

Political Economy in Political Science:

A Discussion Paper

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Abstract

The term “political economy” is widely used in political science (it appears 33 times in the 2005-2006 Harvard Government department course catalog), but what does it mean? And what can political science contribute to the interdisciplinary field of political economy? This paper offers some thoughts on these questions. Economics has been and remains the source of the most influential ideas in political economy, and political scientists should take advantage of opportunities to learn from those ideas. At the same time, political science has comparative strengths that seem to be more highly valued than in the past.

1 Introduction: Who does political economy?

If you were to look at the Harvard course catalog, you might think that Government was the department that handled political economy. Flipping through the 2005-2006 course descriptions, you would find the phrase “political economy” 33 times in the Gov section, in 22 separate classes, and only 7 times in 6 classes in economics.¹ You might conclude that political scientists dominate the field of political economy.

¹The total number of classes in each department is about 210 for Gov and 180 for economics.

In fact, it is pretty clear that, at least for most people’s definitions of “political economy,” economists dominate the field. They are responsible for most of the important theoretical and methodological advances in rational choice-based political science, and their work continues to dominate syllabi of most classes devoted to studying the interaction of economics and politics, even in political science departments. Of course, this is partly a matter of definition, since some interpretations of the term “political economy,” less grounded in rational choice methodologies, define a field where political scientists hold sway.

In the next section, I explore some of those questions of definition. Then I present more fully the case that political economy is a field largely dominated by economists. Still, we political scientists should not despair, but rather should pillage mercilessly while looking for arbitrage opportunities and sources of comparative advantage within our field. I conclude that the events of the past decade or so have increased the opportunities for political scientists working on political economy, however you define it.

2 What is political economy?

“Political economy” means different things to different people, and one of the reasons for that is that the use of the term has changed a lot in the last few centuries. Classical political economists, like Adam Smith and John Stuart Mill, used the term “political economy” to mean something like the scientific management of the state. The foundations of modern economics developed from their work, preserving the title “political economy” even as the focus on state policy lessened. Sometime in the late nineteenth century, around the time of Alfred Marshall’s Marginal Revolution, economists adopted the more scientific-sounding (and undoubtedly less unwieldy) term “economics.” But the old catholic term “political economy” had already become ensconced in academic culture in ways that are somewhat confusing today. For example, the Journal of Political Economy (established in 1892) is not about political economy. (It publishes papers in all fields of economics.) The Nathaniel Ropes

Professor of Political Economy² at Harvard is not a political economist. (Well, currently it is Alberto Alesina, a political economist, but before him the chair was held by Larry Summers (public finance, labor, macro), Richard Caves (industrial organization), and Zvi Griliches (productivity, econometrics).)

Political economy later reemerged in economics with two, almost diametrically opposed meanings. Leftist economists, suspicious of the market, called themselves *political* economists to emphasize that economic phenomena were largely politically determined. At the same time, more conservative economists who were enamored of the market called themselves political *economists* when they applied the tools of market analysis to political phenomena.³

In political science, too, there are at least two distinct meanings to the term political economy. One meaning tracks the more conservative version within economics. In this usage, political economy is the study of politics using the analytical methods of economics, which essentially means deductive reasoning via formal models, the assumption of rational individuals, and empirical testing. Within political science, there are two strains of this type, which often overlap. One strain focuses on deductive aspects and is known as “positive political economy” or “formal modeling.” In our department, you might include Ken Shepsle, Maggie Penn, and John Patty in this category. The other strain puts emphasis on empirical testing. Michael Hiscox and Jim Alt are two examples of political economists of this type in our department. Both strains of work are often referred to as “rational choice” approaches.

The other use of the term “political economy” primarily refers not to the method of research but to its subject. These political economists study the interaction of political and economic themes - the influence of political processes on economic policy, or the influence of economic factors on political outcomes. Defined as such, “political economy” could use almost any methodology, including rational choice or historical narrative. Political economy of this stripe goes by titles that depend on the subfield of political science: Comparative Po-

²Founded a long time ago - couldn't get the exact date.

³See Michael Perelman, “Review of *What is Political Economy? Eight Perspectives*” in *Journal of Economic Literature*, Vol. 23, No. 4, Dec. 1985, pp. 1789-1790.

litical Economy (in comparative politics), International Political Economy (in international relations), and (I guess) Political Economy (in American politics). Faculty in our department whose work falls under this heading include Jeff Frieden, Jim Robinson, and Peter Hall (as well as Alt, Hiscox, and Penn, mentioned above, and many others).

It is important to stress that people who work on Political Economy as a substantive area follow quite different methodologies. Jim Robinson's work uses the standard empirical strategies of economics (formal, mathematical models, rigorous empirical testing). Indeed many people (including Jim Robinson) would consider him an economist. Peter Hall's work extensively uses narrative and small-n case studies.

It is often difficult to tell which sense of "political economy" is intended, but consider the following examples:

- The political economy of China
- The political economy of regulation

The first case must mean "the interaction of political and economic factors in China." In the second, since the subject matter is clear (regulation), we can conclude that "political economy" signals that the methodology will involve rational choice, or at least something vaguely economic. I think "the political economy of China" is reasonably descriptive of its subject matter, but it is such a broad idea that it is really only appropriate for course titles. Anything smaller (even a book title or the description of a research agenda) would usually need to be more specific about what in particular you are talking about.

"The political economy of regulation" gives a more precise idea of what we are in for, and it is a usage that seems to be converging between economics and political science. I must admit that there is a jingoistic part of me that wishes we could call it "the political science of regulation," just as many economists might still call their analysis of regulatory politics "the economics of regulation."⁴ After all, the methodologies to which "political economy" here

⁴This, incidentally, is partly the reason why the economics course catalog, as I mentioned above, uses the

refers have become a well-established part of the discipline. Why do we have to continue to demonstrate our subservience to the economics gods? The answer, of course, is that “political science” is even less precise a term than “political economy.” There is no unified political science methodology.⁵ Saying “the political economy of X ” at least allows us to make clear that we are likely to use a model and present some statistics. But I can still dream of the future day when political scientists in political economy will confidently write papers called “the political science of X ” instead.

3 Who does the best political economy research?

“Political economy” is thus a term used in several overlapping ways across two disciplines.⁶ In this section, I will focus on the part of the field to which Harvard political scientists are most heavily exposed, which is the part that overlaps the most with economics. As someone trying to work in this part of the field, I often wonder what political science contributes. Do economists simply do it better? Where does political science have a comparative advantage?

3.1 Who would win the Nobel Prize in political economy?

Imagine that a Nobel Prize were created in the field of political economy. Who would be the first ten or so winners? I venture a guess that most if not all of the first winners would be economists. Indeed, many political economists have already won the Nobel Prize in Economics.⁷ For the sake of discussion, here is my rank ordering of who might win the

phrase “political economy” so much less than our department. They use the construction “the economics of X ” for an astounding variety of X : information, family, religion, crime, national security, e-commerce, organizations, education, and riots each has an economics.

⁵Don’t tell Gary King, author of *Unifying Political Methodology*.

⁶Probably more, including sociology.

⁷Actually, they won the “Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel,” which is technically not a Nobel Prize. From wikipedia: “The Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel, sometimes referred [*sic*] to as the Nobel prize in economics, was not a part of Nobel’s will. It was instituted in 1969 by Sveriges Riksbank, the Bank of Sweden. Since this prize has no foundation in Nobel’s will, and is not paid by his money, it is technically not a Nobel Prize (and the present Nobel family does not accept it as such). It is however awarded together with the other Nobel prizes.” Wikipedia.org, Nobel Prize.

Political Economy Nobel:

1. Kenneth Arrow (won Nobel in 1973), social choice
2. John Nash (1994), game theory
3. James Buchanan (1986), public choice
4. Douglass North (1993), institutions
5. Mancur Olson, collective action
6. Gary Becker (1992), interest groups
7. George Stigler (1982) and Sam Peltzmann, regulation
8. William Nordhaus, political business cycle
9. *William Riker*, positive political economy,
10. *Kenneth Shepsle*, structure induced equilibrium
11. William A. Niskanen, bureaucracy
12. Amartya Sen (1998), social choice and development
13. *Robert Axelrod*, evolution of cooperation
14. *Elinor Ostrom*, governing the commons

The italicized people are the ones who were trained as political scientists.

Again, for the sake of discussion, I would venture that the following are the political economists active now whose work attracts the most attention (all are economists):

- Alberto Alesina
- Torsten Persson and Guido Tabellini

- Daron Acemoglu and James Robinson

I admit that I am hugely underqualified to draw up these lists. In particular, I am probably missing a lot of important work done by political scientists, since I probably know the economics literature better. But I think there would be broad agreement that the economists listed here have contributed some of the most important ideas in political economy, and I don't believe economists could win less than 70% of the prizes awarded.

3.2 Some “empirical” results

If both political scientists and economists produce research in political economy, whose work gets assigned on syllabi in courses on political economy? As befits the rigorous empirical orientation of comparative political economists, I conducted a large- n ($n = 2$) study of reading lists. In order to allow for the possibility that political scientists and economists might assign different material, I examined the syllabus from one class taught by political scientists (Shepsle and Frieden's “Political Institutions and Economic Policy,” taught Spring 2005 at Harvard University) and one class taught by economists (Torsten Persson, David Stromberg, and Nicola Gennaioli's “Political Economics II” taught spring 2005 at Stockholm Graduate Program in Economics). The results, presented in Table 1, indicate that economists dominate (though to a lesser extent than I expected) reading lists in political economy.

Table 1: Number of papers written by economists and political scientists included on syllabi in two political economy courses, spring 2005

	Shepsle/Frieden	Persson et al
Papers by economists	22	21
Papers by political scientists	17	14

This study of reading lists is, of course, horribly imprecise. Even if we ignore more qualitatively-oriented segments of the field (as I have here), these are not definitive classes on political economy, and indeed there is no such class. We would want a somewhat larger number of reading lists before we could reliably draw even preliminary conclusions.

4 What does any of this mean for political scientists?

My own view

What's the point? The point is *not*, I believe, that we are in a lesser field, or that we should defer to economists on all things political-economic. Far from it. I think that in making choices about our own educations and research agendas as political scientists, it is important to think of the somewhat overwhelming contributions of the field of economics to our field as an opportunity. In particular:

- In choosing classes to take and seminars to go to, look for opportunities to learn from the best work in economics.
- In doing our own research, steal mercilessly from that work.
- In crafting a research agenda, look for ways to play to the strengths of political science, some of which I take to be the following:
 - *Knowledge of actual institutions and the details of how they work.* Economics grad students spend their summers in Cambridge. We spend our summers in the field.
 - *Formal models that incorporate the details of how institutions work* (e.g. agenda-setting power)
 - *More outlets for qualitative research.* Even if your goal is a formal model with nice looking first order conditions, starting your research with lots of qualitative work seems to be smart. In our discipline, we can publish that stuff.
 - In our department at least, we have *outstanding resources and classes for learning how to do empirical work.* Our methodologists have an approach to empirical work that is more statistically grounded than that of many econometricians. Econometric approaches are often designed to incorporate elaborate assumptions about

economic behavior, an approach which apparently makes a lot of statisticians queasy.

Many of us heard Jim Alt say in the orientation lunch last week that things for political scientists working in political economy are better than ever before. One reason for the improved conditions is that the economics establishment, including policymakers and the International Financial Institutions (World Bank, IMF, etc.), seems to care more about the quality of political institutions. As recently as the 1980's, economists interested in development and economic growth largely subscribed to what has been called the "optimal policy approach," the technocratic view that good economic policy will lead straightforwardly to economic growth.⁸ In the 1990s, with turns toward the market and representative democracy in many regions around the world, economists saw their optimal policies put to work in many new situations with underwhelming results. Asked to comment on the lessons of the 1990s, our own President Summers, who spent much of the 1990s observing these events from the US Treasury Department, emphasized the connection between political institutions and the implementation of economic policy:

(An) overwhelming lesson that I think we have learned in the 1990s, is . . . the transcendent importance of the quality of institutions and the closely-related questions of the efficacy of political administration. Well-executed policies that are 30 degrees off are much more effective than poorly-executed policies that are spot on.

The result has been an increasing demand for the wares that political scientists in general, and (arguably) political economists in particular, have had to sell. Unfortunately for political science (and, in some cases, for everyone involved), much of this demand has been satisfied by political economists within economics. But the fact remains that there is a relatively new demand coming from outside of the discipline for politically-rich political economy research.

⁸A good analysis of this appears in Timothy Besley, "The New Political Economy," unpublished Keynes lecture, November 8, 2004.

Who knows how much longer it will last. For the meantime, anyway, I think it means more opportunities for us, and we should take them.