

The Politics of Macroeconomic Policies

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Sommersemester 2020: Wednesday, 10:00 – 11:30

BA Seminar: 14335.0404 – 9 ETCS

Specialization Module Seminar Political Science II (Module ID: 1335SMSP02)

University of Cologne

Zoom Meeting:

<https://uni-koeln.zoom.us/j/884734502?pwd=bjVwa1V4R3lJYTQ1Q0krejFMbEJRdz09>

Meeting ID: 884 734 502

Password: 14335-0404

This version: 28 March 2020 (subject to change)

Statement on Exceptional Circumstances

The Covid-19 pandemic is creating exceptional circumstances for everyone. Classes have been moved online and we are forced to stay at home to self-isolate. Moreover, many of us have to balance a lot of things right now: We are concerned about our loved ones; some of us are worried about our own health or livelihoods; others may be away from home in a foreign country.

This is all new to us and will be difficult for everyone involved. We will have to manage our anxiety, handle a lot of distractions, and deal with technical glitches (that we will inevitably face). Please accept that this semester will not be easy and do not expect too much from yourself or your classes. I can ensure you that I will take the current circumstances into account when grading this class, and I hope you will do the same when evaluating yourself.

That said, it also provides an incredibly exciting opportunity to study the politics of macroeconomic policies, and I hope that you will share my enthusiasm for this topic. More than usual, we will closely follow current events in this course and may also divert from the programme set out below, if the circumstances call for it.

It is my hope that with this class we will be able to create an (online) community, which is a beacon of stability in turbulent times. Please be mindful and support each other, even as total strangers. I will do the same and I am looking forward to meeting all of you (online).

Introduction and Course Content

The Great Recession dragged macroeconomic policies from the technocratic realm of “quiet politics” into the electoral realm of “noisy politics”. While governments across the advanced economies implemented deep austerity policies to control levels of public debt, central banks developed unconventional monetary policies (e.g., quantitative easing, negative interest rates) to combat the lack of economic demand. These policies have had large distributive effects and became politically contested. Austerity has contributed to a large amount of political distress in Europe’s periphery, while unconventional monetary policies have been strongly criticized in Europe’s core. This has demonstrated again the political salience of fiscal and monetary policies in advanced economies and contributed to a renewed scholarly interest in the politics of macroeconomic policies.

The economic crisis caused by the Covid-19 pandemic reinforces the need to study the politics of macroeconomic policies. As entire economies are put on hold to fight the pandemic, the survival of thousands of enterprises is uncertain and many million jobs are put at risk. In recent weeks, we have therefore seen the return of the state: governments have passed large emergency packages, including wage subsidies, credit guarantees, emergency spending, and many other measures. These packages have large distributive consequences within countries and the ability to pay for them is asymmetrically distributed across countries. Even in times of a global pandemic, economic questions thus dominate the news.

Motivated by the recent politicization of macroeconomic policies, this course is designed to enhance students’ understanding of the political foundations of macroeconomic policies. It assumes that economic policies can be politically contested because the economy is not isolated from electoral competition in liberal democracies. Therefore, the course analyses the interaction of economic and political forces in shaping macroeconomic policies and outcomes in advanced economies. It focuses on fiscal and monetary policies, considers the role of political institutions and different political actors (e.g., parties, interest groups), and analyses the dominant macroeconomic policy regimes in the advanced economies today. To this end, the course (mostly) covers texts from contemporary political economists and situates the study of macroeconomic policies in the wider political economy literature.

The course begins with a historic overview of the politics of macroeconomic policies. It first introduces the classical “partisan theory”. Then it discusses how this theory was undermined by globalisation and how globalisation shaped distinct economic models in the advanced economies before the 2008 financial crisis. The course then continues by studying the causes and consequences of the financial crisis and the economic crises that followed, including the Great Recession and the European sovereign debt crisis. It analyses the fiscal and monetary policies implemented in the wake of these crises and discusses their political consequences. Then, the course will focus on the different macroeconomic regimes that emerged after the crisis in different countries. Finally, it will spend several classes on the economic crisis include by the Covid-19 pandemic. This topic will accompany us through the entire course and, depending on events, we will already talk about this extensively.

Learning Outcomes

The main expected “learning outcomes” of this seminar are for you to:

- become familiar with the field of “comparative political economy” and the kinds of questions that political economists ask;
- gain a deeper understanding of the politics of macroeconomic policies, including fiscal and monetary policies;
- critically examine the extent to which states are able to shape economic outcomes by pursuing different macroeconomic policies;
- examine the way in which states in different countries shape macroeconomic outcomes by pursuing different macroeconomic policies in different contexts;
- develop incisive and critical thinking about political economy and position yourself in key debates in the field;
- sharpen your analytical skills and improve your writing and presentation skills;
- clarify your own views on the role of the state in the (macro-)economy.

Course Structure

The seminar is an advanced Bachelor seminar for students with a background in social sciences. The seminar will be taught in English and a knowledge of basic economics is helpful for the class, but not a requirement. The seminar will be taught in 13 sessions of 90 minutes each. In the first nine sessions, teaching will prevail but active class participation of students is required. In the last four classes, students will present a case study of the politics of macroeconomic policies in one country. Every presentation is followed by short discussion led by the presenting student. Depending on the size of the class, presentations can be done in pairs and the countries will be assigned at the beginning of the course.

Requirements

In order to successfully complete this seminar, each participant is required to:

- Prepare two short memos and discussion questions about the readings for a given class (20% of the final grade);
- Write a final research paper (ca. 6,000 words) at the end of the course (80% of the grade) which should be submitted electronically to the instructor by **31 August 2020**.

All research papers should build on the readings covered in the course. The topic for the final research paper should be individually agreed with the instructor, but it may build on the memos prepared for class. All students will be asked to prepare an exposé about their final research paper by the end of the course and discuss this exposé with the instructor in an individual meeting. Further information about the requirements for the presentation and the research paper will be given to students at the beginning of the course.

Research papers may be checked for plagiarism. All students writing a final research paper will have to sign the following declaration:

http://www.cccp.uni-koeln.de/sites/cccp/Lehre/Erklaerung_fuer_Hausarbeiten.pdf

Requirements (German translation)

Um dieses Seminar erfolgreich zu absolvieren, sind alle Teilnehmer*Innen dazu verpflichtet:

- zwei kurze Memos und Diskussionsfragen über die Literatur für eine bestimmte Sitzung vorzubereiten (20% der Endnote);
- am Ende des Kurses eine abschließende Hausarbeit (ca. 6.000 Wörter) zu schreiben, die bis zum 31. August 2020 elektronisch an den Dozenten geschickt werden muss (80 % der Endnote).

Alle Hausarbeiten sollten auf den im Kurs behandelten Themen und Texten aufbauen. Das Thema für die Hausarbeit sollte individuell mit dem Dozenten vereinbart werden und kann auf den Memos aufbauen. Alle Studierenden werden gebeten, bis zum Ende des Kurses ein Exposé für ihre Hausarbeit vorzubereiten und dieses Exposé mit dem Dozenten in einem individuellen Treffen zu besprechen. Weitere Informationen über die Anforderungen an die Präsentation und die Hausarbeit werden den Studierenden zu Beginn des Kurses gegeben.

Forschungsarbeiten können auf Plagiate überprüft werden. Alle Studierenden, die eine abschließende Hausarbeit schreiben, müssen die folgende Erklärung unterschreiben:

http://www.cccp.uni-koeln.de/sites/cccp/Lehre/Erklaerung_fuer_Hausarbeiten.pdf

Time and Location

The seminar will start on **8 April 2020**. The seminar will take place on **Wednesdays, 10:00 - 11:30** and teaching will begin via Zoom.

Zoom Meeting:

<https://uni-koeln.zoom.us/j/884734502?pwd=bjVwa1V4R3lJYTQ1Q0krcjFMbEJRdz09>

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The seminar may move to in-person teaching during the semester. In this case, the seminar will take place in room **S 16, Seminargebäude (Geb. 106), Universitätsstraße 37**. The exact dates for the seminar are as follows:

Session number	Date	Topic
1	8 April	Introduction and organisation of the course
2	15 April	The partisan theory of macroeconomic policies
3	22 April	Globalisation and macroeconomic policies
4	29 April	Varieties of capitalism and growth models in advanced economies
5	6 May	The financial crisis and the Great Recession
6	13 May	The Eurozone crisis
7	20 May	Fiscal policy after the crisis
8	27 May	Monetary policy after the crisis
9	10 June	Public opinion and the electoral consequences of macroeconomic policies

10	17 June	Secular stagnation between the Great Recession and the Corona Crisis
11	1 July	The political economy of the Corona crisis
12	15 July	The political economy of the Corona crisis

Office hours: by appointment (e-mail: bremer@mpifg.de)

Please note the following “gaps” in the schedule:

- 3 June: No class due to holidays (*Pfingstferien*)
- 24 June + 8 July: No class → Individual appointments with the instructor to discuss the final research papers

Two optional lectures that cover topics related to the course will take place at the Max Planck Institute for the Study of Societies, Paulstr. 3, 50675 Köln.

Wednesday, 20 May 2020, 17:00: Julie Lynch (University of Pennsylvania)

Wednesday, 3 June 2020, 17:00: Andreas Nölke (University of Frankfurt)

Readings

There are no required books for purchase for this course. All readings will be made available electronically to students.

Class Schedule

Class One: Introduction & Overview of the Course

This class introduces the course. It gives an overview of what is to come, discusses what you can expect from the course (learning outcomes) and what is expected from you. Moreover, the class gives a first introduction to the study of political economy and discusses the importance of macroeconomic policies within this field.

Required readings:

- Blyth, Mark (2009). “An Approach to Comparative Analysis, or a Sub-Field within a Sub-Field? Political Economy” in Lichbach, Mark I. and Alan S. Zuckerman (eds.), *Comparative Politics: Rationality, Culture, and Structure*. Cambridge: Cambridge University Press, pp. 193-219.

Class Two: The partisan theory of macroeconomic policies

Required reading:

- Hibbs, Douglas A., Jr. 1977. “Political Parties and Macroeconomic Policy.” *The American Political Science Review* 71 (4): 1467–87.

Recommended readings:

- Nordhaus, William D. 1975. “The Political Business Cycle.” *The Review of Economic Studies* 42 (2): 169–90.
- Alesina, Alberto and Jeffrey Sachs. 1988. “Political parties and the business cycle in the US, 1948-1984”, *Journal of Money, Credit and Banking*, 20: 63-82

Class Three: Globalisation and macroeconomic policies

Required reading:

- Scharpf, Fritz W. 1991. *Crisis and Choice in European Social Democracy*. Ithaca, NY: Cornell University Press, chapters 1, 2, 11, and 12.

Recommended readings:

- Boix, Carles. 1998. *Political Parties, Growth and Equality: Conservative and Social Democratic Economic Strategies in the World Economy*. Cambridge; New York, NY: Cambridge University Press, chapters 1 and 2.
- Garrett, Geoffrey. 1998. *Partisan Politics in the Global Economy*. Oxford: Oxford University Press, chapters 1 and 2.
- Roberts, Alasdair. 2010. *The Logic of Discipline: Global Capitalism and the Architecture of Government*. New York: Oxford University Press, chapter 1.

Class Four: Varieties of capitalism and growth models in advanced economies

Required readings:

- Hall, Peter and David Soskice (eds.). 2001. *Varieties of Capitalism*. Oxford: Oxford University Press, chapter 1.
- Baccaro, Lucio and Jonas Pontusson. 2016. Rethinking comparative political economy: the growth model perspective. *Politics & Society*, 44(2), 175-207.

Class Five: The financial crisis and the Great Recession

Required reading:

- Tooze, Adam. 2018. *Crashed: How a Decade of Financial Crisis Changes the World*. New York: Viking, chapters 1, 6 and 7.

Recommended readings:

- Eichengreen, Barry J. 2015. *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses-and Misuses-of History*. New York, NY: Oxford University Press, chapters 1 and 2
- Streeck, Wolfgang. 2014. *Buying Time: The Delayed Crisis of Democratic Capitalism*. Verso, chapters 1 and 2

Class Six: The Eurozone crisis (Guest: Dr. Fabio Bulfone, MPIfG)

Required reading:

- Copelovitch, Mark, Jeffrey Frieden, and Stefanie Walter. 2016. The political economy of the euro crisis. *Comparative Political Studies*, 49(7), 811-840.
- Nölke, Andreas. 2016. "Economic causes of the Eurozone crisis: the analytical contribution of Comparative Capitalism". *Socioeconomic Review*, 14:1, 141-161.

Recommended readings:

- Sandbu, Martin E. 2015. *Europe's Orphan: The Future of the Euro and the Politics of Debt*. Princeton, NJ: Princeton University Press, chapters 1 and 2.

Class Seven: Fiscal policy after the crisis

Required readings:

- Skidelsky, Robert. 2010. *Keynes: The Return of the Master*. New York, NY: Public Affairs, chapters 1 and 2
- Blyth, Mark. 2013. *Austerity: The History of a Dangerous Idea*. Oxford; New York, NY: Oxford University Press, chapters 1 and 2.

Recommended reading:

- Bremer, Björn, and Sean McDaniel. 2019. “The Ideational Foundations of Social Democratic Austerity in the Context of the Great Recession.” *Socio-Economic Review*, February. <https://doi.org/10.1093/ser/mwz001>.

Class Eight: Monetary policy after the crisis

Required readings:

- Dell’Ariccia, Giovanni, Pau Rabanal, and Damiano Sandri. 2018. “Unconventional Monetary Policies in the Euro Area, Japan, and the United Kingdom.” *Journal of Economic Perspectives* 32 (4): 147–72.
- Fernández-Albertos, José. 2015. “The Politics of Central Bank Independence.” *Annual Review of Political Science* 18 (1): 217–37.

Recommended readings:

- Goodhart, Charles and Philipp Erfurth (2014, November 3). Monetary policy and long-term trends. VoxEU. Available online: <https://voxeu.org/article/monetary-policy-and-long-term-trends>

Class Nine: Public opinion and the electoral consequences of macroeconomic policies

Required readings:

- Barnes, Lucy, and Timothy Hicks. 2018. “Making Austerity Popular: The Media and Mass Attitudes toward Fiscal Policy”. *American Journal of Political Science* 62 (2): 340–54.
- Bremer, Björn and Reto Bürgisser. “Are Voters Austerians? Evidence from Survey Experiments on Budgetary Preferences and Priorities.” Paper presented at the Annual Meeting of the American Political Science Association 2019, Washington, DC.

Recommended readings:

- Arias, Eric, and David Stasavage. 2019. “How Large Are the Political Costs of Fiscal Austerity?” *The Journal of Politics* 81 (4): 1517–22.
- Bojar, Abel, Björn Bremer, Hanspeter Kriesi, and Chendi Wang. 2018. “The Effect of Austerity Packages on Government Popularity.” Paper presented at the annual meeting of the Society for the Advance of Socio-Economics 2017.

Class Ten: Secular stagnation between the Great Recession and the Corona Crisis

Required and recommended readings: to be announced

Class Eleven: The Political Economy of the Corona Crisis

Required and recommended readings: *to be announced*

Class Twelve: The Political Economy of the Corona Crisis (continued)

Required and recommended readings: *to be announced*