DC: Inter-American Development Bank.

Schneider, Ben Ross, and Sebastian Karcher. 2009. "Complementarities and Continuities in the Political Economy of Labor Markets in Latin America." unpublished paper.

Recommended

Kuhn, Peter, and Gustavo Márquez, eds. 2005. *What Difference Do Unions Make? Their Impact on Productivity and Wages in Latin America*. Washington, DC: Inter-American

Cook, Maria. 2007. *Politics of Labor Reform in Latin America: Between Flexibility and Rights*. College Park, PA: Penn State University Press.

IDB. 2007. *Outsiders? The Changing Patterns of Exclusion in Latin America and the Caribbean*. Washington, D.C.: Inter-American Development Bank. Chapters TBA.

Thelen, Kathleen. 2004. *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan*. New York: Cambridge University Press.

Culpepper, Pepper. 2003. *Creating Cooperation: How States Develop Human Capital in Europe*. Ithaca: Cornell University Press.

Schneider, Ben Ross, and David Soskice. 2009. "Inequality in Developed Countries and Latin America: Coordinated, Liberal, and Hierarchical Systems." *Economy and Society* 38(1, February): 17-52.

Berg, Janine. 2005. *Miracle for Whom? Chilean Workers Under Free Trade*. New York: Routledge.

Amable, Bruno. 2003. *The Diversity of Modern Capitalism*. New York: Oxford University Press.

Week 4 (30 September). Social Welfare: Power Resource Theory or Business Preferences?

Estevez-Abe, Margarita, Torben Iversen, and David Soskice. 2001. "Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State." In *Varieties of Capitalism*.

Mares, Isabela. 2003. "The Sources of Business Interest in Social Insurance: Sectoral Versus National Differences." *World Politics* 55(2, January): 229-58.

Haggard, Stephan, and Robert Kaufman. 2008. *Development, Democracy, and Welfare States: Latin America, East Asia, and Eastern Europe*. Princeton: Princeton University Press. Introduction, Chapters 1, 5, and Conclusion.

Recommended:

Perry, Guillermo, et al. 2005. *Virtuous Circles of Poverty Reduction and Growth*. Washington, DC: World Bank.

Huber, Evelyne, François Nielsen, Jenny Pribble, and John Stephens. 2006. "Politics and Inequality in Latin America and the Caribbean." *American Sociological Review* 71(6, December): 943-63.

Huber, Evelyne, Thomas Mustillo, and John Stephens. 2008. "Politics and Social Spending in Latin America." *Journal of Politics* 70(2, April): 420-36.

Haagh, Louise. 2002. *Citizenship, Labour Markets, and Democratization: Chile and the Modern Sequence*. New York: Palgrave.

Hicks, Alexander, and Lane Kenworthy. 2003. "Varieties of Welfare Capitalism." *Socio-Economic Review* 1:27-61.

Sandbrook, Richard, Marc Edelman, Patrick Heller, and Judith Teichman. 2007. *Social Democracy in the Global Periphery: Origins, Challenges, Prospects*. New York: Cambridge.

Week 5 (7 October). The State and Development

Schmidt, Vivien. 2003. "French Capitalism Transformed, Yet Still a Third Variety of Capitalism." *Economy and Society* 32(4, November): 526-54.

Kohli, Atul. 2004. *State-Directed Development: Political Power and Industrialization in the Global Periphery*. New York: Cambridge University Press. Chapter 1, "Introduction: States and Industrialization in the Global Periphery."

Amsden, Alice, and Wan-wen Chu. 2003. *Beyond Late Development: Taiwan's Upgrading Policies*. Cambridge, MA: MIT Press. Chapters TBA.

McDermott, Gerald. 2007. "The Politics of Institutional Renovation and Economic Upgrading: Recombining the Vines That Bind in Argentina." *Politics and Society* 35(1): 103-44.

[review] + Hancké, Rhodes, and Thatcher. 2007. "Introduction." In *Beyond Varieties of Capitalism*, ed. Hancké, Rhodes, and Thatcher. Especially pp. 23-8

Recommended

Molina, Oscar, and Martin Rhodes. 2007. "The Political Economy of Adjustment in Mixed Market Economies: A Study of Spain and Italy." In *Beyond Varieties of Capitalism*, ed. Bob Hancké, Martin Rhodes, and Mark Thatcher. Oxford: Oxford University Press.

Martin, Cathie Jo, and Kathleen Thelen. 2007. "The State and Coordinated Capitalism: Contributions of the Public Sector to Social Solidarity in Postindustrial Societies." *World Politics* 60 (October):1-36.

Boyer, Robert. 2005. "How and Why Capitalisms Differ." *Economy and Society* 34(4): 509–57.

Doner, Richard, Bryan Ritchie, and Dan Slater. 2005. "Systemic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective." *International Organization* 59(2, Spring).

Whitley, Richard. 2005. "How National Are Business Systems? The Role of States and Complementary Institutions in Standardizing Systems of Economic Coordination and Control at the National Level." In *Changing Capitalisms?* ed. Glenn Morgan, Richard Whitley, and Eli Moen. New York: Oxford University Press.

Week 6 (14 October). **States and Industrial Policy**

Hausmann, Ricardo, and Dani Rodrik. 2006. "Doomed to Choose: Industrial Policy as Predicament." Unpublished paper.

Sabel, Charles. 2009. *What Industrial Policy is Becoming: Taiwan, Ireland, and Finland as Guides to the Future of Industrial Policy*. Paper prepared for the Inter-American Development Bank.

Rodrik, Dani. 2007. "Industrial Policy for the Twenty-First Century." In *One Economics, Many Recipes*. Princeton: Princeton University Press.

Doner, Richard. 2009. "Development Tasks, Institutions, and Politics." Chapter 3 in *The Politics of Uneven Development: Thailand's Economic Growth in Comparative Perspective*. New York: Cambridge University Press.

Recommended

Evans, Peter. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton: Princeton University Press. Chapter 3, "States."

Davis, Steven, and Magnus Henrekson. 2005. "Wage-Setting Institutions as Industrial Policy." *Labour Economics* 12:345-77.

Hausmann, Ricardo, Dani Rodrik, and Charles Sabel. 2007. "Reconfiguring Industrial Policy: A Framework with an Application to South Africa." Unpublished paper.

Montero, Alfred. 2002. *Shifting States in Global Markets: Subnational Industrial Policy in Contemporary Brazil and Spain*. University Park, PA: Pennsylvania State University Press.

Pack, Howard, and Kamal Saggi. 2006. "Is There a Case for Industrial Policy? A Critical Survey." *World Bank Research Observer* 2(2): 267-97.

Week 7 (21 October). Models of Capitalism and Endogenous Politics

Wood, Stewart. 2001. "Business, Government, and Patterns of Labor Market Policy in Britain and the Federal Republic of Germany." In Hall and Soskice, eds., *Varieties of Capitalism*.

Rueda, David. 2005. "Insider-Outsider Politics in Industrialized Democracies: The Challenge to Social Democratic Parties." *American Political Science Review* 99(1, February): 61-74.

Iversen, Torben, and David Soskice. 2007. "Distribution and Redistribution: The Shadow of the 19th Century."

Morck, Randall, Daniel Wolfenzon, and Bernard Yeung. 2005. "Corporate Governance, Economic Entrenchment, and Growth." *Journal of Economic Literature* 43(3, September): 655-720.

Chibber, Vivek. 2005. "Reviving the Developmental State? The Myth of the 'National Bourgeoisie'." In *Socialist Register 2005*, ed. Leo Panitch and Colin Leys. Monmouth, Wales: Merlin.

Recommended:

Baccaro, Lucio. 2003. "What is Dead and What is Alive in the Theory of Corporatism." *British Journal of Industrial Relations* 41(4, December): 683-706.

Cusack, Thomas, Torben Iversen, and David Soskice. 2007. "Economic Interests and the Origins of Electoral Systems." *American Political Science Review* 101(3, August): 373-91.

Hollingsworth, J. Rogers, and Boyer Robert. 1997. "Coordination of Economic Actors and Social Systems of Production." In *Contemporary Capitalism*, ed. J. Rogers Hollingsworth, Robert Boyer. Cambridge: Cambridge University Press.

Week 8 (28 October). **Regional Comparisons: Latin America and East Europe**

Feldmann, Magnus. 2007. "The Origins of Varieties of Capitalism: Lessons from Post-Socialist Transition in Estonia and Slovenia." In *Beyond Varieties of Capitalism*, ed. Bob Hancké, Martin Rhodes, and Mark Thatcher. Oxford: Oxford University Press.

Nölke, Andreas, and Arjan Vliegenthart. Forthcoming 2009. "Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe." *World Politics*.

Schneider, Ben Ross. "Hierarchical Market Economies and Varieties of Capitalism in Latin America." *Journal of Latin American Studies*, 41 (August 2009), pp. 553-75.

Bohle, Dorothee, and Bela Greskovits. 2007. "The State, Internationalization, and Capitalist Diversity in Eastern Europe." *Competition & Change* 11(2, June).

Recommended

King, Lawrence. 2007. "Central European Capitalism in Comparative Perspective." In *Beyond Varieties of Capitalism*, ed. Bob Hancké, Martin Rhodes, and Mark Thatcher. Oxford: Oxford University Press.

Lane, David, and Martin Myant, eds. 2007. *Varieties of Capitalism in Post-Communist Countries*. New York: Palgrave Macmillan.

Whitley, Richard. 1999. *Divergent Capitalisms: The Social Structure and Change of Business Systems*. New York: Oxford University Press.

Amable, Bruno. 2003. *The Diversity of Modern Capitalism*. New York: Oxford University Press.

Cernat, Lucian. 2006. *Europeanization, Varieties of Capitalism and Economic Performance in Central and Eastern Europe*. London: Palgrave.

No class 4 November. Make up class on MIT holiday 11 November.

Week 9 (11 November). **Corporate Governance and Diversified Business Groups**

Amsden. 2001. Chapter 8. "National Firm Leaders," in *The Rise of "the Rest."* pp. 190-250.

Granovetter, Mark. 2005. "Business Groups and Social Organization," In *Handbook of Economic Sociology*, ed. Neil Smelser and Richard Swedberg. Princeton: Princeton University Press`.

Khanna, Tarun, and Yishay Yafeh. 2007. "Business Groups in Emerging Markets: Paragons or Parasites?" *Journal of Economic Literature* 45 (June):331-72.

Dirk Zorn; Frank Dobbin; Julian Dierkes; Man-Shan Kwok. 2005. "Cui Bono: Institutional Investors, Securities Analysts, Agents, and the Shareholder Value Myth." Unpublished paper.

Review Morck et al.

Recommended

Aldrichi, Dante, and Fernando Postali. 2007. "Business Groups in Brazil." Prepared for the Kyoto International Conference on Business Groups in Emerging Economies.

Schneider, Ben Ross. "A Comparative Political Economy of Diversified Business Groups, or How States Organize Big Business." *Review of International Political Economy* 16, no. 2 (May 2009), pp. 178-201.

Gourevitch, Peter, and James Shinn. 2005. *Political Power and Corporate Control: The New Global Politics of Corporate Governance*. Princeton: Princeton University Press.

Bebchuk, Lucian, and Mark Roe. 1999. "A Theory of Path Dependence in Corporate Ownership and Governance." *Stanford Law Review* 52 (November):127-70.

Roe, Mark. 2004. "Modern Politics and Ownership Separation," in Gordon, Jeffrey, and Mark Roe, eds., *Convergence and Persistence in Corporate Governance*. New York: Cambridge University Press.

La Porta, Rafael, Florencio López-de-Silanes, and Andrei Shleifer. 1999. "Corporate Ownership Around the World." *Journal of Finance* 54(2, April): 471-517.

Week 10 (18 November). **Patterns of International Integration I: MNCs and Global Production Networks**

Cohen, Stephen. 2007. *Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity, Embracing Complexity*. New York: Oxford University Press. Chapters 4, "Heterogeneity," and 7, "Effects of FDI on Less Developed Countries"

Gereffi, Gary. 2005. "The Global Economy: Organization, Governance, and Development." In *Handbook of Economic Sociology*, ed. Neil Smelser and Richard Swedberg. Princeton: Princeton University Press.

Nölke, Andreas. 2009. "Comparative Capitalism Meets IPE: A Transnational Perspective." Unpublished paper.

Amsden, Alice. 2006. "Nationality of Ownership in Developing Countries: Who Should 'Crowd Out' Whom in Imperfect Markets?" IDE-Jetro Conference on Economic Development. Tokyo.

Recommended

Kohli, Atul. 2009. "Nationalist Versus Dependent Capitalist Development: Alternate Pathways of Asia and Latin America in a Globalized World." *Studies in Comparative International Development*.

Paus, Eva. 2005. *Foreign Investment, Development, and Globalization: Can Costa Rica Become Ireland?* New York: Palgrave Macmillan. Chapters TBA.

Pauly, Louis, and Simon Reich. 1997. "National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization." *International Organization* 51(1, Winter): 1-30.

Gallagher, Kevin, and Lyuba Zarsky. 2007. *The Enclave Economy: Foreign Investment and Sustainable Development in Mexico's Silicon Valley*. Cambridge: MIT Press.

Goldstein, Andrea. 2007. *Multinational Companies from Emerging Economies: Composition, Conceptualization and Direction in the Global Economy*. New York: Palgrave Macmillan.

Gereffi, Gary, John Humphrey, and Timothy Sturgeon. 2005. "The Governance of Global Value Chains." *Review of International Political Economy* 12(1, February): 78-104.

Whitley, Richard. 2005. "Developing Transnational Organizational Capabilities in Multinational Companies: Institutional Constraints on Authority Sharing and Careers in Six Types of MNC." In *Changing Capitalisms?* ed. Glenn Morgan, Richard Whitley, and Eli Moen. New York: Oxford University Press.

Berger, Suzanne. 2005. *How We Compete: What Companies Around the World Are Doing to Make It in Today's Global Economy*. New York: Doubleday.

Week 11 (25 November). **Patterns of International Integration II: Commodity Booms and the Resource Curse**

Luong, Pauline Jones & Erika Weinthal. 2006. "Rethinking the Resource Curse: Ownership Structure, Institutional Capacity, and Domestic Constraints," in *Annual Review of Political Science*.

Birdsall, Nancy, Thomas Pinckney, and Richard Sabot. 2001. "Natural Resources, Human Capital, and Growth." In *Resource Abundance and Economic Development*, ed. Richard Autry. New York: Oxford University Press.

de Ferranti, David, Guillermo Perry, Daniel Lederman, and William Maloney. 2002. *From Natural Resources to the Knowledge Economy*. Washington, DC: World Bank. Chapter 1, "Introduction and Summary."

Karl, Terry. 1997. *The Paradox of Plenty: Oil Booms and Petro-States*. Berkeley: University of California Press. Chapters 1 & 3.

Recommended

Lederman, Daniel, and William Maloney, eds. 2007. *Natural Resources: Neither Curse Nor Destiny*. Washington DC: World Bank.

Ocampo, José Antonio, and María Angela Parra. 2005. "The Commodity Terms of Trade and Their Strategic Implications for Development." Unpublished paper.

Shafer, D. Michael. 1994. *Winners and Losers: How Sectors Shape the Developmental Prospects of States*. Ithaca: Cornell University Press. Chapters 2, "Sectoral Analysis."

Jones Luong. "Combating the Resource Curse: An Alternative Solution to Managing Mineral Wealth," *Perspectives on Politics* 4, 1 (March 2006) 35-53. Co-author: Erika Weinthal.

Chaudhry, Kiren, "Prices, Politics, Institutions: Oil Exporters in the International Economy", *Business and Politics*, 1, 3 (1999), pp. 317-342.

Palma, Gabriel. 2005. "Four Sources of 'De-Industrialization' and a New Concept of the 'Dutch Disease'." Unpublished paper.

Weeks 12 & 13 (2 and 9 December). **Student presentations**