BOSTON UNIVERSITY

Departments of International Relations and Political Science

GLOBALIZATION AND CONTEMPORARY CAPITALISM
IN ADVANCED INDUSTRIALIZED NATIONS

IR596/PO529

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Class Hours: Mondays 1pm-4pm
Location: IRC 220

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GLOBALIZATION AND CONTEMPORARY CAPITALISM IN ADVANCED INDUSTRIALIZED NATIONS

Prof. Vivien A. Schmidt

This course focuses on the economic crisis that started with the collapse of the US banks and financial markets in 2007/2008, that took another turn with the European Union’s sovereign debt crisis that began in 2010, and continues to pose problems for other advanced industrialized countries in other parts of the world, in particular for Asia, but also for emerging and less developed economies. The main questions raised in this course center 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. Our 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. The results have been major economic expansion across the globe, and not only in advanced industrialized economies—until the crises beginning in 2008—accompanied by major increases in economic inequality, and the distance between rich and poor.

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. Although there are those who argue for convergence to a single neo-liberal model, others maintain that all countries diverge 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. But however many varieties of capitalisms may exist, their differences can be compared by considering more deeply differences in their economic policies and growth models, in their politics and political institutions, as well as in their ideas and discourse about the balance between state and market.

Introducing the topics of this course is a discussion of globalization and the economic crisis in the US and in Europe in historical perspective. The first part of the course deals 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. It considers the institutional foundations of globalization and how this has found expression also in regional economic organizations, most notably in the European Union. It explores 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. Naturally, it also focuses on the main poster child for globalization and the main cause of the crises beginning in 2007/2008, the globalization of finance, the securitization of real estate lending (mortgage securitization), and the ensuing financial crisis. Additionally, the course examines business lobbying, corporate governance, and state regulation as well as the globalization of trade, the development of multinational firms, the offshoring of jobs, and the massive increase in executive pay and
corporate tax avoidance. We also consider the economics and politics of inequality that has accompanied these changes.

In the second part of the course, we shift focus from international political economy to comparative political economy. Here, we explore changes in the state followed by national economic practices in countries, using a wide range of case studies from Europe, Asia, and the US. We next consider the impact of all such political economic change on national political economies with regard to labor and welfare, with special attention to the US and Europe. The course ends with a consideration of the impact of the transformation of democratic capitalism in light of globalization, in terms of how such changes have affect political democracy, in particular democratic legitimacy. The final class is reserved for student presentations of their papers.

**Required Books:**


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


The books are all available at Barnes and Noble. Also check out Library ebooks (and Oxford Scholarship Online)

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. They could also be discussed as part of class presentations.

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.eurowin.com/EuroIntelligence-Home.901.0.html](http://www.eurowin.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 Mundshen.
- Breugel ([www.bruegel.org/](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., US FED, EU Commission ([http://ec.europa.eu/index_en.htm](http://ec.europa.eu/index_en.htm)), 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 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 brief essays of about 2000 words for undergraduates, 3000 for graduate students, that are think pieces related to the readings (20% each). The topics will be handed out one week in advance.
  • Paper #1 must be submitted on or before October 19.
  • Paper #2 must be submitted on or before November 23.
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 two stages:
  • a topic abstract, basic outline, and working bibliography for research paper, due on Nov. 2\textsuperscript{nd} (no grade);
  • the final draft of the research paper of 4000 words for undergraduates, 6000 for graduate students, due after the reading period, on December 14, emailed (45% of the grade).

\textbf{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 Wednesday, Oct. 7. The last day you may drop the course with a W grade is Friday, Nov. 6. 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.

\textbf{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 \url{http://www.bu.edu/academics/resources/academic-conduct-code/} or the GRS Academic Conduct Code: \url{http://www.bu.edu/cas/students/graduate/forms-policies-procedures/academic-discipline-procedures/}
INTRODUCTION

1. GLOBALIZATION AND THE ECONOMIC CRISIS IN HISTORICAL PERSPECTIVE

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?
What caused the US economic meltdown of 2008? And Europe’s sovereign debt crisis?
What was the battle of ideas about? Between austerity and stimulus, where should one come down?

a. The Crises of Banking, the Real Economy, and Sovereign Debt

Background newspaper and internet analyses of the events:
*Mark Blyth, testimony to Congress on Austerity http://www.socialeurope.eu/2015/03/how-mark-blyth-told-the-us-congress-that-austerity-is-wrong-in-7-minutes/
*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-b230-00144feabd0.html#axzz16fj75uwR
Part II May 14, 2014 http://www.ft.com/intl/cms/s/0/ac1306e-d508-11e3-9187-00144feabd0.html#slide0
Part III May 15, 2014 http://www.ft.com/intl/cms/s/0/b4e2e140-d9e3-11e3-920f-00144feabd0.html?siteedition=intl#axzz39tfBzdJm
*“Who is rescuing whom and why? The Euro, the banks, the debt crisis.” Bertelsmann http://www.fortunatelyunified.eu/

In your spare time, try to see at least one of these, if you haven’t already:
Inside Job or Margin Call (view via Netflicks or buy on Amazon)
And/or read these:
Michael Lewis, The Big Short on the US crisis or Boomerang on the European crisis
9/14 (cont’d)

b. Globalization in Historical Perspective

Readings on the history, forces, and ideas behind the economic and political transformations:
*Hans Rosling’s 200 years of history in 5 minutes
http://www.youtube.com/watch?v=jbkSRLYSoso
(treat as background reading)—read especially pp. 253-300, 339-391, 457-476.
Schmidt, Vivien and Thatcher, Mark (2013) “Introduction: Theorizing Ideational Continuity in
Europe’s Political Economy” Resilient Liberalism: European Political Economy through
**Gamble, Andrew (2013) “Neo-Liberalism and Fiscal Conservatism” in Resilient Liberalism:
European Political Economy through Boom and Bust eds. Vivien A. Schmidt and Mark
Thatcher (Cambridge: Cambridge University Press

9/21 Special in class event 2-4pm Professors Thomas Risse and Tanja Börzel to speak on
regionalism

2. GLOBALIZATION AND REGIONALIZATION

Main questions:
What is regionalization? How does it interface with globalization? How does economic
regionalization interrelate to other forms of regionalization? 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?

a. Historical Perspectives on Regionalization

Readings on regionalization and globalization in historical perspective

Tanja A. Börzel and Thomas Risse “Three Cheers for Comparative Regionalism” in
University Press, forthcoming 2016 (will email)
Adjustment Problems in Historical Perspective” In Politics in the New Hard Times: The
Great Recession in Comparative Perspective, Miles Kahler and David A. Lake, eds. Ithaca:
**Katzenstein, Peter A World of Regions

b. Regionalization in Europe

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


3. Governing Globalization and Regulating Capitalism in International Settings

Main questions:
Can we govern the global economy? And how show we do it? What impact on national democracy?
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?

a. Governing the Global Economy

b. Regulating the Global Economy
Readings on institutional regulation of the globalized political economy:


+ class credit: Tuesday Oct. 6, 4-5:30pm: Make sure not to miss the special event on Tuesday October 6, 4 to 6pm, “Saving Europe” on the Eurozone crisis with Carlo Bastasin, based on the second edition of his book of the same name. Hosted by the Center for the Study of Europe, Pardee School of Global Studies, 121 Bay State Road

+ class credit: Thursday Oct. 8, 12-5pm: Make sure not to miss the special event on Thursday October 8, 12 to 4pm on TTIP—the topic of class in the following week. Keynote by the EU Ambassador to the US David O’Sullivan. At ‘The Castle’ 225 Bay State Road.
4. **Globalization of Finance, the Financial Crisis, and Housing Bubbles**

*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? Are housing bubbles inevitable—or other bubbles, e.g., in commodities or other forms of assets?

*Readings on ideas and institutions in finance, on housing bubbles, and on bank bailouts:*


**Hardie, Ian, David Howarth, Sylvia Maxfield and Amy Verdun (2013) “Banks and the False Dichotomy in the Comparative Political Economy of Finance,” *World Politics* vol. 65, no. 4: 691-728 (ejournals)


(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)

5. **Globalization of Trade, Firms, Jobs, and 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? Should there be a transatlantic trade and investment partnership (TTIP)?

Readings on the multiple varieties of firms’ globalized operation, the offshoring of jobs, and tax avoidance:

TTIP (Transatlantic Trade and Investment Partnership) EUSA Political Economy section newsletter: http://www.eustudies.org/interest_political_economy.php

• Paper #1 must be submitted on or before Oct. 19.

10/19 (reschedule)
6. BUSINESS LOBBYING, CORPORATE GOVERNANCE, COMPETITION POLICY, AND THE STATE

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?
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?

a. Business lobbying, Corporate Governance, and Competition Policy

Readings on business lobbying, ideas about and institutions of corporate governance and competition policy:
7 THE ECONOMICS AND POLITICS OF INEQUALITY

Main Questions:
How much should CEOs earn? How much is this related to the internationalization of trade and the multinationalization of firms?
Why has the rise in inequality occurred?
What is the ‘economics’ of inequality? Is it linked to lower wages for workers, mega-salaries for managers, tax reductions, or the natural rise in ‘capital’?

Readings on the rise in inequality:
Piketty, Thomas (2013) Capital in the Twenty-First Century Cambridge, MA: Harvard University Press. (Skim all but read esp. chapter 8, 9, and 10) and see his TED talk: https://www.youtube.com/watch?v=JKsHhXwqDqM

- Abstract and bibliography for research paper due

11/02

9. **CHANGES IN NATIONAL ECONOMIC PRACTICES**

*Main questions:*
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 and growth models of Britain, France, and Germany? Sweden and the US? Japan and France? Britain and the United States? Central and Eastern European countries with the rest?
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?

**a. Comparative Trajectories of Capitalism: Sweden, Japan, the United States, Germany**

*Readings on cross national country comparisons*

11/09

**b. Country Comparisons: The UK, France, Italy, Eastern Europe, and Greece**

*Readings on countries’ capitalisms before and during the Euro crisis (in reading, skim all but concentrate either on West or East Europe and Greece):*


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


11/16 (reschedule)

**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?

**a. International and US-European Comparisons**

*Readings on similarities and differences in US vs. European ideas/institutions over time*

Adam Dean, “Power over Profits: The Political Economy of Workers and Wages” *Politics and Society* vol. 43, no. 3 (2015) 333-360


**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


11/23
No class. Work on papers (this makes up for extra attendance at TTIP event and Carlo Bastasin talk on Europe)

• Paper #2 must be submitted on or before November 23, via email.

11. GLOBALIZATION AND THE TRANSFORMATION IN DEMOCRATIC CAPITALISM

11/30

a. Challenges to Political Democracy and Legitimacy

Main questions:
How do the economics and politics of globalization affect national democracies? Is there any way to escape the globalization ‘trilemma’?
Does the trajectory of capitalism under conditions of globalization necessarily lead to the weakening of national democracies?
Does the very structure of the Euro, with its current governance practices, necessarily reduce government responsiveness to citizens?
What are the consequences of the Eurozone crisis for democratic legitimacy?

Readings on ideational and structural challenges to democracy


12/7

12. Paper presentations

(PAPERS DUE DECEMBER 14)