BOSTON UNIVERSITY
Departments of International Relations and Political Science

GLOBALIZATION AND CONTEMPORARY CAPITALISM
IN ADVANCED INDUSTRIALIZED NATIONS

IR596/PO529

Fall 2014

Class Hours: Tuesdays/Thursday 9:30-11:00am
Location: IRB 102

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*added to last session, rich get richer

Office Hours: Tuesdays and Thursdays, 11am-12:30 pm and by appointment
GLOBALIZATION AND CONTEMPORARY CAPITALISM IN ADVANCED INDUSTRIALIZED NATIONS

Prof. Vivien A. Schmidt

This course begins with the economic crisis and ends with the economic crisis. By the end of the course, it is hoped that most of the questions raised at the beginning will find the beginnings of answers. These questions will focus mainly on the causes of the crisis, on its political and social as well as economic impact, and on how this was generated in the context of growing globalization. The answers will consider the economic patterns and events as well as the political economic institutions and the political and economic ideas and discourse surrounding globalization.

Globalization is a term that is often left vague and undefined, better to conjure up the large panoply of forces that have seemingly imposed similar imperatives across advanced industrialized nations. These forces may be understood primarily in terms of the economic pressures arising from the internationalization of the financial markets and trade; the institutional rules and rulings emerging from supranational trade organizations and negotiations; and/or the ideas circulating worldwide that present those economic or institutional forces as imperatives for change. These ideas have been liberal—about the need to promote free trade and market competition—or neo-liberal—focusing on the need to roll back the state to free up markets—the main concern in the 1980s and early 1990s—and/or to ‘roll out’ the state, by using the state to make the markets freer—the focus from the late 1990s on.

But whether seen mainly as a set of economic, institutional, or ideational forces, globalization has served as a major rationale for governments to alter their countries’ macroeconomic policies, by focusing on tight monetary policies, budgetary austerity, low inflation, and caps on public debt and government deficits; their microeconomic policies, by liberalizing their markets, deregulating the rules governing business, privatizing public sector firms, and increasing flexibility in labor markets; and their socioeconomic policies, by cutting social spending and rationalizing social services. Although national governments, whether operating alone or in concert through supranational trade organizations, are largely responsible for instituting the liberalizing changes that made globalization possible, they are increasingly subject to the pressures that they have themselves set loose. Moreover, when the forces unleashed by globalization exploded into the US and European economic crises beginning in 2008, national governments along with regional and international institutions were made responsible for trying to clean up the mess. But they had much less capacity to do so than in the past. And their ideas about how to do it differed significantly, with the US taking a moderately neo-Keynesian route, the EU, a more conservative ‘ordo’ liberal (neo-liberalism with rules) approach.

Globalization has diminished both national governments’ autonomy, meaning their ability to make decisions independently, without regard to external economic forces and actors, and their control, meaning their effective power to influence economic forces and actors in the national economy. This in many ways represents less an absolute loss of autonomy and control, however,
than an alteration in the exclusivity and scope of national governments’ competence. Not only does national competence remain to the extent that global processes occur within national territory and, whatever the deregulatory push, continue to depend upon national legal systems in the guaranteeing of contracts and the enforcement of private property rights. But national governments have also often reasserted control, whether individually, through national means, or collectively, through supranational, global or regional authorities that allow for shared control over the international economy.

For all the common pressures from the forces of globalization, great divergence persists in national responses. Most importantly, there is tremendous asymmetry in the impact of globalization on nation-states, depending upon the prevailing economic conditions, practices, and preferences of different countries. Countries conform to different ideal-typical varieties of capitalism. Although there are those who argue for convergence to a single neo-liberal model, others maintain that all countries divergence into two varieties, roughly categorized as liberal market economies (e.g., the United States and Britain) and coordinated market economies (e.g., Germany, Sweden, and the Netherlands), yet others show that there is at least a third variety of capitalism consisting of state-influenced market economies (e.g., France, Italy, South Korea, Taiwan, and Japan), and still others suggest that it would be more accurate to discuss hybrids of these varieties, or even how different are all national capitalisms.

This course begins with the economic crisis in the US and in Europe, focused on video clips, newspaper articles, and a film to set the stage (section 1). It then goes on in the first half of the course to deal primarily with international political economy, and how globalization has operated at the international and regional levels through international institutions as well as national states, through multinational firms, and through labor and social movements operating at the supranational level. This part begins by looking into how we got where we are today, beginning with the history of globalization, the ideas promoting it, and its effects not just on economic practice but also on democracy (section 2). Next we explore the ways in which regulation makes and brakes globalization in international settings and at the national level, from the top down through international institutional and/or nation-state leadership and from the bottom up through business or social movement influence (section 3). After this, we consider the main poster child for globalization and the main cause of the 2008 crisis, the globalization of finance, the securitization of real estate lending (mortgage securitization), and the ensuing financial crisis (section 4). We then go on to examine the relationship between regional integration and globalization, with a focus first on historical perspectives on regionalization, and then a closer exploration of the European Union as an example of intensified globalization pushing national economic adjustment as well as, since 2010, EU responses to the sovereign debt crisis (section 5). We follow this with a focus on business lobbying, corporate governance, and state regulation (section 6) and then on the globalization of trade, the development of multinational firms, the offshoring of jobs, and the massive increase in executive pay and corporate tax avoidance, to conclude with a consideration of the economics of inequality that has accompanied these changes (section 7).

In the second part of the course, we shift focus from international political economy to comparative political economy. First we consider the nature of capitalism, asking not only questions about how many varieties of market economies there are but also what kinds of ideas
animate the different models. Additionally, we discuss how to theorize change, whether through massive shock followed by institutional path dependency (historical institutionalism), incremental institutional change involving layering, conversion, drift, or exhaustion (revisionist historical institutionalism), and/or through dynamic processes in which political economic actions and events are influenced by agents’ ideas conveyed through discourse in evolving institutional contexts (discursive institutionalism) (section 8). We then move on to explore changes in the state followed by national economic practices in countries across varieties of capitalism, using a wide range of case studies from Europe, Asia, and the US (section 9). We next consider the impact of all such political economic change on national political economies with regard to labor and welfare, in comparisons mainly of the US and Europe (section 10). The course ends with a consideration of the impact of the transformation of democratic capitalism in light of globalization, both in terms of how such changes have affect political democracy, in particular democratic legitimacy, and then social democracy, and the politics of inequality. The final class is reserved for student presentations of their papers (section 12).

**REQUIRED BOOKS:**


The books are all available at Barnes and Noble.

All other readings will be available via ejournals, the internet, at the library on reserve, or emailed by the instructor. See the Course Outline for details.
* Readings denote policy articles and video clips online. These are generally short current events reading that are enlightening and often entertaining as well.

** Readings denote scholarly articles and books that are highly recommended readings, but not as essential as those without any asterisk. Graduate students should make a point of reading these as well.

Students are strongly encouraged to get a subscription to the daily Financial Times and the weekly The Economist. Sign-up information will be provided.

Websites to check out on a regular basis:

- [Social Europe Journal](http://www.social-europe.eu/): Has lots of US and EU political scientists, economists, and policy analysts writing interesting pieces.
- [Breugel](http://www.bruegel.org/): The top EU economics think-tank which carries lots of in-depth pieces.
- Also use websites from national governments and international institutions: e.g., EU Commission ([http://ec.europa.eu/index_en.htm](http://ec.europa.eu/index_en.htm)) and the ECB ([http://www.ecb.int/home/html/index.en.html](http://www.ecb.int/home/html/index.en.html)).

**COURSE REQUIREMENTS:**

This course will be run as a seminar. Students are expected to do all the readings (even if they may not be able to read all very thoroughly) and to be prepared to discuss them.

- Weekly readings of 150-200 pages (although more pages may be assigned, these are intended to be read through quickly, so as to familiarize students with the arguments).
- Participation in class discussions (including discussions of required readings as well as current events) and one, two or more oral presentations (15% of the grade altogether) depending upon class size:
  - One or more oral presentation (two or more for graduate students) on the reading material assigned for the day. The oral presentation will be a report based on
readings from the syllabus and presented in class (10-15 minute presentation). You will signup for the presentations the first week of the course.

- an oral presentation on your draft research paper in the last class (approx 5-10 minutes including question-and-answer session with fellow students);

- Two (out of three) brief essays of about 2000 words for undergraduates, 3000 for graduate students, that are think pieces related to the readings (20% each).
  - Paper #1 must be submitted on or before October 2.
  - Paper #2 must be submitted on or before October 30.
  - Paper #3 must be submitted on or before November 25.

  You choose which two of the three you write!

These papers are intended to demonstrate that you have read and analyzed the assigned readings, so please be sure to write your essays with specific reference to relevant readings.

- A research paper on a topic of the student’s choice, using primary and secondary research sources, and considering some aspect of globalization and its impact on one or two advanced industrialized countries (two countries mandatory for graduate students). The paper is expected to use the class readings to help analyze the topic. It should also use original research, citing at least 20 refereed articles/chapters in books/books. This is to be undertaken in two stages:
  - a topic abstract, basic outline, and working bibliography for research paper, due on Nov. 4th (no grade);
  - the final draft of the research paper of 4000 words for undergraduates, 6000 for graduate students, due after the last class session, on December 12, emailed (45% of the grade).

**Information**

The College of Arts and Sciences (CAS) Dean’s Office has requested that you be informed of the following: The last day you may drop the course without a W grade is Monday, Oct. 6. The last day you may drop the course with a W grade is Friday, Nov. 7. You are responsible for knowing the provisions of the CAS Academic Conduct Code (copies are available in CAS 105). Cases of suspected academic misconduct will be referred to the Deans’ Office.

**Academic Misconduct:** All class members are expected to maintain high standards of academic honesty and integrity. You are expected to provide citations in papers for all quotations, paraphrases, and ideas taken from any source other than your own original thoughts. Boston University has very strict standards for intellectual integrity, and punishment for plagiarism is severe, and can include permanent expulsion from the university. For more on the definition of plagiarism and the standards to which you will be held, see the CAS Academic Conduct Code, available at [http://www.bu.edu/academics/resources/academic-conduct-code/](http://www.bu.edu/academics/resources/academic-conduct-code/) or the GRS Academic Conduct Code: [http://www.bu.edu/cas/students/graduate/forms-policies-procedures/academic-discipline-procedures/](http://www.bu.edu/cas/students/graduate/forms-policies-procedures/academic-discipline-procedures/)
COURSE READINGS

9/2
INTRODUCTION, COURSE ORGANIZATION, COURSE THEMES
Class discussion, no readings

1. THE ECONOMIC CRISIS (IN THE PRESS AND POLICY JOURNALS, ON THE INTERNET, IN BOOKS AND ON FILM)

Main questions:
What caused the economic meltdown of 2008? Can we blame any one set of individuals, groups, or any one country? Who benefited? Who suffered the most?
What was the role of the state in 2008/2009? Did it do the right thing, the wrong thing, or the only thing possible?
What was the battle of ideas about? Between austerity and stimulus, where should one come down?
For the Eurozone sovereign debt crisis, what happened and why?

9/4
a. The Crises of Banking and the Real Economy 2008-2009

Background readings for class discussion:
*Robert Reich, “The Truth about the American Economy in 2 minutes and 15 seconds”
*Robert Reich, “The Truth about the American Economy II”
  http://www.radiopensource.org/mark-blyth-9-on-the-dead-end-of-austerity/
*Robert Skidelsky, “Four Fallacies of the Second Great Depression Social Europe
Glenn Hubbard and Tim Kane, “Republicans and Democrats Both Miscalculated” NYT Aug. 11, 2013

Try to see at least one of these, if you haven’t already:
Inside Job DVD with Matt Damon, William Ackman, Director Charles Ferguson
b. The Eurozone Sovereign Debt Crisis – 2010 and beyond

Background reading for class discussion and powerpoint presentation:
Tsoukalis, Loukas (2014) *The Unhappy State of the European Union*  Policy Network pamphlet
http://www.policy-network.net/publications/4602/The-Unhappy-State-of-the-Unio

Tony Barber, FT Oct 21, 2010, on the day the euro nearly collapsed
http://video.ft.com/v/631247549001/The-day-the-euro-nearly-collapsed

Tony Barber, FT, Oct 10, 2010, on dinner at the time of the crisis
http://www.ft.com/cms/s/0/190b32ae-d49a-11df-b230-00144feabdc0.html#axzz16fj75uwR

http://www.ft.com/intl/cms/s/0/f6f4d6b4-cae-11e3-ac05-00144feabdc0.html#axzz39tfBzdJm

http://www.ft.com/intl/cms/s/0/0ac1306e-d508-11e3-9187-00144feabdc0.html#slide0

http://www.ft.com/intl/cms/s/0/b4e2e140-d9e-11e3-920f-00144feabdc0.html?siteedition=intl#axzz39tfBzdJm

“Who is rescuing whom and why? The Euro, the banks, the debt crisis.” Bertelsmann
http://www.fortunatelyunified.eu/


Also read this if you haven’t already:
Michael Lewis *Boomerang*  (Buy on Amazon)

2. Globalization and Capitalism: Economic Ideas, History, and Politics

Main questions:
What are the ideas behind globalization historically, and today? How deep are the ideational transformations resulting from neo-liberalism?

What is globalization? Does the globalization of the late 20th century represent a difference in kind from that of the late 19th, or simply a difference in degree? How many different forms of globalization are there?

What is the economic impact of globalization? Is it a good or a bad thing for advanced industrialized democracies?

Does globalization have a positive or negative effect on democracy?
9/11

a. The Impact of Neo-Liberal Ideas on the Process of Globalization

Readings on the ideas behind the economic and political transformations:
Philip Mirowski, “The Thirteen Commandments of Neo-Liberalism” the-Utopian.org
** Karl Polanyi, The Great Transformation, Chs. 1, 2. (on reserve)

9/16

b. Neo-Liberalism’s impact on the Globalization of Institutions and Policies

Readings on the economic and political transformations:
*Hans Rosling’s 200 years of history in 5 minutes
http://www.youtube.com/watch?v=jbkSRLYSojo

3. REGULATING GLOBALIZATION AND CAPITALISM IN INTERNATIONAL SETTINGS

Main questions:
What are the various ways in which to understand the construction and development of international institutions, actors, ideas, and actions in the international political economy?
How have international institutions been constructed? Who are that major players? What are the main impediments to reaching agreements? How do national and/or business interests affect such agreements?
How do international institutions and policies change? What is the role of new ideas and how do new ideas get adopted? From above by country leadership or from below by social movements?

9/18

a. Regulation of the Global Economy

Readings on institutional regulation of the globalized political economy:
b. Constructing and/or Obstructing Global Institutions

Readings on constructing ideas and discourse for (and against) globalized institutions:

4. GLOBALIZATION OF FINANCE, HOUSING BUBBLES, AND THE FINANCIAL CRISIS

Main questions:
How are the rules of the national financial markets constructed? Who constructs them? What are the ideas behind them? Who affects their development? How do they change over time and why?
What are the linkages between the liberalization of finance and the financialization of housing? What have been the effects, both economic and political?

9/25

a. Liberalization of Finance and the Financial Crisis

Readings on ideas and institutions in finance and the effects on the crisis:
Gabor, Daniella and Ban, Cornél (n/a) “Fiscal Policy in Financialized Times: Multi-Sited Policy Design, Investor Loyalty and Financialization in the European Financial Crisis.” Manuscript (will email)
9/30

b. Financialization of Housing and Real Estate Bubbles

Readings on the politics and finance of real estate bubbles:

(See also follow up episodes, e.g., what regulators could have done to prevent crisis, Bad Bank talks about toxic assets, The Watchmen on regulation and how it has changed since the 1930s. Follow up: revisiting the giant pool of money. Online and name searchable)

• Paper #1 must be submitted on or before Oct. 2.

5. GLOBALIZATION, REGIONALIZATION, AND THE CASE OF EUROPE

Main questions:
What is regionalization? How does it interface with globalization? How does Europeanization specifically interface with globalization?
How do regionalization and globalization affect national autonomy and control? How does Europeanization affect its member-states with regard to autonomy and control?
Why is the EU suffering from the Eurozone sovereign debt crisis? What are alternative scenarios for solving the problem?

10/02

a. Historical Perspectives on Regionalization

Readings on regionalization and globalization in historical perspective, esp. in Europe
**Katzenstein, Peter A World of Regions**

10/07

b. Regionalization in Europe

*Readings on the impact of regionalization in Europe and the financial crisis*


*Wendy Carlin, “10 Questions about the Eurozone Crisis and whether it can be solved.” Paper presented at the “State and Capitalism Seminar,” Center for European Studies, Harvard University (Cambridge, MA, Nov. 9, 2011) [www.ucl.ac.uk/european-institute/highlights/10questions](http://www.ucl.ac.uk/european-institute/highlights/10questions)*

6. BUSINESS LOBBYING, CORPORATE GOVERNANCE, AND STATE REGULATION

*Main questions:*

How do firms exert influence in global trade? How do they influence rule-setting?

How do regional trade organizations work with regard to the market for corporate control? What role do national differences with regard to corporate control play in the regional arena?

How does corporate governance get the rules it has? How much and in what ways do national institutional legacies matter? How much power does business have to get its way? How does it wield that power? Through position or persuasion?

Can the nation-state control firms? Or do firms control nation-states? What are the consequences of business power?

10/09

a. Business Lobbying and State Regulation

*Readings on business lobbying in different domains:*


Culpepper, Pepper (2011) *Quiet Politics and Business Power*, Chapters 1-5, pp. 1-144

10/16

b. Corporate Governance and Competition Policy

*Readings on ideas about and institutions of corporate governance and competition policy:*


7. **GLOBALIZATION OF TRADE, FIRMS, JOBS, AND EXECUTIVE PAY AND THE RISE OF ECONOMIC INEQUALITY**

**Main questions:**
How does the internationalization of trade work? How has it affected the development of multinational firms and their ability to compete in the global economy? To what extent do local, national, and regional markets affect the way they operate?
What makes for a truly multinational firm? Are multinationals really ‘footloose and fancy-free’?
What is outsourcing and how does it affect workers in advanced industrialized countries? In developing countries? Is it a good or a bad thing?
How much should CEOs earn? How much is this related to the internationalization of trade and the multinationalization of firms?

10/21

a. **The Internationalization of Multinational Firms, the Offshoring of Jobs, and Tax Avoidance**

*Readings on the multiple varieties of firms’ globalized operation:*

*Daniel W. Drezner* “The Outsourcing Bogeyman” *Foreign Affairs, May/June 2004* (ejournals)


10/23

b. **The Economics of Inequality**

*Readings on the rise in inequality linked to lower wages for workers, mega-salaries for managers, and tax reductions*
Main questions:

1. How many varieties of capitalism are there? One, two, three, or more?
2. What does capitalist coordination consist of? What does it require?
3. How does change occur in capitalism? With a big bang followed by path dependency? Through incremental change via layering, conversion, drift, and exhaustion? Or through agents’ ideas and discourse ‘in action’ in institutional context?
4. What are the drivers of change in capitalism? Through institutional dynamics or through political agency via interests and/or ideas and discursive interactions?

Readings on the Varieties of Capitalism, and how to explain change via ideas/discourse and/or institutions


• Paper #2 must be submitted on or before Oct. 30.

9. Changes in the State and National Economic Practices

Main questions:

What are the different components of ‘state action’? Is it a useful concept for the explanation of change? What are the differing features of government action in differing varieties of capitalism?
How do national economic practices change? What are the factors conditioning economic adjustment? How to theorize the state?

How can we compare and contrast the adjustment patterns of Britain, France, and Germany? Sweden and the US? Japan and France? Britain and the United States?

Which country would you prefer to do business in? If you are in finance? If you are in high value-added manufacturing? If you are in railroads?

10/30

a. The State: Supranational and national
Readings on theorizing the state in ideas and processes, and in the Eurozone crisis
Schmidt, Vivien A. (2009 “Putting the Political Back into Political Economy by Bringing the State Back Yet Again.” World Politics vol. 61, no. 3: 516-548. (ejournals)

• Abstract and bibliography for research paper due

11/4

b. Country Comparisons: Britain/Ireland, Germany/Sweden, France
Readings on different European country comparisons before and during the Euro crisis

11/6

c. Country Comparisons: France, Italy, Greece
Gualmini, Elisabetta and Schmidt, Vivien (2013) “State transformation in Italy and France: Technocratic versus political leadership on the road from non-liberalism to neo-liberalism” in Resilient Liberalism: European Political Economy through Boom and Bust eds. Vivien A. Schmidt and Mark Thatcher (Cambridge: Cambridge University Press)


11/11
d. Sweden, Japan, the United States,


11/13
e. Central and Eastern European Countries


Dorothee Bohle and Bela Greskovits Capitalist Diversity on Europe’s Periphery Cornell University Press, 2012


10. THE IMPACT OF GLOBALIZATION ON LABOR AND WELFARE
Main questions:
How is labor affected by the adjustments in economic practices? What influence does labor have over the changes? How does this differ across countries?
How have welfare states changed since the ‘Golden Age’ of the 1970s? Have the adjustments in the welfare state led to more social inequality? Can and/or is social justice still operative regardless of increases in inequality?
What are the differences among countries with regard to welfare state adjustment and the rise of inequality? In which country would you prefer to receive a pension or social assistance?

11/20

b. European countries in crisis
Readings on national welfare states transformations and supranational pressures
Anke Haskel Twenty Years after German Unification: The Restructuring of the German Welfare and Employment Regime. German Politics & Society 28, no. 2: 102-12
**Levy, Jonah “Redeploying the State: Liberalization and Social Policy in France” in Beyond Continuity, pp. 103-126.

No class 11/25 extra time to research/write final paper

• Paper #3 must be submitted on or before November 25, via email.

11. Globalization and the Transformation in Democratic Capitalism

12/2
a. Challenges to Political Democracy and Legitimacy
Readings on ideational and structural challenges to democracy

12/4

a. Challenges to Social Democracy and the Politics of Inequality
Readings on the politics of inequality and their impact on social policy

12/9

12. Paper presentations

(PAPERS DUE DECEMBER 12)