

Contemporary Issues in Comparative Politics

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Assessments

- Assessment Component 1 – 60% in total
 - Long Essay - 2500 words (50%)
 - Present your preliminary arguments in class (due Week 10) (10%)
- Submit your essay on Moodle (January 10)

Essay Question!!

- Is the United States greatest country in the world? Why or why not?
- Define Greatness – use theories and concepts from our classes. There is no one correct answer!
- Find a way to measure it
- Show me the evidence
- Answer the question!
- Discuss the implications

Assessments

- Assessment Component 2 – 40%
- Exam (90 minutes) – During examination period (January)
- Contents: Week1 to Week 4 (Introduction, State and Nationalism, Democracy and Authoritarianism, Political Economy and Development)
- 2 Parts:
 - Short Answers (4)
 - Short Essay (1)
- What to study?
 - Slides / Class discussions
 - Essential Readings
- Mock Exam?

Last Week

- Democracy and Democratization
- Authoritarianism
- Updates:
 - Italy Referendums
 - Poland power grab
 - Austrian elections
 - Turkey reading?

WEEK 4 – Political Economy and Development

- Major issues in political economy.
- Major economic functions of modern states.
- The roles of the states and of markets in generating economic growth.
- Why do we have a welfare state?



WEEK 4 – Political Economy and Development

- Major issues in development.
- How to define, conceptualize, and measure development.
- Why does development happen?



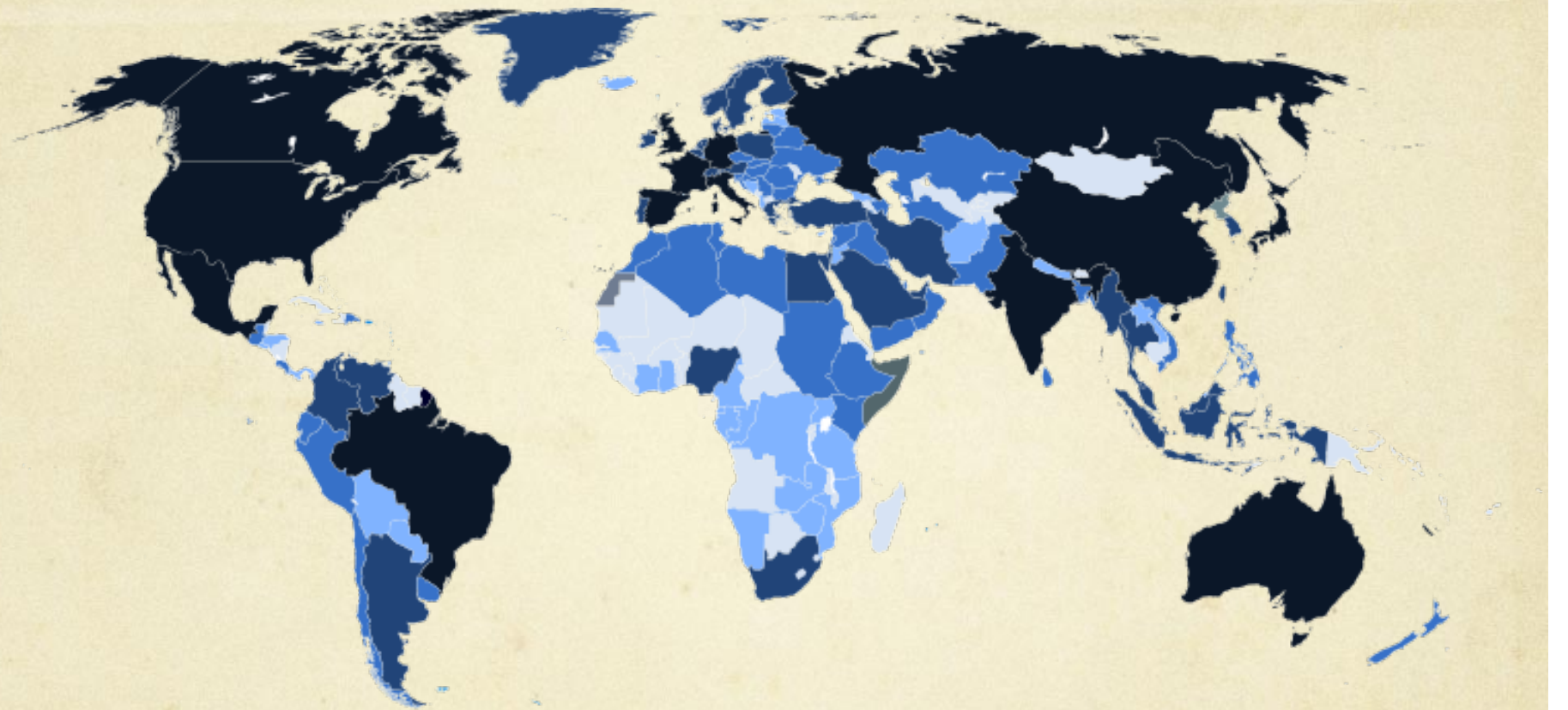
Economic performance

- Economic performance can be measured many ways. How would you measure it?
- The most common indicators include:
 - Gross Domestic Product (GDP) per person
 - Inequality
 - Employment, inflation, and other measures

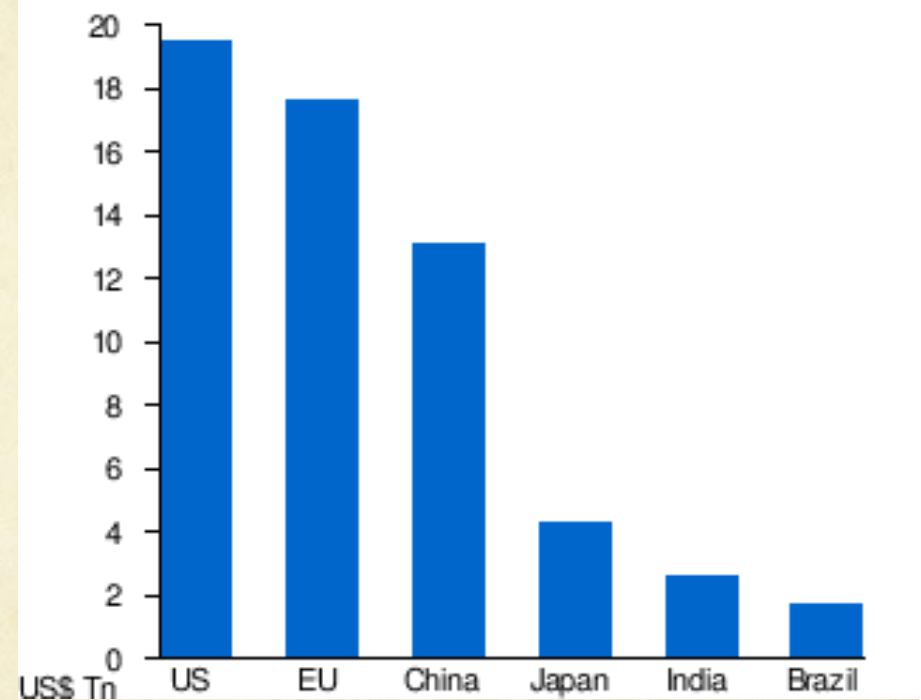
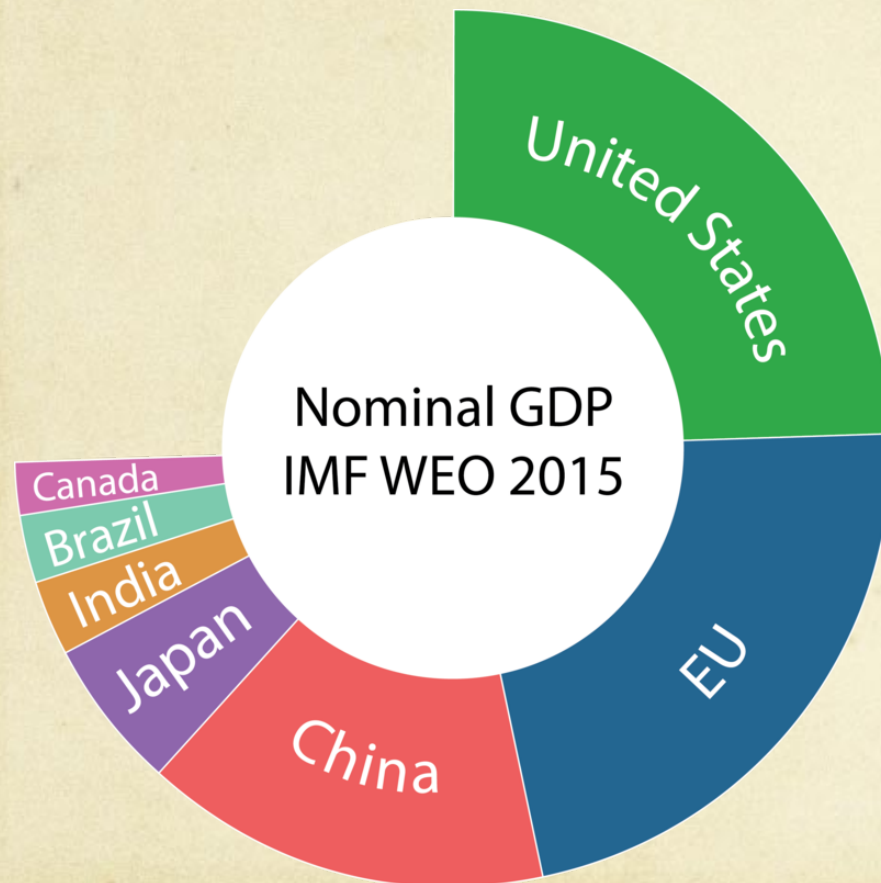
Economic Indicators

- Measures of income or total economic activity
 - Gross domestic product (GDP)
 - Gross national income (GNI)
 - GDP/capita (i.e., per person)
 - GDP growth rate (per year)
 - GDP at purchasing power parity (PPP)
 - PPP accounts for “cost of living”
 - Measures how much a dollar buys in a given place
 - How to measure it?

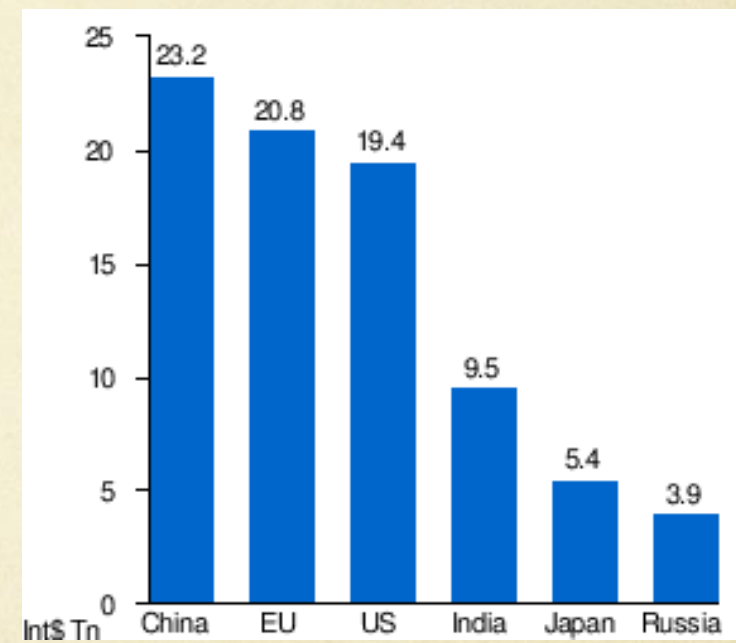
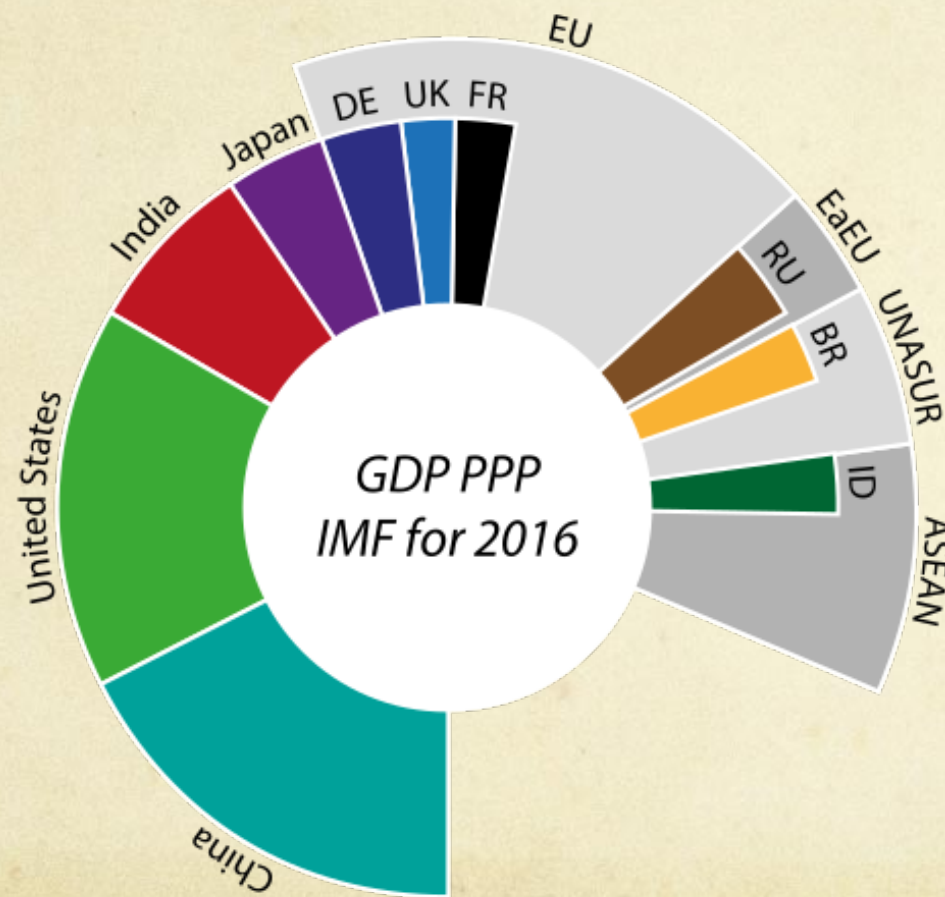
GDP



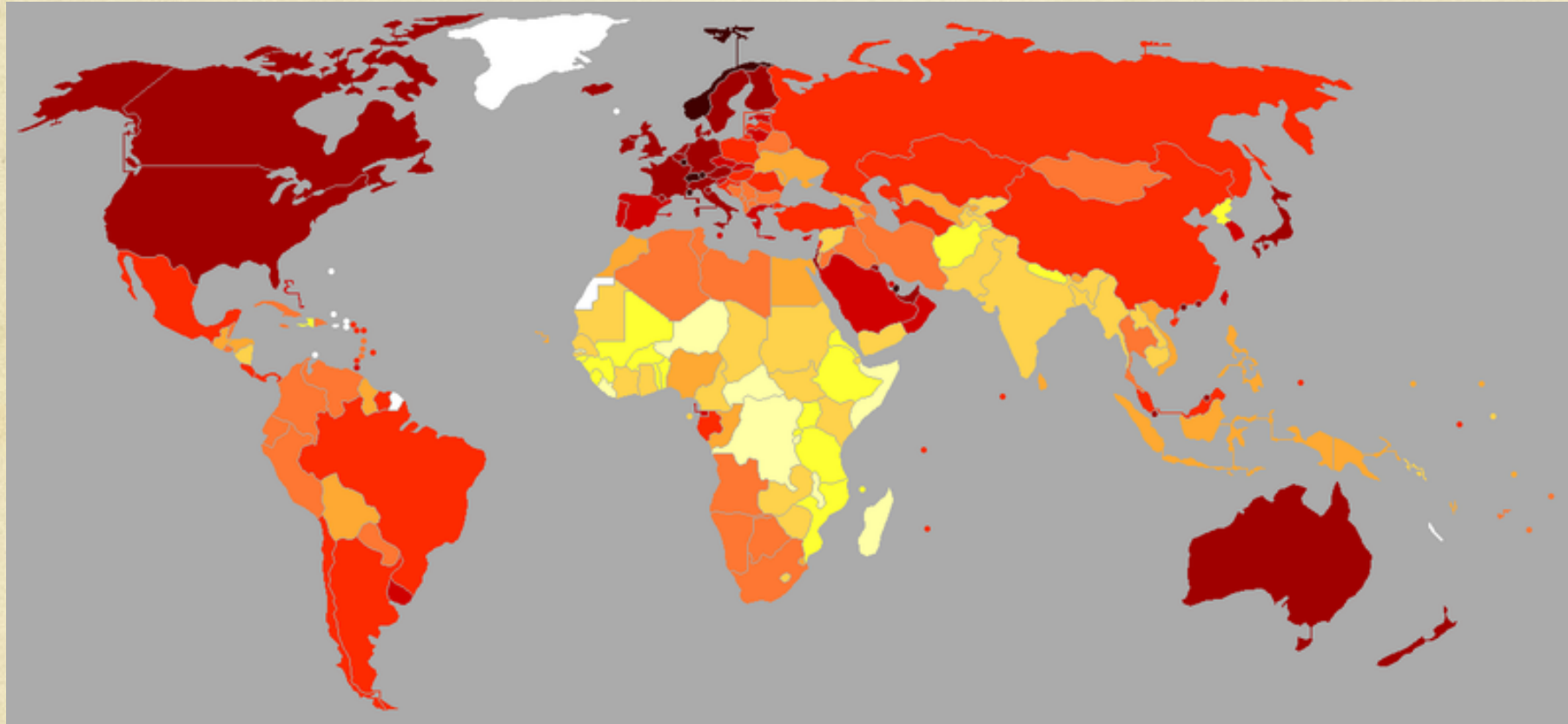
GDP



GDP PPP



GDP per capita - 2015

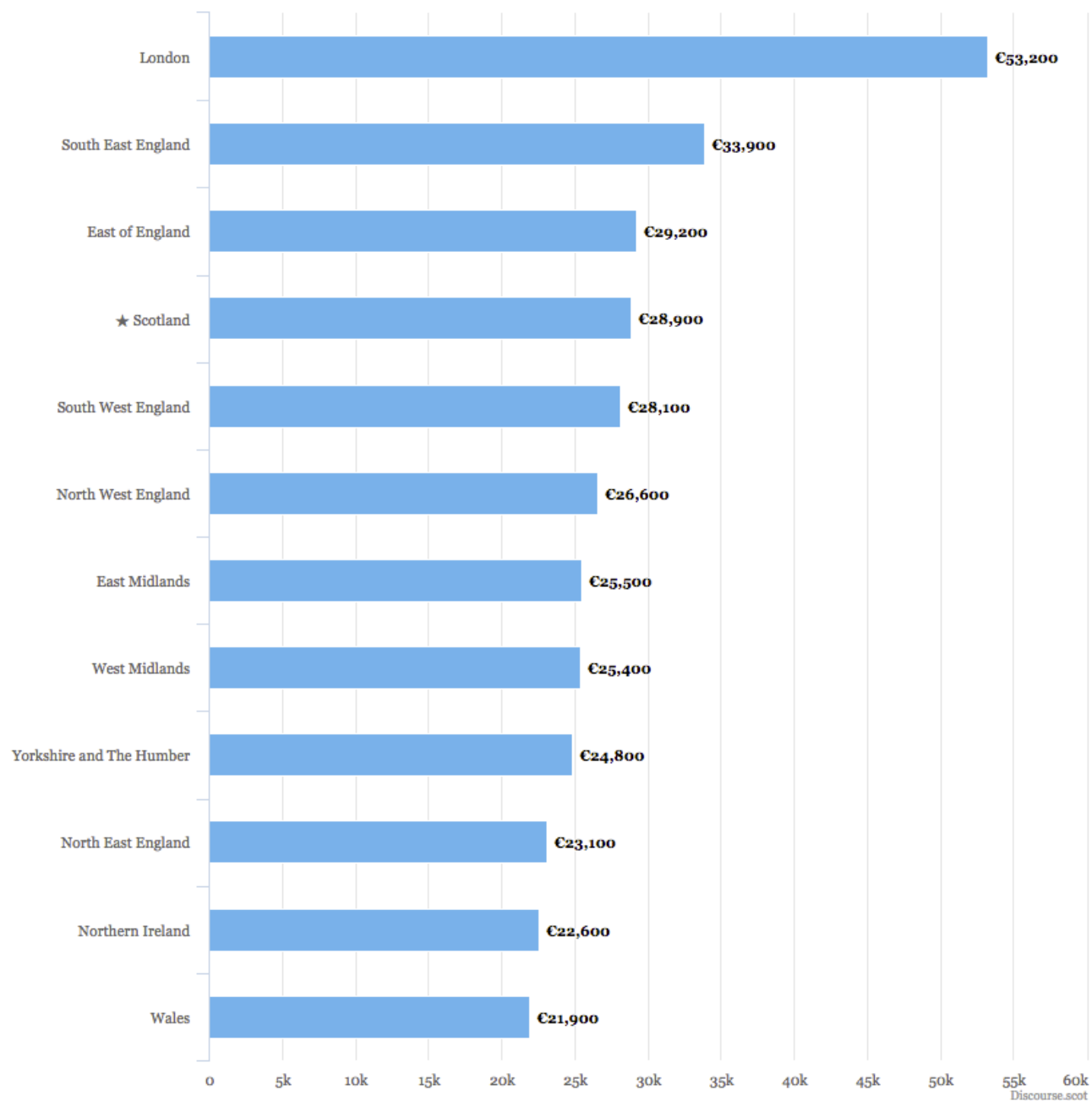


Rank	Country	GDP per capita (PPP)
1	Qatar	127,523
2	Luxembourg	105,882
3	Singapore	87,856
4	Brunei	77,441
5	Kuwait (2015)	73,817
6	United Arab Emirates	72,419
7	Ireland	68,883
8	Switzerland	62,882
9	Norway	59,302
10	United States	57,467

179	Comoros	1,529
180	Madagascar	1,504
181	Eritrea	1,321
182	Guinea	1,271
183	Mozambique	1,228
184	Malawi	1,139
185	Niger	1,113
186	Liberia	882
187	Burundi	818
188	Democratic Republic of the Congo	784
189	Central African Republic	656

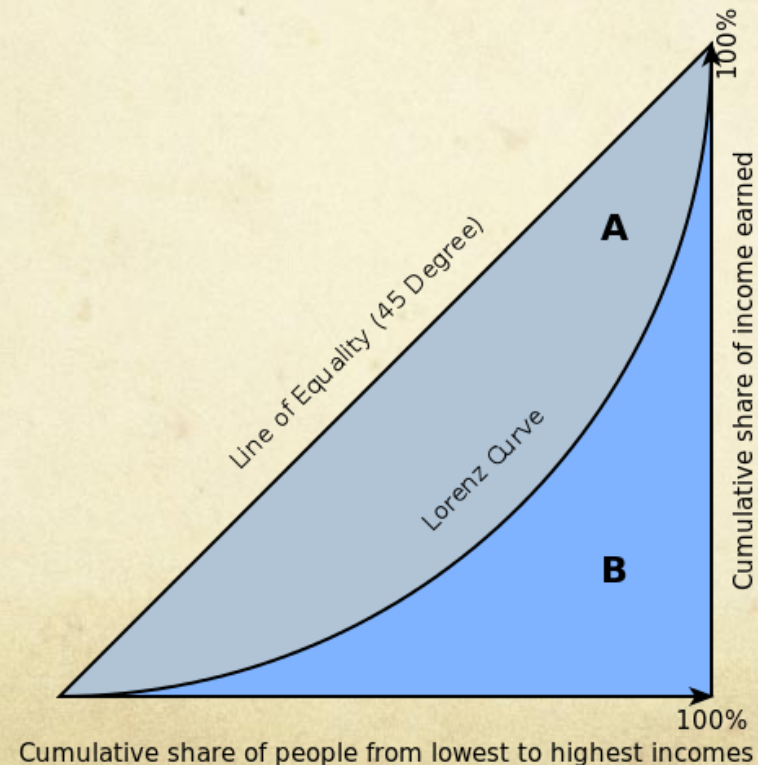
GDP per capita (€PPP) of UK nations and regions (onshore), 2015

Source: Eurostat data released 30 March 2017 (bit.ly/2oHKMnD)

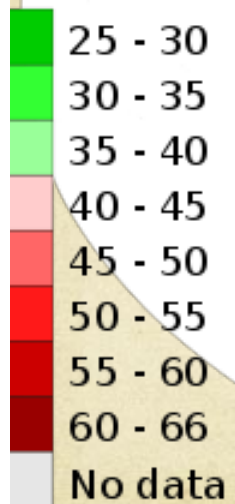


Economic Indicators

- Inequality
 - Differences in access to resources (including income, power, or status)
 - Often measured by Gini coefficient (or Gini index)



Gini Index
(Income equality = 0)



Economic Indicators

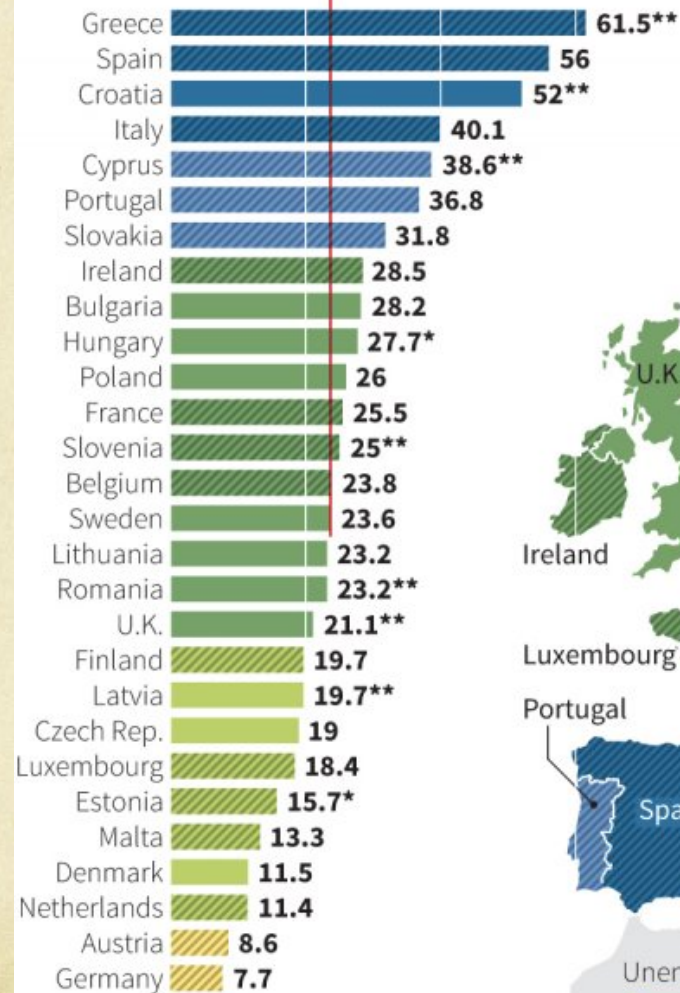
○ Inflation

- Measures of health of the economy and opportunity for individuals
- Inflation is not bad, but if it fluctuates a lot or is too high it can lead to problems.
- Hyperinflation occurs when a country experiences very high and usually accelerating rates of inflation, rapidly eroding the real value of the local currency, and causing the population to minimize their holdings of local money.
- <https://www.youtube.com/watch?v=nXghgMAuw6Y>

Youth unemployment rate holds steady

UNEMPLOYMENT RATE — SEASONALLY-ADJUSTED, August 2013 (%)

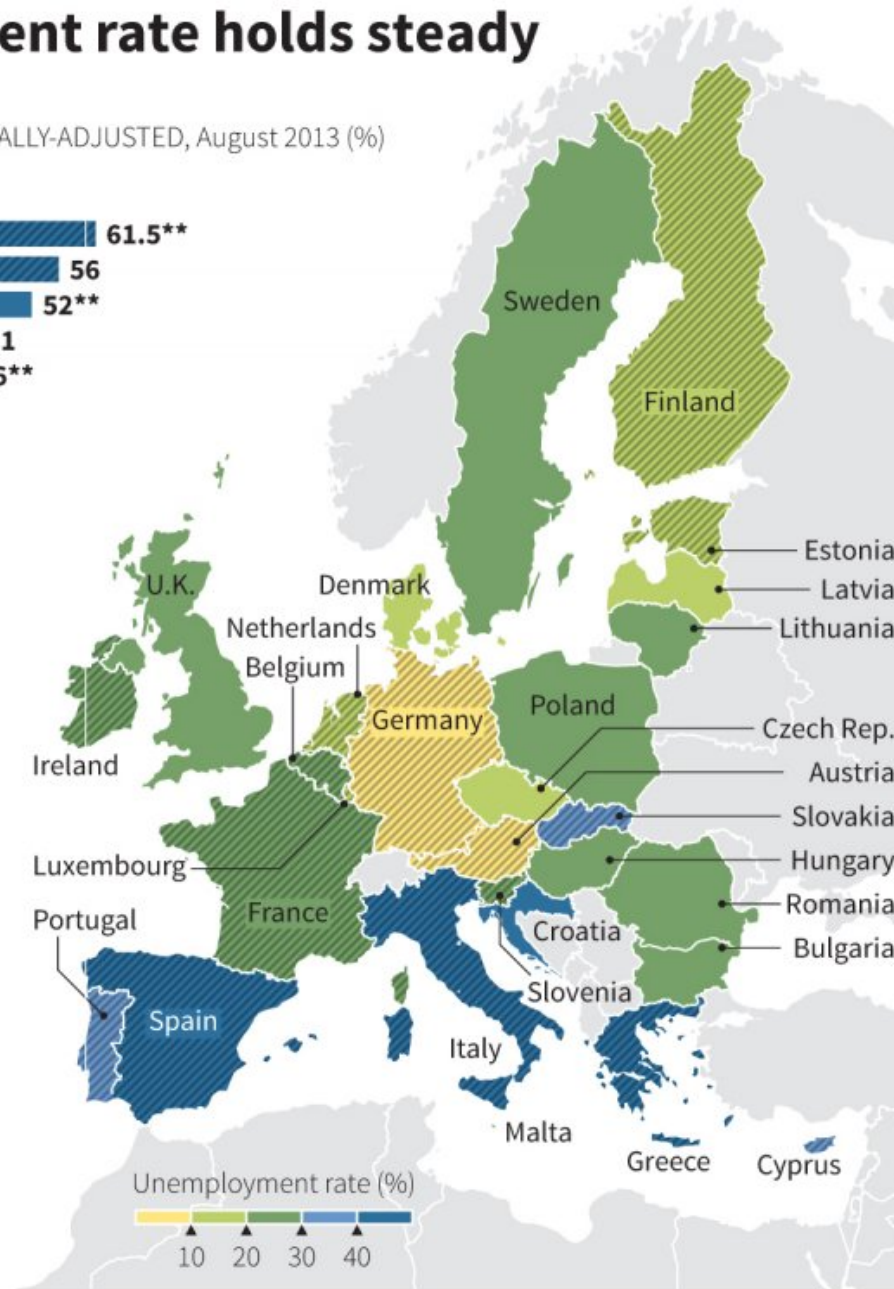
/// Euro area **23.7**



* July ** June

Source: Eurostat

W. Foo, 02/10/2013



REUTERS

Markets and States

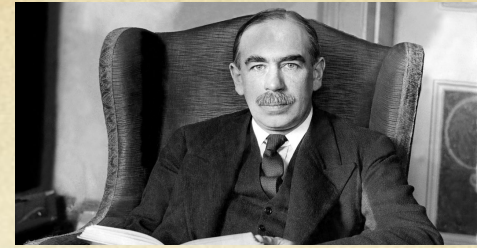
- Structure of the economy differs by country
- Key variation is market-led vs. state-led economy
 - Most countries have mix of market and state roles in the economy
 - Some countries rely more heavily on market economics
 - Other countries rely more heavily on state-led economy
 - This varies across countries and over time in each country
- Key research question:
 - Which institutions best promote economic performance?

Markets and Economic Performance



- **Market** argument vs. State
- *Theory*: Market efficiently allocates resources, while state impedes growth with meddling
 - “Invisible hand” of market is best path (Adam Smith)
 - Centralized planning by states quite often fails
 - Public officials are self-interested actors, not looking out for common good
 - Liberalize markets and let private sector run economy
- Neoliberalism and privatization

States and Economic Performance



- **State** argument vs. Market
- *Theory*: High-quality state interventions can spur development, while low-quality interventions harm it
 - Push investment, coordinate among actors, protect key industries from foreign competition
 - Quality and nature of state involvement matters more than just quantity of state involvement
 - States are needed to provide important public goods
- Evidence shows development has happened in the presence of strong, active states

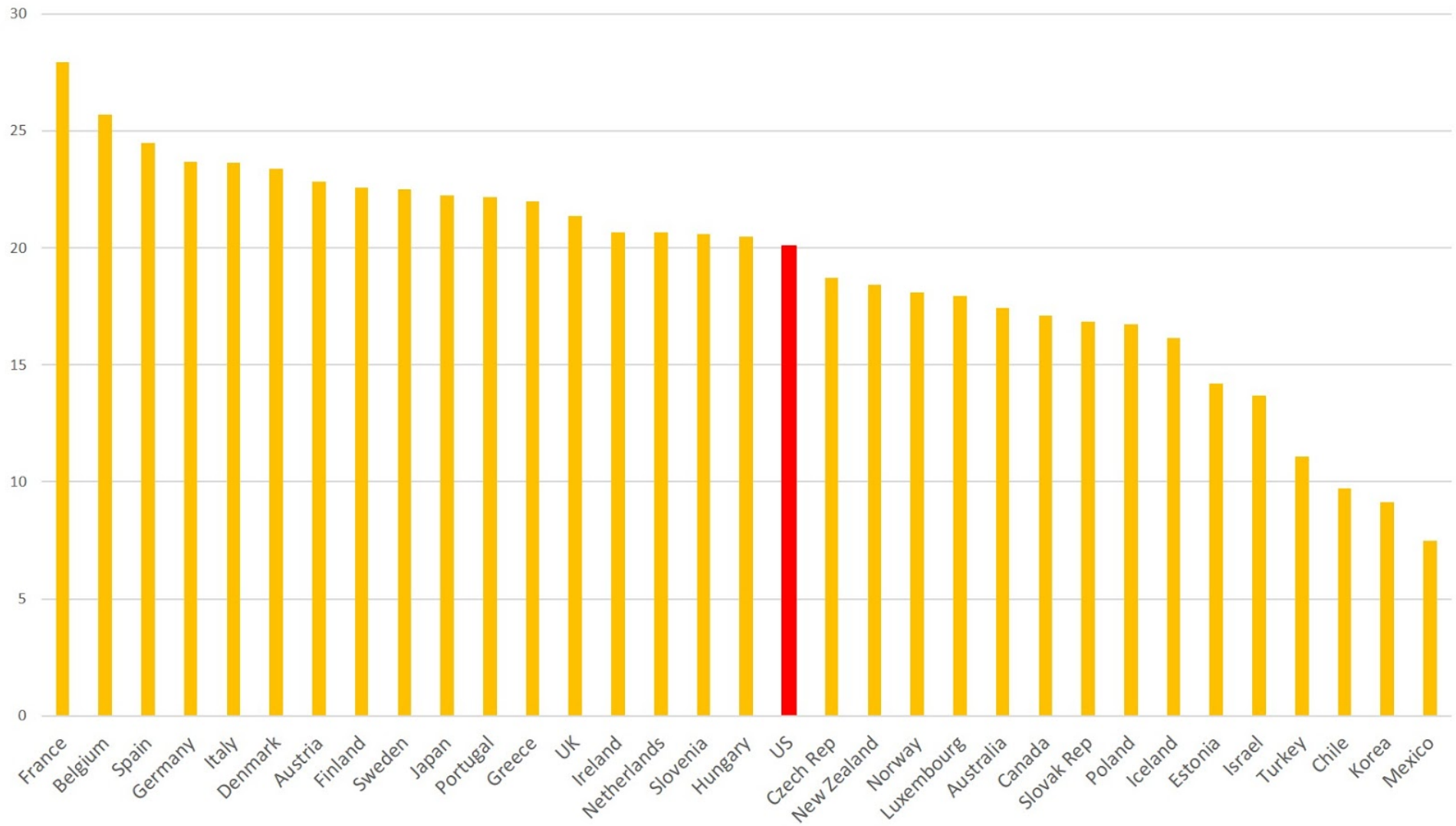
Economic Functions of Modern States

- States have many roles in modern economies
- Economic Management
 - Fiscal policy (taxation and spending)
 - Monetary policy (money/currency in circulation)
- Investments in Human Capital
 - Education
 - Health
- Infrastructure and Public Goods
 - Ex.: Roads, ports, bridges, broadband, etc.

Economic Functions of Modern States

- Welfare state functions in many countries
- Provision of basic safety net for vulnerable elements of population
 - Social insurance (pensions for elderly, disabled)
 - Public health care
 - Poverty relief
- States vary considerably in how extensive and effective their welfare states are

Net Current Public Social Expenditure

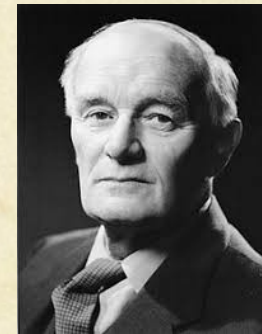


Causes and Effects: Why Do Welfare States Emerge?

1. Cultural Changes
2. Industrial Capitalism
3. Mobilization And Political Action
4. International Learning Effects

Causes and Effects: Why Do Welfare States Emerge?

- Cultural Changes
 - *Theory*: People became more convinced over time that state could solve problems
 - What performed “welfare” role before state (however less effectively)?
 - Religious institutions
 - Family (extended family, e.g.)
 - Work houses
- State took on more roles in 19th/20th century
- Notions of “citizenship” expanded (work of T.H. Marshall)



Causes and Effects: Why Do Welfare States Emerge?

- **Industrial Capitalism**
 - Emerging modern economy drove change, and welfare states are reactions to some of these changes
- *Theory:* Capitalism leads to dislocations and impoverishment
 - Welfare state guards long-standing social relations (Polanyi)
 - Ideologues seek to impose creeping variant of socialism via welfare state (Joseph Schumpeter)
 - Welfare state is elite attempt to coopt and prevent revolution (some Marxian perspectives)
 - Who is correct?

Causes and Effects:

Why Do Welfare States Emerge?

- Mobilization And Political Action
- *Theory*: specific actors and groups have a role to play in shaping welfare states
 - Labor and business groups, e.g.
 - Coalitions matter (who is in and who is out?)
- Helps explain variations between countries in the forms and types of welfare states (Esping-Andersen “Three Worlds of Welfare Capitalism”)
 - Social Democratic: workers independent of the labor market, so they are not forced to work to survive.
 - Liberal : workers dependent as possible on the labor market, so that they have incentives to work more to gain higher incomes.
 - Corporatist/Statist : a corporate system that preserves traditional hierarchies.

Causes and Effects: Why Do Welfare States Emerge?

- International Learning Effects
- *Theory*: welfare states in some countries and regions serve as models for those elsewhere
 - Asian countries are now expanding welfare states (with some variations) after seeing western countries do so
 - Social programs serve as models
- Countries do not develop policies in a vacuum

Development



Concepts

- Development can be measured in many ways
- Some common measures of development are economic
 - Income or GDP per capita, e.g.
- We can also consider a wider range of indicators
 - Poverty
 - Inequality
 - Health and education levels, etc.
- Many indicators of development correlate positively with one another (but not always)

Measures of Development

- Poverty
 - Number of people living below a certain income level (poverty line) or lacking certain opportunities
- About 800 million people worldwide live in absolute poverty

Globally there are 746 million people in extreme poverty (in 2013)

Extreme poverty is defined as living with less than \$1.90/day.

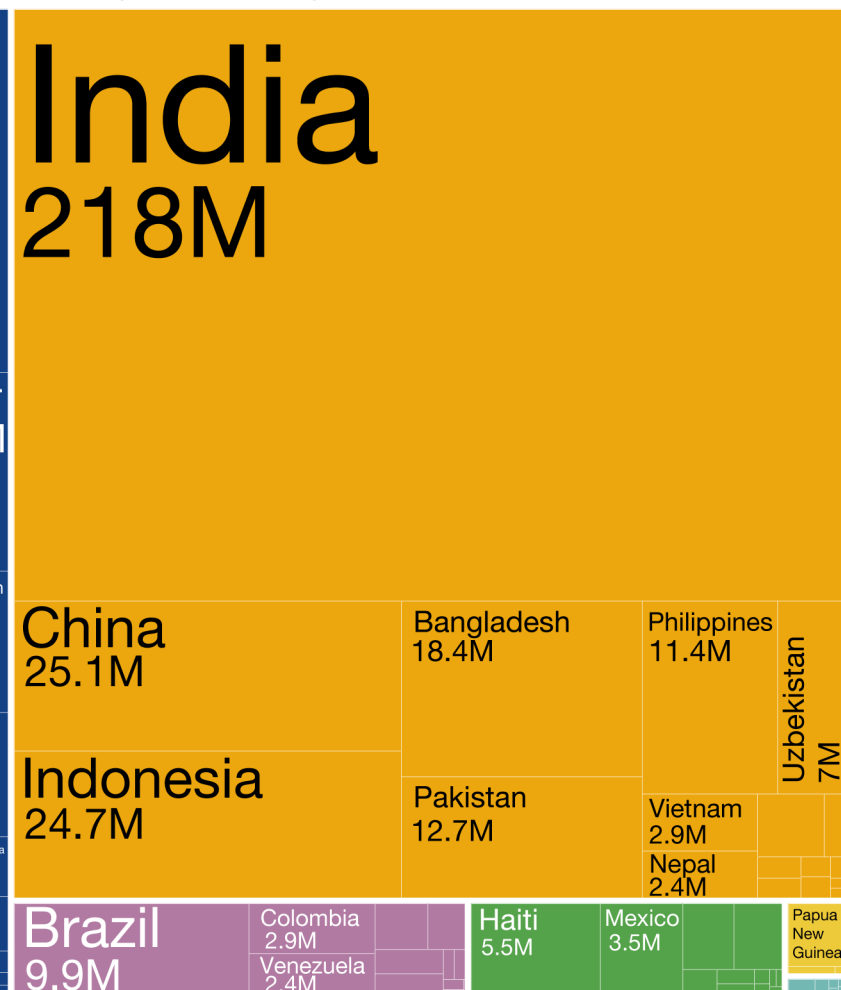
This is measured in international dollars (i.e. price differences between countries are taken into account).

Our World
in Data

Africa (383 million)



Asia (327 million)



South America (19M)

North America (13M) Europe (0.7M)

Data source: World Bank (PovcalNet)

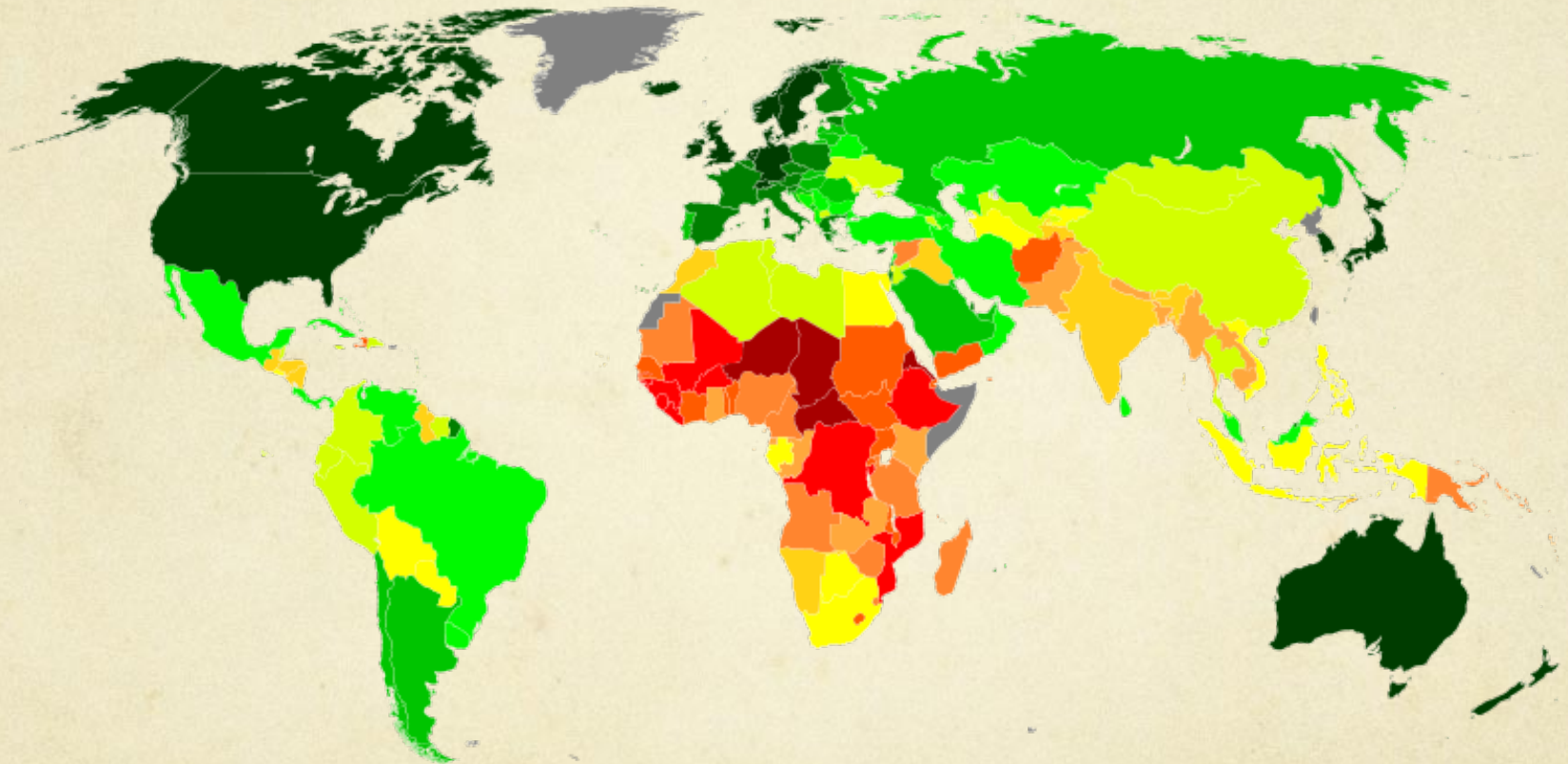
The interactive data visualization is available at OurWorldinData.org. There you find the raw data and more visualizations on this topic.

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Measures of Development

- Social Outcomes and Human Development
 - Health (infant mortality, life expectancy, e.g.)
 - Education (literacy, years of schooling, e.g.)
 - Human Development Index -HDI (composite measure)
- The HDI
 - Health - Life expectancy at birth.
 - Education - expected years schooling for school-age children and average years of schooling in the adult population.
 - Income - measured by Gross National Income (GNI) per capita (PPP US\$)

Human Development Index



Revealed: The happiest places to live in Britain



11 of 11

[View All](#)



1. Leamington Spa, West Midlands

In first place is Leamington Spa, which scored highly for friendly neighbours, a strong sense of belonging, a place where locals feel they can be themselves and good access to nature and green spaces.

The average asking price of a home in Leamington Spa is £331,000, which is almost £20,000 higher than a year ago.

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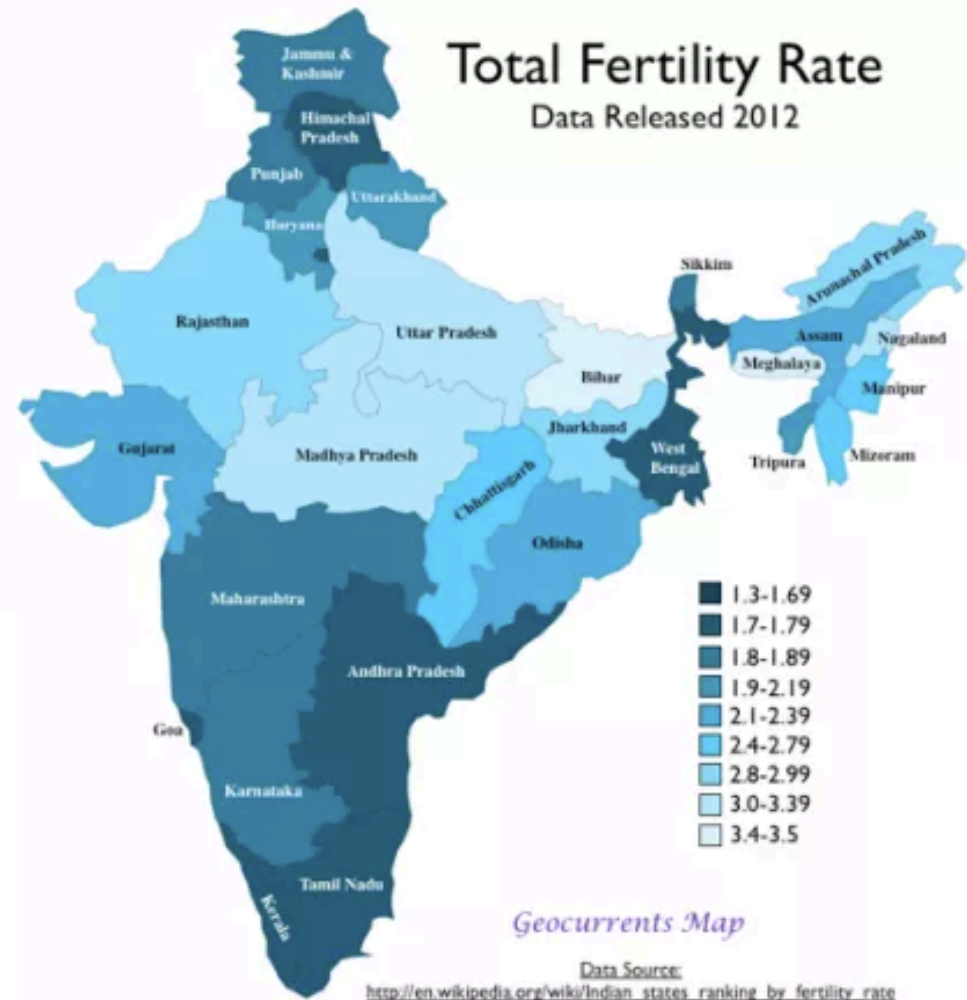
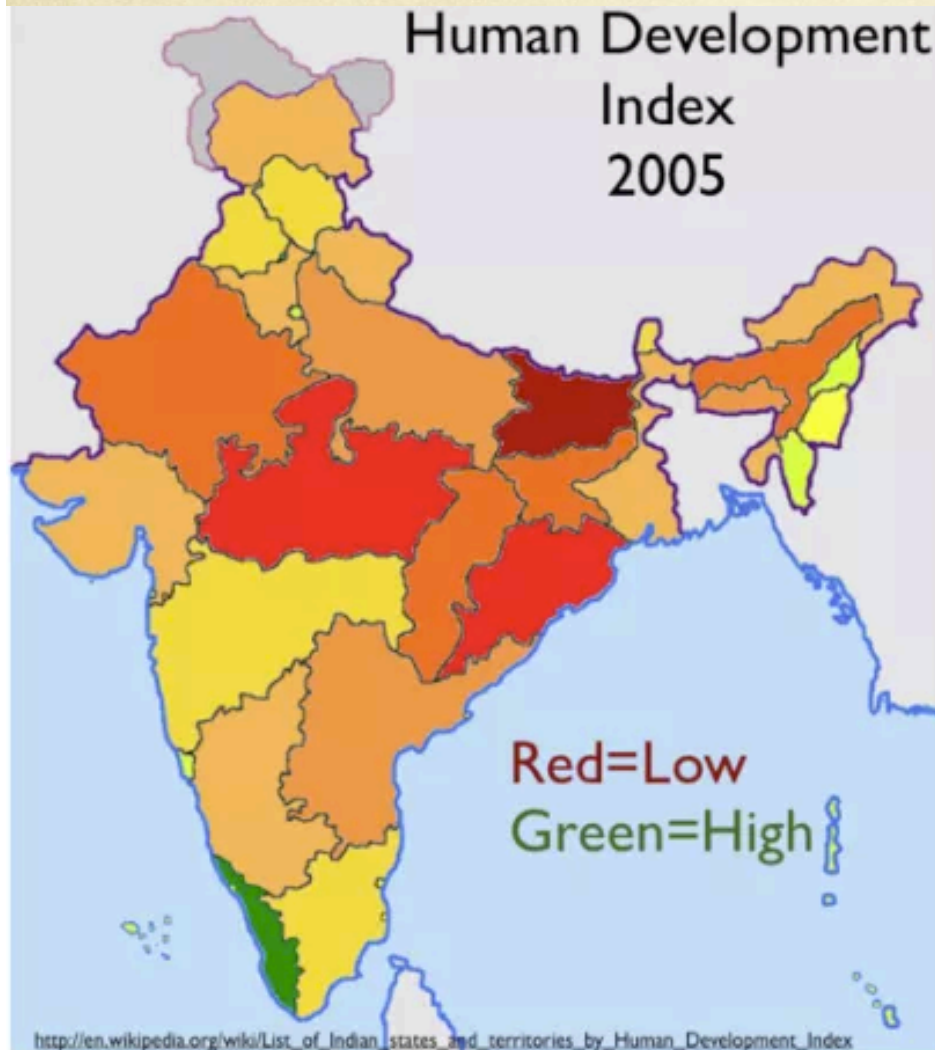
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Measures of Development

- Many statistics are measured at national level, but can be disaggregated by groups
- Equity between groups
 - Gender, race, and ethnicity, e.g.
 - Ex.: In some countries, women have few rights
 - Ex.: whites vs. blacks in apartheid South Africa
- Also regional or local variations
 - Certain states or localities may fare better/worse
 - Ex.: Kerala state vs. Bihar state in India

Kerala vs Bihar



Measures of Development

- Others measures take into account possible costs of growth and change
- Cultural Development
 - Loss of traditional culture, e.g., with economic growth
- Sustainability
 - Ability to maintain standard of living for future generations (climate change and ecosystem, e.g.)

Causes and Effects: Why Does Development Happen?

1. Market vs. State
2. Institutions (beyond market and state)
3. Culture
4. Structural or systemic factors

Why Does Development Happen?: Markets and States

- Market vs. State: Which best promotes development?
- State-led approaches were popular from 1950s to 1970s
 - Countries sought “big push” to higher development levels
- Market-based approaches (neoliberalism and privatization) were prominent in 1980s and 1990s
 - Proponents included International Monetary Fund (IMF)
- Recent perspectives conclude both sets of institutions matter
 - Markets are important institutions for efficiency
 - State quality affects economic performance

Why Does Development Happen?: Institutions

- Institutions matter (beyond just states vs. markets)
- *Theory*: Presence of strong institutions creates incentives for individuals to save and invest
 - Protecting property rights matters, e.g.
 - Strong property rights favor private economic actors, yet also requires state enforcement
 - Fair, predictable enforcement of contracts allows economic actors to engage in long-range planning
- Atul Kohli- State directed development – chariot pulled by two horses (private sector and the state). Korea.

Why Does Development Happen?: Culture

- Cultural norms affect a society's development
- What cultural differences between countries?
 - Levels of trust in a society
 - Social capital (rich associational networks, e.g.)
 - Religious background
 - Norms, ethics, and value systems
- *Theory*: Higher levels of trust and social capital create incentives that facilitate development. Fukuyama "Trust".

Why Does Development Happen?

Structural or Systemic Factors

- Economic/political factors that affect all countries
- *Theory*: World system favors rich countries, harms poor countries (leading to dependency) Immanuel Wallerstein
- *Theory*: Geography has favored rich countries, set back poor countries. Jared Diamond.
 - Natural impediments such as mountain ranges or bodies of water created isolated civilizations.
 - Continents which were easily traversible, such as Europe encouraged trade among different people and stimulated development.

Development Data

- <https://www.gapminder.org/tools/>
- <https://ourworldindata.org/>
- <https://data.worldbank.org/>

We were so poor...

- <https://www.youtube.com/watch?v=VAdlkunflRs>

Discussion

- Do you believe that states should be expected to provide major welfare state functions (such as social insurance and pensions), and investments in human capital (health and education) and infrastructure?
- What should be the basic economic rights and entitlements for all citizens in a modern democracy?

Next Week

- Institutions of Government
 - Constitutions
 - Legislators

