

*PAL-262*  
**Varieties of Capitalism and Strategies of Reform**  
*Spring, 2004*  
*Kennedy School of Government*

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M-W, 10:00-11:30, T-401 (optional module:  
Spring Break (March 29-April 2) at the Ecole  
Nationale d'Administration (ENA) in Paris)

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**Course Description**

This course is aimed at those of you who are interested in the possibility of reforming economic and social policy in the advanced industrial countries. Just as basic factor endowments (land, labor, and capital) influence what economic strategies are most likely to be successful in the international economy, countries also enjoy different sorts of comparative “institutional” advantage, which hamper or facilitate the political and economic strategies of governments. The institutions on which we will focus are the organization of business and labor; education and training systems; the welfare state; and finance and corporate governance. These institutions are (partly) politically constructed and (certainly) politically constraining. Our job in this course will be to see how much flexibility governments in fact have to change economic policies, faced with an institutional configuration that favors certain outcomes over others.

In the first part of the course, we try to understand the basic variations among the economic and social regimes within advanced capitalism. The empirical material we will read is relevant to all OECD countries, and to many developing economies as well, but most of our reading focuses on different European political economies. In the second part of the course we move from the realm of theory to the practical problem of reform. This portion of the course includes an optional module element, PAL-262m, which is an intensive week-long session held at the Ecole Nationale d'Administration (ENA) in Paris, France, during spring break; this portion of the course is entirely optional but is strongly encouraged (you must also register for PAL-262m in order to go to Paris and receive module credit). ENA and the Kennedy School have developed a program to bring together policymakers in the European Union who have been active in the problem of reforming the political economy in the context of different national institutions, and during this week we will discuss with them past and future reform episodes.

**Audience**

The course will be particularly useful to those students interested in the determinants of economic and social policymaking. There are no prerequisites, but an elementary understanding of basic political issues of macroeconomic policymaking is assumed.

The sessions at the ENA will be conducted in English. All students are encouraged to attend, but the Paris seminar is optional. Because of the logistical requirements involved with the ENA portion, we can only allow up to 25 students to attend the sessions in Paris. The trip will cost about \$900, which students are expected to fund themselves. The Kennedy School pays the tuition costs of the seminar itself directly to the ENA.

## Requirements

Students will be expected to do the assigned reading and integrate it into class discussions. Class participation is an important component of the final grade, and students will be particularly encouraged to tie the readings to their own experience in cases of reform.

This class emphasizes the usefulness of international comparison, and the subject of your semester-long research paper is a comparison between 2 large-scale attempts at reform of economic, social, or environmental policy undertaken since 1973. In choosing a research topic, you need to satisfy two objectives: 1) to choose an interesting comparison, which means both that the cases you pick have a different outcome, but also that there are similarities among them that make the difference in outcome in some way surprising; 2) to choose a topic that allows you to utilize the analytical approach taught in the class.

There are two written assignments. The first is a 3-page memo in which you outline the cases of reform you wish to study for the longer paper, the principal hypotheses you will be investigating, why the analytical tools of varieties of capitalism may be useful to these cases, and the research information on which you will be relying. The second is a longer (roughly 15 pages, double-spaced, 12 point font) paper in which you compare the two reforms in light of the material learned in the course and make concrete recommendations for how one of the reforms might have been improved so as to make it fit better within the constraints of existing institutions.

In order to receive an additional module credit, those students going to Paris have to complete additional assignments. First, they will prepare a longer final paper (18-20 pages). They will also be designated as scribes for a given session at the ENA, and must send their notes in electronic form to Professor Culpepper within three days of returning from Paris. All sessions in Paris are mandatory, and your participation in the Paris seminar will determine 50 percent of your final module grade; the remaining 50 percent will be determined by your longer paper.

The final grade for PAL-262 will be determined as follows:

- participation: 40 percent;
- memo: 20 percent;
- long paper: 40 percent.

Extraordinary performance in any one of these areas may be grounds for having it counted more heavily in the overall grade.

## Materials

There are three required texts, all available from the Coop. The other readings for the course are available in a packet at the Course Materials Office and are on reserve in the KSG library.

Peter Hall and David Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press 2001

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

Kozo Yamamura and Wolfgang Streeck, *The End of Diversity?: Prospects for German and Japanese Capitalism*, Cornell University Press, 2003

## **I. The Institutions of Advanced Capitalism**

Wednesday, February 4: ***Introduction: One Capitalism?***  
Michel Albert, "Introduction," *Capitalism vs. Capitalism*, Four Walls Eight Windows, pp. 1-19, 1993.

Monday, February 9: ***Varieties of Capitalism: Institutions and Interactions***  
Peter Hall and David Soskice, "An Introduction to Varieties of Capitalism" in Hall and Soskice, eds., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, 2001 (hereafter cited as VoC).

Wednesday, February 11: ***Labor Markets and Product Markets***  
David Soskice, "Divergent Production Regimes: Coordinated and Uncoordinated Market Economies in the 1980s and 1990s," in Herbert Kitschelt et al., eds., *Continuity and Change in Contemporary Capitalism*, Cambridge University Press, pp. 101-134, 1999.

David Soskice, "Wage Determination: The Changing Role of Institutions in Advanced Industrialized Countries." *Oxford Review of Economic Policy* 6:4, pp. 36-61, 1990.

*February 11 is also the deadline for registering for group hotel reservation and special airfare rates. Airfare will be term-billed to all students going to Paris on this date, unless you have made alternative arrangements and cleared them with Professor Culpepper. Students will also need to bring a one-paragraph biography, which will be transmitted to ENA for inclusion in the seminar program.*

Monday, February 16: ***Holiday: No Class***

Wednesday, February 18: ***Training and Skill Provision***  
Lisa Lynch, "Payoffs to Alternative Training Strategies at Work," in Richard Freeman, ed., *Working under Different Rules*, NBER/Sage, pp. 63-95, 1994.

David Soskice, "Reconciling Markets and Institutions: The German Apprenticeship System" in Lisa Lynch, ed. *Training and the Private Sector*. Chicago: University of Chicago Press, pp. 25-60, 1994.

Monday, February 23: ***Welfare States***  
Margarita Estevez-Abe, Torben Iversen, and David Soskice, "Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State," *VoC*, pp. 145-183.

Martin Rhodes, "Globalization, Labour Markets, and Welfare States: A Future of Competitive Corporatism," in Rhodes and Yves Mény, eds., *The Future of European Welfare*, St. Martin's Press, pp. 178-203, 1998.

Wednesday, February 25:

***Corporate Governance***

Mary O'Sullivan, "Corporate Governance and Globalization," *Annals of the American Academy of Political and Social Science*, July 2000, pp.153-172.

Gregory Jackson, "Liberalization Pressures and Responses during the 1990s," pp. 261-305 in Yamamura and Streeck, *End of Diversity*.

Monday, March 1:

***Convergence? The Case of France***

Andrea Boltho, 1996 "Has France converged on Germany? Policies and Institutions since 1958" in Suzanne Berger and Ronald Dore, eds., *National Diversity and Global Capitalism*, pp. 89-104, 1996.

Pepper D. Culpepper, "Capitalism, Coordination, and Economic Change: The French Political Economy since 1985," draft chapter from Culpepper, Hall, and Palier, eds., *Changing France* (forthcoming edited volume—this paper will be distributed by email).

DURING THE FINAL 20 MINUTES OF THIS CLASS WE WILL DISCUSS THE DESIGN OF RESEARCH PAPERS.

Wednesday, March 3:

***European Corporate Governance—Guest Lecture***

Nicolas Véron, "The European Debate on Corporate Governance"

*Nicolas Véron is one of France's emerging young leaders and a respected analyst of the transformation of Europe's business and capital markets. He currently runs ECIF, a financial consulting firm which he founded in 2002. Véron had previously been a corporate advisor to the Minister of Labour and Social Affairs and Deputy-Prime Minister Martine Aubry as well as chief financial officer of MultiMania / Lycos France, one of the country's most successful Internet start-ups. He was a student at Ecole Polytechnique, where he graduated valedictorian, and at Ecole des Mines de Paris. Nicolas Véron also frequently writes for several journals and reviews and has written a forthcoming book on the business impact of accounting rules.*

Monday, March 8:

***Industrial Relations***

Kathleen Thelen, "Varieties of Labor Politics in the Developed Democracies," in *VoC*, pp. 71-103.

Colin Crouch, "The Snakes and Ladders of 21<sup>st</sup> Century Unionism," *Oxford Review of Economic Policy* 16:1, Spring 2000, pp. 70-83.

Kathleen Thelen and Ikuo Kume, "The Future of Nationally Embedded Capitalism: Industrial Relations in Germany and Japan," pp. 183-211 in Yamamura and Streeck, *The End of Diversity*, 2003.

Wednesday, March 10:

***Divergence? The UK/US vs. Germany***

Desmond King and Stewart Wood, "The Political Economy of Neoliberalism: Britain and the United States in the 1980s," in Herbert Kitschelt et al., eds., *Continuity and Change in Contemporary Capitalism*, Cambridge University Press, pp. 371-397, 1999.

Wolfgang Streeck, "German Capitalism: Does It Exist? Can It Survive?," in Colin Crouch and Wolfgang Streeck, eds., *Political Economy of Modern Capitalism*, London: Sage, pp. 33-54, 1997.

Monday, March 15: ***Collective Discussion: What Have We Learned Thus Far?***  
Complete (preferably in groups) old version of mid-term before class

Wednesday, March 17: ***Logistics: PAL 262m***  
This class is optional for those not enrolled in PAL-262m (you can use the time to work on your research memos, due next week). For those going, it is mandatory. We will discuss the final format of the program at the ENA, expectations, and travel arrangements.

Monday, March 22: ***The European Union***  
Simon Hix, "Economic and Monetary Union," in Hix, *The Political System of the European Union*, St. Martin's Press, pp. 278-304, 1999.

Orfeo Fioretos, "The Domestic Sources of International Preferences: The European Community at Maastricht," *VoC*, pp. 213-244.

Peter Hall and Robert Franzese, "Central Bank Independence, Wage Bargaining, and EMU," *International Organization* 52:3, Summer 1998, pp. 505-535.

Wednesday, March 24: ***Critiques of Varieties of Capitalism***  
Chris Howell, "Varieties of Capitalism: And Then There was One?" *Comparative Politics* 36:1, October 2003, pp. 103-124.

Mark Blyth, "Same as it Never Was: Temporality and Typology in the Varieties of Capitalism," manuscript, Johns Hopkins University, 2003 (this paper will be distributed by email).

FIRST MEMO DUE IN CLASS

Spring Break: (March 29-April 2)

**Policymakers and Political Economic Reform: European Experiences**  
**Ecole Nationale d'Administration, Paris** (for those enrolled in PAL-262m)

## II. Strategies of Reform and Institutional Interaction

Monday, April 5:

### ***Trade-Offs in Economic and Social Policy Reform***

Torben Iversen and Anne Wren, "Equality, Employment, and Budgetary Restraint: The Trilemma of the Service Economy," *World Politics* 50:4, July 1998, pp. 507-546.

Paul Pierson, "Coping with Permanent Austerity: Welfare State Restructuring in Affluent Democracies," in Pierson, ed., *The New Politics of the Welfare State*, Oxford University Press, 2001, pp. 410-456.

Wednesday, April 7:

### ***Political Parties and Reform Projects***

Stephen K. Vogel, "The Reorganization of Organized Capitalism: How the German and Japanese Models are Shaping their Own Transformations," pp. 306-333 in Yamamura and Streeck, 306-333.

Herbert Kitschelt, "Competitive Party Democracy and Political-Economic Reform in Germany and Japan: Do Party Systems Make a Difference?" pp. 334-363 in Yamamura and Streeck, *End of Diversity?*

Monday, April 12:

### ***Political Parties and Inequality***

Jonas Pontusson and David Rueda, "Wage Inequality and Varieties of Capitalism," *World Politics* 52:3, April 2000, pp. 350-383.

David Bradley et al., "Distribution and Redistribution in Postindustrial Democracies," *World Politics* 55:2, January 2003, pp. 193-228.

Carles Boix, chapters 9-10, in Boix, *Political Parties, Growth, and Inequality*, Cambridge University Press, pp. 202-231, 1998.

Wednesday, April 14:

### ***Corporate Governance Reform***

Richard Deeg, "Institutional Change and Path Dependency: The Transformation of German and Italian Finance," paper available on web (website to be provided by instructor).

Pepper D. Culpepper, "Institutional Change in Contemporary Capitalism," (this paper will be distributed by email).

Monday, April 19:

### ***Industrial Relations Reform***

Chris Howell, "The Two Logics of the Auroux Laws," in Howell, *Regulating Labor*, Princeton University Press, pp. 166-185, 1993.

Jelle Visser and Anton Hemerijck, "Corporatism Regained" in Visser and Hemerijck, *'A Dutch Miracle': Job Growth, Welfare Reform, and Corporatism in the Netherlands*, University of Amsterdam Press, pp. 81-116, 1997.

Stewart Wood, "Business, Government, and Patterns of Labor Market Policy in Britain and the Federal Republic of Germany," pp. 247-274 in *VoC*.

Wednesday, April 21:

***Training and Education Reform***

Pepper D. Culpepper, *Creating Cooperation*, chs 1, 4,5 (required), 2 (recommended).

Monday, April 26:

***Welfare State Reforms***

Christoffer Green-Pedersen, Kees van Kersbergen, and Anton Hemerijck, “Neo-Liberalism, the ‘Third Way,’ or What?: European Social Democracy and the Welfare State at the Beginning of the New Millenium,” Manuscript, 2000.

Bernhard Ebbinghaus and Anke Hassel, “Striking Deals: Concertation in the Reform of Continental European Welfare States,” *Journal of European Public Policy* 7:1, 2000.

Pepper D. Culpepper, “Puzzling, Powering, and ‘Pacting’: The Informational Logic of Negotiated Reforms,” *Journal of European Public Policy*, 9:5, October 2002, pp. 774-790.

Wednesday, April 28:

***Embedded Reforms in Transitional Economies***

Nina Bandelj, “Varieties of Capitalism in Central and Eastern Europe” manuscript, Princeton University, 2003 (this paper will be distributed by email)

Gerald McDermott, “Institutional Change and Firm Creation in East-Central Europe: An Embedded Politics Approach” manuscript, Wharton School of Business, 2003 (this paper will be distributed by email).

Monday, May 3:

***Economic Reform in Developing Economies***

Dani Rodrik, “Introduction: What do we Learn from Country Narratives?” in Dani Rodrik, Ed., *In Search of Prosperity: Analytic Narratives on Economic Growth*, Princeton University Press, 2003, pp. 1-19.

Peter Evans, “States and Industrial Transformation” in Evans, *Embedded Autonomy: States and Industrial Transformation*, Princeton University Press, 1995, pp. 3-20.

Wednesday, May 5:

***Class Summary***

Wednesday, May 19 (by 5:00 PM):

**RESEARCH PAPERS DUE IN MY OFFICE (T-456); NOT ACCEPTED BY EMAIL!**