GLOBALIZATION AND CONTEMPORARY CAPITALISM

IN ADVANCED INDUSTRIALIZED NATIONS

IR596/PO538

Fall 2012

Class Hours: Tuesdays 2:00-5:00pm
Location: IRC 102

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Office Hours: Tuesdays and Thursdays, 11am-12:30pm and by appointment
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 focus on 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, moreover, 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), while 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 although countries in all three varieties have been liberalizing in response to global as well as regional (for the European countries) economic and institutional pressures, they have followed parallel rather than convergent paths of adjustment.

This course begins with the economic crisis, focused on video clips, newspaper articles, and a film to set the stage (session 1). It then seeks to look into how we got there, beginning with the history of globalization, the ideas promoting it, and its effects not just on economic practice but also on democracy (session 2). Next 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) (session 3). We then go on to examine the relationship between regional integration and globalization, with a focus on 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 (session 4). The following sessions (5 and 6) explore the ways in which regulation makes and brake globalization, both 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. Subsequently, course sessions (7,8, and 9) examine various areas where international and national political economy intersect, including global finance and national housing (via mortgages); the international of trade, the development of multinational firms, the offshoring of jobs, and the rise in executive pay; and the changes in national economic practices in countries in all three varieties of capitalism. We then consider the impact of all such political economic change on national political economies with regard to labor, health, welfare, and the rise of inequality (session 10). The course ends with a reconsideration of the theoretical issues related to the explanation of the transformation of capitalism in light of globalization, both in terms of whether capitalism is converging or whether countries are following different liberalizing paths in their adjustment to international economic pressures. The final class is reserved for student presentations of their papers (session 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:
http://www.eurointelligence.com/Eurointelligence-Home.901.0.html: A daily wrap-up of European newspapers produced by Wolfgang Munchau (a commentator to follow via his op-eds in the Financial Times) and Susanne Mundschenk with a stellar discussion platform.

http://www.voxeu.org/: A policy-oriented forum, hosted by the Center for European Policy Research, a European network of economists and policy analysts

http://www.telos.fr/ A French policy-oriented forum (with English translations) that often reproduces voxeu pieces and vice-versa

Social Europe Journal (access http://www.social-europe.eu/): Has lots of US and EU political scientists, economists, and policy analysts writing interesting pieces.

Breugel (www.bruegel.org/): The top EU economics think-tank which carries lots of in-depth pieces.


On the eurozone crisis:


http://www.bruegel.org/ Bruegel (leading think tank on European economy)

http://www.robert-schuman.eu/archives_questions_europe.php Robert Schuman Foundation (leading think tank on European affairs)

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.

• Participation in class discussions (including discussions of required readings as well as current events) and two oral presentations (15% of the grade altogether):
  • One oral presentation (two 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 classes (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 from a particular week or analysing the readings from various weeks. It would be useful to use the syllabi questions as guides (20% each).
• Paper #1 must be submitted on or before October 2.
• Paper #2 must be submitted on or before November 6.
• Paper #3 must be submitted on or before December 4.
  *You choose which two of the three you write!*

These papers are intended to demonstrate that you have read and analysed 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 three stages:
  • a 3-5 page topic abstract, argument, basic outline, and working bibliography for a research paper on a topic of your choice, due on October 30th (5% of the grade);
  • the final draft of the research paper of 5000 to 6000 words for undergraduates, 7000 to 8000 for graduate students, due on or before the last class session (40% 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 Tuesday, Oct. 9. The last day you may drop the course with a W grade is Friday, Nov. 9. 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 Honesty**

Without exception, students are expected to adhere to the Boston University CAS Academic Code. Please read the Boston University Academic Conduct Code. Accordingly, all instances of academic dishonesty will be reported to the CAS Academic Conduct Committee. Please see [http://www.bu.edu/cas/students/undergrad-resources/code/](http://www.bu.edu/cas/students/undergrad-resources/code/).
## Course Readings

9/4
**INTRODUCTION, COURSE ORGANIZATION, COURSE THEMES**

9/11
1. **THE ECONOMIC CRISIS (IN THE PRESS AND POLICY JOURNALS, ON THE INTERNET AND ON FILM)**

   a. **The Crises of Banking and the Real Economy 2008-2009**


   Try to see at least one of these:

   **Inside Job** DVD with Matt Damon, William Ackman, Director Charles Ferguson
   (view via Netflix or buy on Amazon)

   **The Big Short**

   **Margin Call**

   b. **The Eurozone Sovereign Debt Crisis – 2010 and beyond**

   Moravcsik, Andrew “Europe after the Crisis: How to Sustain a Common Currency,” *Foreign Affairs* vol 91, no. 3, May/June 2012

   “The Failure of the Euro? Causes and Consequences for Europe and Beyond.” Conference sponsored by the Watson Institute for International Studies and the Rhodes Center for International Economics, Brown University (April 17, 2012). See especially speech by Martin Wolf, FT columnist, the first panel, the panel on the markets and media, and the final panel on ‘Can Europe Survive the Euro’ [http://brown.edu/web/livestream/archive/2012-euroconf.html](http://brown.edu/web/livestream/archive/2012-euroconf.html)

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

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

*http://www.ft.com/indepth/euro-in-crisis read range of articles on crisis

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?

9/18
2. Globalization and Capitalism: Economic History, Politics, and Ideas

*Hans Rosling’s 200 years of history in 5 minutes


(will email)

** Karl Polanyi, The Great Transformation, Chs. 1, 2. (on reserve)

Main questions:
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?
What are the ideas behind globalization historically, and today?
Does globalization have a positive or negative effect on democracy?

9/25
3. Capitalism: How many varieties? How to theorize change?


** Amable, Bruno. The Diversity of Modern Capitalism, Oxford; New York: Oxford University Press, 2003 (on reserve)

Main questions:
How many varieties of capitalism are there? One, two, three, or more?
What does capitalist coordination consist of? What does it require?
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?
What are the drivers of change in capitalism? Through institutional dynamics or through political agency via interests and/or ideas and discursive interactions?

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

10/2 (Guest Speaker: Daniela Schwartzer on Germany and the Euro (14-15:30))

4. Globalization, Regionalization, and the Case of Europe


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)
http://ces.fas.harvard.edu/events/papers/Carlin_Eurozone_Crisis.pdf

** Completing the Eurozone Rescue: What more needs to be done? Eds. Richard Baldwin, Daniel Gros, and Luc Laeven, VOX EU (see especially the Introduction by
Baldwin and Gros and comments by Barry Eichengreen, Paul De Grauwe, Charles Wyplosz, and Jean Pisani-Ferry http://www.voxeu.org/index.php?q=node/5194

**Katzenstein, Peter A World of Regions**

**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?

10/16

5. **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 those 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?

10/23

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?

* Due on October 30: 3-5 page topic abstract, argument, basic outline, and working bibliography for a research paper on a topic of your choice

10/30

7. Globalization of Finance and Housing

a. Liberalization of Finance


**Deeg, Richard, “Change from Within: German and Italian Finance in the 1990s” in *Beyond Continuity*, pp. 169-202.**

**b. Financialization of Housing**


**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?

• Paper #2 must be submitted on or before November 6.

11/6

8. Globalization of Trade, Firms, Jobs, and Executive Pay

**a. The Internationalization of Trade and Multinational Firms**


**b. The Offshoring of Jobs**

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


**c. The Rise in Executive Pay**

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?

11/13  (Guest Speaker:  Kevin Featherstone  2 – 3:30pm)

9. Changes in the State and National Economic Practices

a. The State: Supranational and national
*Interview with Peter Hall on the eurozone crisis: http://thecurrentmoment.wordpress.com/2011/12/06/interview-with-peter-hall/

b. Britain, France, Italy, Germany, and Greece
**Whyte, Philip, “Why Germany is Not a Model for the Eurozone”, Centre for European Reform Essay (Oct. 2010),**

**Achim Truger, “Austerity in Europe:  The German Debt Brake as a Shining Example”**

11/20  (Reschedule)

c.  **Sweden, Japan, the United States, and the CEECs**

*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?

11/27

10.  **The Impact of Globalization on Labor and Welfare**

a.  **Changes in Labor Policy**

b. Changes in Welfare Policy
**Levy, Jonah “Redeploying the State: Liberalization and Social Policy in France” in Beyond Continuity, pp. 103-126.

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?

• Paper #3 must be submitted on or before December 4.

11. Conclusions: Explaining the Transformation in Capitalisms

a. Globalization’s Challenges to Democracy
b. **Politics and the Rise in Inequality**


*Stewart Wood on Social Democracy, “The Way Ahead for Social Democracy” Social Europe Journal  
http://www.social-europe.eu/2012/02/the-way-ahead-for-social-democracy/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+social-europe%2FwmyH+%28Social+Europe+Journal%29


12/11

12. **Paper presentations**

(PAPERS DUE)