

INTRODUCTION

**The American Political Economy: A Framework
and Agenda for Research**

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The COVID-19 pandemic that struck the United States in early 2020 amplified already-stark economic and political divisions and revealed a nation unprepared to launch an immediate public health and economic response. Whether it was the fragmentation of the American federal system, the glaring racial and class disparities in economic and health outcomes, or the weaknesses of America's tattered safety net, the crisis brought America's distinctive mix of multi-venue governance, limited social protections, weak labor power, and loosely regulated markets prominently – and often tragically – into display.

This book is about that distinctive US political-economic mix: its sources, its dynamics, its consequences, and its contemporary evolution. The contributors work within an emerging field that we call “American Political Economy” (APE). In particular, they seek to understand the interaction of markets and government in America's increasingly unequal and polarized polity. This agenda holds extraordinary promise, both for understanding the dramatic transformation of America's distinctive political economy over recent decades and for reorienting political science in productive directions. As we explore in the Epilogue to this volume, the COVID-19 crisis provides but one window – albeit a particularly revealing one – on features of the US political system that current approaches to studying American politics too often miss.

In recent years, these features have become the focus of a growing number of scholars of American politics, as well as comparative scholars who include the United States in their analyses. Their pioneering work is referenced and showcased throughout this volume. Yet there remains

a large gap between what we know and what we need to know about the American political economy. This book seeks to narrow that gap.

In this introductory chapter, we lay out the foundations for our effort. First, we clarify what we mean by “American political economy” – which we see as both an important field of inquiry and a broad approach to understanding how economic and political phenomena are linked in affluent democracies like the United States. To do so, we draw on and extend the vibrant research program in Comparative Political Economy (CPE). The approach we advocate emphasizes that politics is a developmental process in which outcomes, institutions, and power relations are forged through long-term conflicts within and across multiple institutional venues. Crucially, these conflicts have spatial as well as distributional and temporal dimensions – that is, they involve divisions between places and across geographic boundaries as well as among people and groups over time. Though the spatial dimensions of political economy are important everywhere, America’s federal structure of governance and territorially based elections foster particularly high-stakes battles over “who gets what, when, how, *where*.”

Although our approach is inspired by CPE, our goal is to develop a field of *American* political economy – a field with strong ties to CPE but a disciplinary home in the study of American politics. With some notable exceptions (e.g., Beramendi 2012; Iversen and Soskice 2019; Kenworthy and Pontusson 2005; Martin 1991; Martin 2000; Martin and Swank 2012; Wiedemann 2021), CPE does not focus much on the key features that make the American political economy so distinctive. Far more problematic, many students of American politics pay strikingly little attention to these features. The result is that highly distinctive and hugely consequential aspects of the American political economy are too often neglected or taken for granted by the enormous community of scholars studying the US polity.

In the next section of the chapter, we turn to what we see as the three most important of these distinctive features. First, an unusual “Tudor polity” featuring divided power, an outsized role for the courts, and an emphasis on local self-rule (Huntington 1968) limits many policy capacities of national authorities while encouraging territorially grounded contestation within and among subnational governments. Such contestation hinders the broad provision of public goods and deeply affects the distribution of advantage and disadvantage within the American political economy.

Second, these long-term conflicts feature a distinctive form of interplay among organized interests. The nation’s peculiar institutional terrain advantages political actors with the capacity to work across multiple venues, over extended periods, and in a political environment where coordinated

government action is difficult and strategies of evasion and exit from regulatory constraints are often successful. These capacities are characteristic of organized groups, not individual voters. Moreover, organized groups not only seek to influence governance directly. They also seek to shape how and whether political parties respond to voters, and they have vital resources that parties and politicians want. Accordingly, despite frequent elections and the valorization of representative government, voter influence in American politics is highly mediated and conditional. When voters matter, how they are mobilized, and what they are mobilized for – all are powerfully shaped by the long-term strategies of organized economic interests. Of particular importance, we argue, is the “issue bundling” (Rodden 2018) that parties engage in within America’s two-party system – the appeals, policies, and identities they highlight and those they do not – as they try to balance their need to attract voters with their desire to maintain support among key organized interests.

Third, centuries of racial oppression and division have deeply shaped the contours of the American political economy. Long-established structures of public policy and social organization both reflect and reinforce those embedded racial inequalities. In turn, this entrenched order has profound effects not just on voter attitudes, but on the basic structure of the economy, on contending interests and their policy preferences and strategies, on the formation and goals of party-group coalitions, and on the ways in which these coalitions are advantaged or disadvantaged by America’s distinctive institutions.

A focus on these three key features of the American political economy – multi-venue governance, distinctive interest organization, and systemic racial division – can be used to address questions at the heart of contemporary politics and governance. Indeed, a crucial goal of this volume is to show that fundamental questions about politics in the United States – fundamental in that they concern dynamics that profoundly affect citizens, durably impact society, and powerfully illuminate how democratic institutions work in market societies – cannot be answered convincingly without attention to the core topics and interactions just discussed.

Thus, in the latter part of the chapter, we take up three such questions that our framework helps answer, drawing on the other chapters in the volume as we do so. First, why has the organized business community in the United States simultaneously narrowed its goals and increased its power over the past generation? Second, why has the mainstream conservative party in the United States – to a degree unrivaled within the world of advanced democracies – embraced a program of ethno-nationalist politics, antidemocratic measures,

inegalitarian priorities, and state dismantling? Third, why does America's early lead in the development of a postindustrial knowledge economy based on urban density and digital technology appear to be increasingly threatened? In answering these questions, we highlight the analytic benefits of our framework for the study of American politics as well as for CPE, especially when compared with bodies of research that focus largely or exclusively on voter opinion and electoral behavior.

Finally, we close the chapter by briefly drawing out what we see as the most important payoffs of a new field committed to the study of American political economy. These payoffs include a greatly improved understanding of the relationship between economic and political inequality, a deeper appreciation of how multi-venue institutional dynamics shape the distribution of political power, and a more sophisticated conception of the key role of geography in political-economic conflict. Above all, we argue that a field of APE can foster a stronger social scientific approach to vital substantive topics, from America's halting efforts to tackle climate change to the US response to a global pandemic – topics of deep concern not just to students of American politics, but to citizens and policymakers as well.

WHY A FIELD OF “AMERICAN POLITICAL ECONOMY”?

Political economy has multiple meanings in the social sciences. For our purposes, the term refers to *the study of how economic and political systems are linked*. As a field of inquiry, political economy is premised on the idea – amply borne out by research in the field – that these linkages are very strong and very important. Political interventions deeply influence the shape of the economy. In turn, the distribution of economic resources, patterns of economic activity, and the incentives that those distributions and patterns create profoundly influence the shape of politics. The field of political economy investigates these linkages to strengthen our understanding of processes of political and economic development that have far-reaching effects on people's lives.

THE GAINS FROM COMPARATIVE POLITICAL ECONOMY

The study of political economy within political science has been markedly uneven.¹ The main places where research on contemporary political

¹ By contrast, the related field of sociology features a strong strand of scholarship in economic sociology (including important work by Frank Dobbin, Neil Fligstein, Greta

economies has flourished are in the subfields of international relations (which has a longstanding and vibrant research program in International Political Economy—IPE), and in the subfield of comparative politics, where it operates under the banner of Comparative Political Economy. The IPE and CPE research communities both have much to offer students of American politics. IPE, for instance, has produced a rich literature on how American political dynamics and economic development are linked to the United States' status as a global hegemon, and we take on board IPE's basic insight that the American political economy is distinctive because of its central role in the global economy. Nonetheless, it is the latter research community, CPE, that provides the primary intellectual inspiration for this project.

CPE grew out of a fundamental realization: national variants of capitalist democracies, even those with similar levels of income and productivity, exhibit striking variation along important dimensions, from inequality to unionization to corporate organization to women's economic empowerment. Despite competition and cooperation among these national systems, these differences have been very durable (Hall and Soskice 2001). National systems change over time, often dramatically. But their distinctiveness on fundamental dimensions remains apparent.

Crucial to progress in CPE has been the recognition that politics is a central source of these durable differences. In contrast to dominant perspectives that emphasize the naturalness and homogeneity of what we casually call "markets," CPE has emphasized that markets inevitably involve substantial governance (Vogel 2018). All modern economies provide a range of public goods (e.g., infrastructure, research and development, public health, and education). To different degrees, they also all protect against damaging externalities (e.g., pollution, congestion, consumer injury, and systemic financial crises). All provide citizens with at least some basic safeguards against economic risks (e.g., poverty, old age, unemployment, and disability). And all shape the organization and strategies of key market actors (e.g., through regulations governing union formation, capital markets, and the internal governance of corporations).

The question, CPE has shown, is not *whether* governments become deeply involved in the economy. Rather, it is the *form* of that involvement.

Krippner, and Monica Prasad, among many others). Likewise, an emerging field of "law and political economy" is making signal contributions in this area (e.g., work by David Grewal, Sabeel Rahman, Brishen Rogers, and others).

The deployment of public authority is universal within modern market economies, affecting both the structure of the “private” economy and the organization and behavior of those within it. But sustained variation in national economies indicates that there are many ways to construct markets and that different systems have very different consequences for the lives of citizens and for the particular kinds of economic activity that will flourish (Hall and Soskice 2001).

The field of comparative political economy arose to understand the political roots and effects of these enduring differences – hence, *political* economy. Since the 1970s, CPE has developed into a vibrant research program carried out by an intellectually pluralistic community of scholars. This program has produced large cumulative gains in knowledge drawing on diverse theoretical perspectives and using multiple research methods – from quantitative and qualitative analyses; to small-*n* and large-*n* cross-national comparisons; to behaviorally and institutionally focused inquiries. No academic community has contributed more to our understanding of how democracies and markets coevolve over extended periods of time.

In the process, CPE has not just highlighted enduring differences across national systems; it has also contributed to a broader understanding of politics. Because of its comparative vantage point, CPE has yielded crucial insights into how state structures, electoral and party systems, and societal cleavages are shaped by the interaction of markets and democracy. Even more important, CPE has expanded our field of vision. This literature insists that we should focus our attention “where the action is,” even if scholarly convention might direct them elsewhere. Rather than assuming that political power rests in, say, legislatures, analysts should turn their gaze toward the diverse and often understudied arenas (from courts to regulatory agencies to local administration to private coordinating institutions like firms, banks, and trade associations) where resourceful actors are actually trying to advance their interests.

The recognition that governance generates distinctive outcomes across a broad range of venues and over extended periods of time has brought to light features of politics that other analytic approaches often neglected – including, crucially, the role of organized actors with strong incentives to mobilize in ways that allow them to use or shape political and market institutions. Precisely because these patterns of governance are so consequential, powerful actors devote extensive resources to shaping them. Often, these actors, alone and in coalition, will be aligned with and operate through particular political parties.

What CPE provides, in short, is a capacious view of politics that extends the conventional focus on voters and elections to include features of the institutional terrain that produce durable patterns of economic governance – patterns that often give enduring advantages to some actors over others.

FOUNDATIONS OF OUR APPROACH

These insights animate our approach to the American political economy. Drawing on CPE, we argue that a field of APE should be centrally concerned with the ways in which *institutional configurations* shape *coalitional politics* to produce long-term *developmental processes*. Let us unpack each of these elements in turn.

The first insight that guides our approach is that political economies comprise *institutional configurations*. Political institutions – including electoral rules, the number and nature of veto points, and the allocation of authority between national and more localized government – have profound effects on the preferences, political capabilities, and strategies of relevant political actors. Analyses that take these institutional features for granted, or focus on single institutions at a time, are unlikely to capture these effects.

The second insight is that political-economic outcomes are forged within these institutions through *coalitional politics*. The realm of durable, consequential policy often privileges organized interests. While mass politics can influence what goes on in this realm, building and transforming large-scale policies requires sustained efforts by well-resourced and highly motivated organized actors, operating in interaction (and often in partnership) with other similarly institutionalized actors, especially political parties.

The third insight that animates our vision of American political economy is that coalitional politics plays out within institutional configurations through extended *developmental processes*. Policy regimes are formed and reformed through multiple rounds of contestation across multiple sites of political activity. Critical actions rarely occur simultaneously or instantaneously, and most of them have long legacies. Political economies carry their histories with them – their economic organizations, industrial structures, and social and political cleavages are all deeply influenced by previous political contestation and its consequences. In a perspective focused on *developmental processes*, then, *institutional configurations* and *coalitional politics* are mutually constitutive of each other. Institutional configurations shape coalitional dynamics, and in turn are shaped by them.

This perspective also carries with it a central message about political and economic power: it may be most consequential where it is least visible. Resourceful and long-lasting political actors prefer not to have to fight constantly for their interests; far better to embed imbalances of power in durable arrangements within the political economy, whether those be private market institutions, rules of the political game, or entrenched public policies. Powerful actors and coalitions often seek to organize governance in ways that effectively remove important issues from direct political contestation, or ensure that any consideration occurs within arenas and under constraints that favor their interests. Indeed, this kind of agenda control may well be the most significant product of sustained, effective political pressure. As E. E. Schattschneider famously put it, “Some issues are organized into politics while others are organized out” (Schattschneider 1960: 71). The fact that some matters receive limited or highly constrained attention in national legislatures or in election contests, for example, should not be taken as a sign that the matter is of marginal importance or removed from politics. It may mean quite the opposite: that powerful interests have successfully insulated preferred practices from popular or legislative challenge.

This insight is an organizing principle of this volume, and it should be an animating principle of the field we hope to foster. Many of the contributors to this volume investigate arenas and policies that are outside the field of vision of conventional studies of American politics, such as anti-trust, intellectual property, the regulation of credit, and the power of employers in labor markets. They do so not because they deem these matters vital (though they often do) but because some of the most powerful interests in the United States deem them vital, investing enormous resources, time, and organization into influencing their constitution and evolution. By looking beyond one narrow set of formal political institutions (such as legislatures) or one particular set of political actors (such as voters), these CPE-inspired scholars avoid taking the scope of economic governance as given and thus missing the power relations embedded in taken-for-granted features of markets and politics. Unfortunately, this sort of political economy has largely failed to develop as a distinct area of research within the study of American politics.

WHY POLITICAL ECONOMY IS NEGLECTED IN AMERICAN POLITICS RESEARCH

The lack of a vibrant field of APE is puzzling. Not only is the American political economy highly unusual and highly important in the world

economy, but the American politics subfield itself is vast. Never in history have so many political scientists studied a single polity. Yet most “Americanists” have defined their subject matter in relatively narrow and formalistic terms. Indeed, when students of American politics speak of “political economy,” they usually mean the use of formal modeling or economics-style research to understand politics, rather than the study of how US economic and political systems are linked. Work focusing on political economy as a vital substantive area of American political life, though growing in scope and influence, remains on the periphery of the subfield.² Instead, much of the energy of Americanists has been directed toward the study of individual political behavior: elections, public opinion, political participation, and so on. This work may concern economic sources of political behavior, but it often misses organized political action or how political behavior is shaped by America’s distinctive political and market institutions.

In part, this restricted focus reflects the odd division of labor within political science. Because Americanists almost always study American politics in isolation, they have limited incentive or leverage to examine the striking differences among rich democracies. As a result, they often take for granted highly consequential structural features of the United States, whether these are institutional peculiarities (such as first-past-the-post electoral rules, presidentialism, the distinctive role of the courts, and a highly decentralized form of federalism) or unusual characteristics of the American economy (such as low rates of unionization, a large and loosely regulated financial sector, and the weakness of encompassing employer associations).

To be sure, there is a rich tradition of research on American political institutions. Yet this work has a cabined quality that undercuts its capacity to speak to issues of political economy. When Americanists study governing institutions, they typically focus on a handful of specific formal political institutions (especially Congress) and not the many economic institutions that make up the political economy as a whole (such as firms, banks, business associations, and labor organizations). Just as significant, Americanists often study institutions in isolation from one another, rarely considering the multi-venue contestation so characteristic of the American political economy. Indeed,

² Though for important new complementary efforts, see, for instance, the new *Journal of Political Institutions and Political Economy* and recent efforts investigating local and urban political economy (Anzia forthcoming; Trounstein 2020).

even institutionally minded work is often grounded in the assumption that voters and elections are where the action really is. As a result, institutions are often cast narrowly as rules that structure dyadic relationships of representation, relationships in which electoral competition is the crucial backdrop for the actions of elected officials.

This is not to say that students of American politics have ignored issues of political economy altogether. An interest in these questions, in part motivated by cross-national observations about America's unusual trajectory, was integral to a previous generation of work in American political development (APD). Distinguished political scientists including Richard Bense, David Greenstone, Ira Katznelson, Elizabeth Sanders, Martin Shefter, Theda Skocpol, and Stephen Skowronek sought to understand the distinctive aspects of the American state, the character of contestation over government authority, and the development of organized groups and movements. Not all this work centered on political economy. But compared with research on American politics more broadly, pioneering APD work was unusually attentive to the relationship between capitalism and democracy and the coevolution of the American economy and the American polity. Yet this strand of scholarship has become increasingly cut off from the rest of the American politics subfield. More important, APD is increasingly understood as the study of the past, and often the distant past. As valuable as such work can be, the ability to explore and explain recent wrenching shifts in the American political economy cannot rest on historical analogizing alone.

In recent years, one of these wrenching shifts has become so dramatic and undeniable that students of American politics have found it impossible to ignore: the stark and growing economic divide in the United States. Prominent political scientists outside the APD tradition including Larry Bartels, Martin Gilens, and Nolan McCarty have helped spark a flurry of pathbreaking research on inequality and American politics. But despite the evident value of this new work, the boundaries of the American politics mainstream have often constrained it. Mirroring the larger subfield's focus on what David Mayhew described as the "electoral connection," inquiries into political inequality are typically framed around the question of whether elected officials are responsive to the concerns of nonaffluent voters or not. When, as is often the case, the conclusion is essentially "no," analysts often pivot, seeking better ways to measure or conceptualize the dependent and independent variables. Important as this work is, therefore, it typically leaves unaddressed