

# Firms in (International) Political Economy

## Political Science GR8892

Spring 2024

Tuesday, 6:10 - 8:00pm, IAB 711

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Office hours: Tuesday, 10am-12pm\*

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\*or by appointment

## Course Description

Inspired both by advances in data availability and a growing scholarly appreciation for the political influence of the private sector, firm-level theories and research designs have grown increasingly popular among political economy scholars in recent years. While studying firms allows for the generation of new insights across a broad array of substantive topics, it carries with it several unique conceptual and empirical challenges. For example, how should we conceive of firms as political actors, given their organizational structures? What are firms' policy preferences? How do they influence politics, and how can we measure their impact?

In this course we will review political economy research that centers the firm as the actor of interest; particular focus will be given to recently published work that is innovative in terms of methodology, measurement, and/or data collection. While we will focus primarily on *international* political economy applications—for example, firm-level studies of trade, investment, and commercial diplomacy—we will also cover less inherently international topics such as lobbying, environmental politics, and private governance/corporate social responsibility. In addition to providing preparation for the IR field exam, this course aims to give students the tools to conduct state-of-the-art political economy research at the firm level.

## Learning Goals

Through taking this course, students will:

- become familiar with cutting edge political economy research on firms, including theories, datasets, and research designs that can inform their own research;
- become more careful, critical, and constructive consumers of social science research;
- become better prepared to take the IR field exam.

# Assignments and Grading

## 1. Participation [20%]

As a primarily discussion-based course, it really is crucial that all students actively engage with the readings and with each other. For this course, active engagement means:

- Attending class each week, having completed the assigned readings. I **strongly** encourage you to take careful notes on each of the week's readings, both as a reference for class discussion and as a resource for field exam preparation.<sup>1</sup>
- Participating in discussion, contributing careful and critical analysis of the assigned readings, responding (constructively) to comments made by your colleagues.
- Being willing to “go beyond” the readings, proposing extensions of past work, or new creative uses for existing data/research designs, or meta-points that tie together multiple readings/literatures.

Some of the assigned readings use formal theory and/or sophisticated quantitative methods and research designs. It is ok if you are unfamiliar with these, but it's important that you still engage with each reading and come to class prepared to discuss it. A useful strategy is to figure out the *assumptions* underlying an unfamiliar model/estimator/identification strategy, and ask yourself whether they are likely to be plausible in the given setting. You are welcome (and, in fact, encouraged) to work through challenging papers with your colleagues.

## 2. Response memos and leading discussion [20%]

During the first week of class, each student will sign up for **two** course meetings for which they'd like to write a response memo and lead the class discussion. To ensure we have full coverage, each week will be capped at two discussion leaders; I encourage you to sign up early if you have a strong preference for a specific week.

**Response memos** should be approximately 2-3 pages in length and should open with a brief introductory paragraph (1-2 sentences) that describes the theme of the week's readings in your own words. They should attempt to speak to the week's readings collectively, or at least to factors that are shared by multiple readings, rather than focusing on a single article. Beyond that, the content is up to you; the only guideline is that, as discussed above, you “go beyond” the readings. Here are some suggestions for response memo topics, to which you are by no means limited:

- The readings all seem to discuss X important concept as if it means Y, but I think that in many cases it's better understood as Z. Here's why, and here's what we stand to gain by thinking about it in this way instead.

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<sup>1</sup>Free-to-download reference management software such as [Zotero](#) (which I really hope you are using!) often has built-in note-taking functionality.

- The readings all operationalize Concept A using Measures B and C, neither of which fully capture what we mean when we talk about Concept A. Here’s why, and here are some concrete suggestions for alternative operationalizations and discussion of their benefits and limitations.
- The theoretical framework/research design/data source that was used in this week’s readings could be fruitfully applied to this other topic/setting/data as well. Here’s why, and here’s a sketch of what that paper might look like.

⇒ **Response memos are due by 8:00am on the day that you are scheduled to lead discussion.**

**Discussion leaders** will be asked to give a brief overview (2-3 minutes, no slides) of the week’s readings—focusing more on connections between papers, common themes/research designs/etc, than on describing individual papers—at the start of class, with the intention of setting an agenda for further discussion. Students assigned to lead discussion for the same course meeting should coordinate beforehand to avoid redundancy.

Discussion leaders will also be asked to prepare a few discussion questions regarding the readings to pose to the class in the event that the conversation wanes and needs to be re-energized. Though I do not expect that this will necessarily happen every class, I reserve the right to call on discussion leaders to ask a question at any time.

### 3. **Mock peer review [10%]**

At some point during the semester, students must choose **one** article for which to write a mock peer review. Students will pretend that they’ve been sent (an anonymized version of) the chosen article to review for a journal, and will write a review of the article under the pretense that they do not know the identity of the author and do not know that the paper has already been published.<sup>2</sup>

Peer reviews should be between 1.5-2 single-spaced pages. They should open with a paragraph that summarizes the key points of the article (research question, theory, empirical setting, research design, findings). The second paragraph should summarize the content of the review: what the reviewer liked, the reviewer’s main issues with the paper, and the recommendation for the editor (reject, revise & resubmit, accept without revisions<sup>3</sup>). The rest of the review should consist of neatly organized critiques of the paper. It is bad form to provide a critique without justification; when possible, critiques should be accompanied by suggestions for improvement (“The data is problematic” = bad comment; “This data is problematic for X reason; I encourage the author to use this other data instead” = good comment).

⇒ **Peer reviews are due by 8:00am on the day that the article you reviewed is being discussed in class.**

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<sup>2</sup>If it has; a few of the readings are unpublished working papers, and you are free to review them.

<sup>3</sup>Those considering this option should note that these reviews are often the most difficult to write, as one must argue convincingly for the paper’s merits as well as its *lack* of serious faults.

I will upload some of the actual peer reviews that I've written to the course site—these can provide some context for what reviews look like, though you do not have to copy their format exactly.

#### 4. **Research proposal [50%]**

The primary assignment in this course, worth half of the course grade, is an original research proposal on a topic related to the course material. This should be a full-length (20-25 pages, approx) research paper with all components aside from the actual results. Students should choose a topic that aligns with their own research interests; however, all proposals must incorporate firms into their theories and research designs.

Proposals for empirical papers should contain an introduction that frames the paper and introduces the research question; a literature review that connects the paper to existing work and makes the contribution clear; a theory section, from which testable hypotheses are derived; and a research design section, describing the setting, data, and methods that could be used to test the hypotheses.

Proposals for pure theory papers, in lieu of a research design section, must actually solve for the existence of at least one theoretically interesting equilibrium and discuss its significance; proofs should be provided in an appendix. Such proposals should also discuss, but do not need to analyze, relevant extensions to the model.

⇒ **All students are required to meet with me to discuss their proposal ideas by the fourth week of class (February 7).**

⇒ **Research proposals are due by 8:00am on Wednesday, May 15.**

## Course Policies

### Academic Integrity

Please familiarize yourself with Columbia's policies on [Academic Integrity and Responsible Conduct of Research](#), all of which we will adhere to in this class. To highlight two such policies that are especially relevant to this course:

- When you reference somebody else's work, no matter how passingly, you need to cite it. If you do not, you are plagiarizing.
- Recycling text or results from your own past work without attribution, and/or submitting the same paper for multiple classes without express permission from the instructors, is also plagiarism. If you have questions or concerns about this, please note that this is a situation in which asking permission is *vastly* preferable to begging forgiveness.

## Respect and Equity in the Classroom

I am committed to creating a safe, equitable, and open environment in which all students can feel comfortable participating in discussion.

First: **absolutely no racism, sexism, homophobia, transphobia, xenophobia, religion-based discrimination, or other discriminatory behavior will be tolerated in this class.** I will call it out if I hear or see it. If you feel that I've missed something, or if I've said something that made you uncomfortable, please tell me about it. None of us is perfect, but my expectation is that we will all try our best and keep learning.

Second: as social scientists, we know that academia is plagued by systemic, *structural* inequities that manifest in a wide variety of settings. One of those settings is classroom discussion. I encourage all of you to be mindful of your own engagement—how often you are speaking, the tone and language that you use when addressing other students, whether you are interrupting others—to ensure that you are not unintentionally perpetuating these inequities.

## Accommodations

Students who require academic accommodations must make an official request with Columbia's office of [Disability Services](#). If you believe you will need accommodations at some point during the semester, I would very much appreciate it if you would inform me as soon as possible so that I can plan accordingly.

## Absences and Late Work

You do not need to notify me in the event that you will be absent for any individual class meeting. If you'll need to miss multiple classes, please meet with me to discuss accommodations. **If you miss class on a day that you were assigned to be discussion leader,** you will need to write one additional response memo as a substitute.

I will not accept response memos or mock peer reviews that are submitted after the course meeting in which the relevant reading(s) are discussed; I want these assignments to reflect your own reactions to the readings, not those of your colleagues. If you miss a deadline, you'll need to write another response memo/peer review for a future week instead.

Finally, late research proposals will not be accepted. If you realize that you will not be able to finish your proposal by the end of the semester, please come talk to me and we can arrange for you to receive an Incomplete and finish the course next semester. To avoid getting to this point, though, please stay in touch with me about your progress throughout the semester.

## Readings and Schedule

Each week's readings are separated into two groups: first, the **required** readings, which are the readings we will discuss in class and which will be the subjects of your response memos and peer reviews. Second, the **suggested further** readings, which—while we will not discuss them in class—offer more depth to interested parties and can serve as a resource for exam preparation. Required readings will be uploaded to CourseWorks; suggested readings can be found through the [library website](#). **Please note** that I have bolded the titles of readings that are particularly challenging; you may want to budget extra time to work through them.

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### Week 1 (Jan. 17): What are firms? And why do they exist?

#### Required:

- Freeman, R. Edward, and David L. Reed. 1983. "Stockholders and Stakeholders: A New Perspective on Corporate Governance." *California Management Review* 25(3): 88-106.
- Hart, Oliver. 1989. "An Economist's Perspective on the Theory of the Firm." *Columbia Law Review* 89(7): 1757-1774.
- Zingales, Luigi. 2017. "Towards a Political Theory of the Firm." *Journal of Economic Perspectives* 31(3): 113-130.

#### Suggested further reading:

- Coase, R.H. 1937. "The Nature of the Firm." *Economica* 4(16): 386-405.
- Jensen, Michael C., and William H. Meckling. 1976. "Theory of the firm: Managerial behavior, agency costs and ownership structure." *Journal of Financial Economics* 3(4): 305-360.

### Week 2 (Jan. 24): Lobbying I — Foundations

#### Required:

- Bertrand, Marianne, Matilde Bombardini, and Francesco Trebbi. 2014. "**Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process.**" *American Economic Review* 104(12): 3885-3920.
- Hall, Richard L., and Alan V. Deardorff. 2006. "Lobbying as a Legislative Subsidy." *American Political Science Review* 100(1): 69-84.
- Hirsch, Alexander V., Karam Kang, B. Pablo Montagnes, and Hye Young You. Forthcoming. "Lobbyists as Gatekeepers: Theory and Evidence." *Journal of Politics*: 1-35.

- Kerr, William R., William F. Lincoln, and Prachi Mishra. 2014. “The Dynamics of Firm Lobbying.” *American Economic Journal: Economic Policy* 6(4): 343-379.
- Liao, Steven. Forthcoming. “The Effect of Firm Lobbying on High-Skilled Visa Adjudication.” *Journal of Politics*: 1-35.

**Suggested further reading:**

- Grossman, Gene M., and Elhanan Helpman. 1994. “Protection for Sale.” *American Economic Review* 84(4): 833-850.

**Week 3 (Jan. 31): Lobbying II — Frontiers**

**Required:**

- Ansolabehere, Stephen, John M. de Figueiredo, and James M. Snyder Jr. 2003. “Why Is There So Little Money in U.S. Politics?” *Journal of Economic Perspectives* 17(1): 105-130.
- Bertrand, Marianne, Matilde Bombardini, Raymond Fisman, and Francesco Trebbi. 2020. “**Tax-Exempt Lobbying: Corporate Philanthropy as a Tool for Political Influence.**” *American Economic Review* 110(7): 2065-2102.
- Brutger, Ryan. Forthcoming. “Litigation for Sale: Private Firms and WTO Dispute Escalation.” *American Political Science Review*: 1-35.
- Fowler, Anthony, Haritz Garro, and Jörg L. Spenkuch. 2020. “Quid Pro Quo? Corporate Returns to Campaign Contributions.” *Journal of Politics* 82(3): 844-858.
- Perlman, Rebecca L. 2020. “For Safety or Profit? How Science Serves the Strategic Interests of Private Actors.” *American Journal of Political Science* 64(2): 293-308.

**Suggested further reading:**

- Kim, In Song, Jan Stuckatz, and Lukas Wolters. 2022. “[Strategic and Sequential Links between Campaign Donations and Lobbying.](#)” Working Paper: 1-41.

**Week 4 (Feb. 07): Businesspeople in politics, politicians in business**

**Required:**

- Egerod, Benjamin C. K. 2022. “The lure of the private sector: career prospects affect selection out of Congress.” *Political Science Research and Methods* 10(4): 722-738.
- Kirkland, Patricia A. 2021. “Business Owners and Executives as Politicians: The Effect on Public Policy.” *Journal of Politics* (83)4: 1652-1658.
- Palmer, Maxwell, and Benjamin Schneer. 2016. “Capitol Gains: The Returns to Elected Office from Corporate Board Directorships.” *Journal of Politics* 78(1): 181-196.

- Szakonyi, David. 2018. “Businesspeople in Elected Office: Identifying Private Benefits from Firm-Level Returns.” *American Political Science Review* 112(2): 322-338.

**Suggested further reading:**

- Shepherd, Michael E., and Hye Young You. 2020. “Exit Strategy: Career Concerns and Revolving Doors in Congress.” *American Political Science Review* 114(1): 270-284.
- Szakonyi, David. 2021. “Private Sector Policy Making: Business Background and Politicians’ Behavior in Office.” *Journal of Politics* 83(1): 260-276.

**Week 5 (Feb. 14): Politics within the firm**

**Required:**

- Autor, David, David Dorn, Lawrence F. Katz, Christina Patterson, and John Van Reenen. 2020. “**The Fall of the Labor Share and the Rise of Superstar Firms.**” *Quarterly Journal of Economics* 135(2): 645-709.
- Hertel-Fernandez, Alexander. 2017. “American Employers as Political Machines.” *Journal of Politics* 79(1): 105-117.
- Mazumder, Shom, and Alan Yan. Forthcoming. “What Do Americans Want From (Private) Government? Experimental Evidence Demonstrates that Americans Want Workplace Democracy.” *American Political Science Review*: 1-33.
- Redeker, Nils. 2022. “The Politics of Stashing Wealth: The Decline of Labor Power and the Global Rise in Corporate Savings.” *Journal of Politics* 84(2): 975-991.
- Stuckatz, Jan. 2022. “How the Workplace Affects Employee Political Contributions.” *American Political Science Review* 116(1): 54-69.

**Suggested further reading:**

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**Week 6 (Feb. 21): Trade**

**Required:**

- Baccini, Leonardo, Pablo M. Pinto, and Stephen Weymouth. 2017. “The Distributional Consequences of Preferential Trade Liberalization: Firm-Level Evidence.” *International Organization* 71(2): 373-395.
- Kim, In Song. 2017. “Political Cleavages within Industry: Firm-level Lobbying for Trade Liberalization.” *American Political Science Review* 111(1): 1-20.



- Lee, Haillie Na-Kyung, and Yu-Ming Liou. 2022. “Where You Work is Where You Stand: A Firm-Based Framework for Understanding Trade Opinion.” *International Organization* 76(3): 713-740.
- Malesky, Edmund, and Layna Mosley. 2018. “Chains of Love? Global Production and the Firm-Level Diffusion of Labor Standards.” *American Journal of Political Science* 62(3): 712-728.
- Osgood, Iain. 2018. “Globalizing the Supply Chain: Firm and Industrial Support for US Trade Agreements.” *International Organization* 72(2): 455-484.

**Suggested further reading:**

- Méndez, Esteban, and Diana Van Patten. 2022. “[Voting on a Trade Agreement: Firm Networks and Attitudes Toward Openness.](#)” Working Paper: 1-45.

**Week 7 (Feb. 28): Commercial diplomacy and economic statecraft**

**Required:**

- Berger, Daniel, William Easterly, Nathan Nunn, and Shanker Satyanath. 2013. “Commercial Imperialism? Political Influence and Trade During the Cold War.” *American Economic Review* 103(2): 863-896.
- Draca, Mirko, Jason Garred, Leanne Stickland, and Nele Warrinnier. 2023. “On Target? Sanctions and the Economic Interests of Elite Policymakers in Iran.” *The Economic Journal* 133(1): 159-200.
- Dube, Arindrajit, Ethan Kaplan, and Suresh Naidu. 2011. “Coups, Corporations, and Classified Information.” *Quarterly Journal of Economics* 126(3): 1375-1409.
- Gertz, Geoffrey. 2018. “Commercial Diplomacy and Political Risk.” *International Studies Quarterly* 62(1): 94-107.
- Thrall, Calvin. 2023. “Informational Lobbying and Commercial Diplomacy.” Working Paper: 1-41.

**Suggested further reading:**

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**Week 8 (Mar. 06): FDI I — Entry and risk**

**Required:**

- Beazer, Quintin H., and Daniel J. Blake. 2018. “The Conditional Nature of Political Risk: How Home Institutions Influence the Location of Foreign Direct Investment.” *American Journal of Political Science* 62(2): 470-485.

- Hassan, Tarek A., Stephan Hollander, Laurence van Lent, and Ahmed Tahoun. 2019. “**Firm-Level Political Risk: Measurement and Effects.**” *Quarterly Journal of Economics* 134(4): 2135-2202.

– Please note that this paper is **65 pages long**.

- Johns, Leslie, and Rachel L. Wellhausen. 2016. “Under One Roof: Supply Chains and the Protection of Foreign Investment.” *American Political Science Review* 110(1): 31-51.

**Suggested further reading:**

- Reurink, Arjan, and Javier Garcia-Bernardo. 2021. “Competing for capitals: the great fragmentation of the firm and varieties of FDI attraction profiles in the European Union.” *Review of International Political Economy* 28(5): 1274-1307.

..... **March 13: Spring Break** .....

**Week 9 (Mar. 20): FDI II — Host state effects and relations (?)**

**Required:**

- Christensen, Darin. 2019. “Concession Stands: How Mining Investments Incite Protest in Africa.” *International Organization* 73(1): 65-101.
- Kim, In Song, Steven Liao, and Sayumi Miyano. 2023. “[Why FDI and Trade Politics Should Be Studied Together.](#)” Working Paper: 1-37.
- Malesky, Edmund J., Dimitar D. Gueorguiev, and Nathan M. Jensen. 2015. “Monopoly Money: Foreign Investment and Bribery in Vietnam.” *American Journal of Political Science* 59(2): 419-439.
- Owen, Erica. 2019. “Foreign Direct Investment and Elections: The Impact of Greenfield FDI on Incumbent Party Reelection in Brazil.” *Comparative Political Studies* 52(4): 613-645.

**Suggested further reading:**

- Jensen, Nathan M., and Edmund J. Malesky. 2018. “Nonstate Actors and Compliance with International Agreements: An Empirical Analysis of the OECD Anti-Bribery Convention.” *International Organization* 72(1): 33-69.

**Week 10 (Mar. 27): Taxation**

**Required:**

- Chen, Ling, and Florian M. Hollenbach. 2022. “Capital Mobility and Taxation: State-Business Collusion in China.” *International Studies Quarterly* 66(1): 1-14.

- Egerod, Benjamin C.K. Forthcoming. “The Revolving Door and Regulatory Enforcement: Firm-level Evidence on Tax Rates and Tax Audits.” *Journal of Politics*: 1-41.
- Pond, Amy, and Christina Zafeiridou. 2020. “The Political Importance of Financial Performance.” *American Journal of Political Science* 64(1): 152-168.
- Slattery, Cailin. 2023. “The Political Economy of Subsidy-Giving.” Working Paper: 1-62.

**Suggested further reading:**

- Jensen, Nathan M., and Edmund J. Malesky. 2018. *Incentives to Pander: How Politicians use Corporate Welfare for Political Gain*. Cambridge University Press.
- Slattery, Cailin, and Owen Zidar. 2020. “Evaluating State and Local Business Incentives.” *Journal of Economic Perspectives* 34(2): 90-118.

**Week 11 (Apr. 03): Shell companies and the offshore world**

**Required:**

- Andersen, Jørgen Juel, Niels Johannesen, and Bob Rijkers. 2022. “Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts.” *Journal of Political Economy* 130(2): 388-425.
- Earle, John S., Solomiya Shpak, Anton Shirikov, and Scott Gehlbach. 2022. “The Oligarch Vanishes: Defensive Ownership, Property Rights, and Political Connections.” *Quarterly Journal of Political Science* 17(4): 513-546.
- Findley, Michael, Daniel Nielson, and Jason Sharman. Forthcoming. “Banking Bad: A Global Field Experiment on Risk, Reward, and Regulation.” *American Journal of Political Science*.
- Kalyanpur, Nikhil, and Calvin Thrall. 2023. “Exporting Capital, Importing Law.” Working Paper: 1-41.

**Suggested further reading:**

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**Week 12 (Apr. 10): Environmental politics**

**Required:**

- Cory, Jared, Michael Lerner, and Iain Osgood. 2021. “Supply Chain Linkages and the Extended Carbon Coalition.” *American Journal of Political Science* 65(1): 69-87.
- Green, Jessica, Jennifer Hadden, Thomas Hale, and Paasha Mahdavi. 2022. “Transition, hedge, or resist? Understanding political and economic behavior toward decarbonization in the oil and gas industry.” *Review of International Political Economy* 29(6): 2036-2063.

- Kennard, Amanda. 2020. “The Enemy of My Enemy: When Firms Support Climate Change Regulation.” *International Organization* 74(2): 187-221.
- Lerner, Michael, and Iain Osgood. Forthcoming. “Across the Boards: Explaining Firm Support for Climate Policy.” *British Journal of Political Science*: 1-24.

**Suggested further reading:**

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## **Week 13 (Apr. 17): Corporate social responsibility**

**Required:**

- Distelhorst, Greg, and Richard M. Locke. 2018. “Does Compliance Pay? Social Standards and Firm-Level Trade.” *American Journal of Political Science* 62(3): 695-711.
- Frye, Timothy. 2006. “Original Sin, Good Works, and Property Rights in Russia.” *World Politics* 58(3): 479-504.
- Malhotra, Neil, Benoît Monin, and Michael Tomz. 2019. “Does Private Regulation Preempt Public Regulation?” *American Political Science Review* 113(1): 19-37.
- Thrall, Calvin. 2021. “Public-Private Governance Initiatives and Corporate Responses to Stakeholder Complaints.” *International Organization* 75(3): 803-836.

**Suggested further reading:**

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## **Week 14 (Apr. 24): Business and nondemocratic politics**

**Required:**

- Betz, Timm, and Amy Pond. 2023. “Politically Connected Owners.” *Comparative Political Studies* 56(4): 561-595.
- Chen, Frederick R., and Jian Xu. 2023. “Partners with Benefits: When Multinational Corporations Succeed in Authoritarian Courts.” *International Organization* 77(1): 144-178.
- Frye, Timothy, Ora John Reuter, and David Szakonyi. 2014. “Political Machines at Work: Voter Mobilization and Electoral Subversion in the Workplace.” *World Politics* 66(2): 195-228.
- Ling, Chen, and Hao Zhang. 2021. “Strategic Authoritarianism: The Political Cycles and Selectivity of China’s Tax-Break Policy.” *American Journal of Political Science* 65(4): 845-861.

**Suggested further reading:**

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