

CRISES IN CAPITALISM, CAPITALISM(S) IN CRISIS

Central European University
Department of Political Science
MA Program, Fall Semester 2010/2011
2 CEU credits, 4 ECTS credits

Instructor: Dorothee Bohle

Time and Place: Tuesdays 15.30-17.10, FT 909

Office hours: Mondays 13.30-15.30 and by appointment

Course description:

The current global crisis is a powerful reminder that capitalism is not an order, but, to the contrary, an “institutionalized disorder” (Wolfgang Streeck). Dominant approaches especially in comparative political economy have in the last decades become too comfortable with the idea that capitalism is successfully domesticated by institutions – be it the regulatory institutions of liberal capitalism, or the more deeply engrained interlocking networks governing coordinated market economies. Change, if it all, was to occur gradually. The aim of this course is to revitalize concepts of capitalism as a highly dynamic system that is reproduced through cycles of destruction and institutional reform. It seeks to provide analytical tools and a long-term perspective on capitalist dynamics which foster an understanding of the destructive forces of capitalism; and the historical conditions under which these forces could be tamed, and turned into sources of growth and social progress.

Course structure

The course has three major parts. First, we will revisit some of the classic and more recent writings on the political economy of capitalism and its crises. We will discuss Marxist writers, Schumpeter and Polanyi, and more recent writings building on these authors. The second part of the course will take a closer look at the development of capitalism from the Great Depression of the 1930s until the current crisis. We will cover the post war order of “embedded liberalism” (John G. Ruggie) and its demise, the Latin American debt crisis of the 1980s, and the East Asian financial crisis of the 1990s. We will then move on to analyze in greater detail the contemporary financial crisis.

Course requirements and evaluation:

1. Attendance and in-class participation. This is a discussion-based seminar, where attendance and participation are crucial (25% of the grade)
2. Reading memos. This is a reading intensive seminar which will proceed entirely by discussions of the required readings supported by regular reading memos and position papers. One to two page memos are due every other week (five all in all). These memos should consist of a one to two paragraphs summary of the major

- argument of the text(s) and questions and/or short comments on the readings. (40% of the grade). Reading memos are to be distributed electronically to the whole class latest by noon the day prior to the class. Late work will not be accepted.
3. Final essay of approximately 1500 words (excluding the bibliography). You should begin working on your paper already during the first weeks of the course. The topic of the final paper is to be agreed upon with your instructor (35 % of the grade).

Learning outcomes

By the end of the class, students will have acquired basic knowledge of some important classical theories of political economy, their applications in different historical contexts, and will be able to analyze contemporary events in broader social, economic and historical contexts. The course enhances critical thinking and writing, multidisciplinary orientation, contributes to the mastery of academic writing and oral skills. Learning outcomes are supported by the course's requirements and assessed accordingly.

Reading Material

All the course material is available in electronic form through a pass word protected e-learning site. Students who do not wish to purchase a paper reader are welcome to download the texts from <http://e-learning.ceu.hu/>. The password will be communicated to students who enroll for the course.

Topics and Readings

I. Introduction

Week 1: The surprising crisis

*Paul Krugman: How did economists get it so wrong? New York Times, September 2, 2009, at: <http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html>

*Carmen M. Reinhart and Kenneth S. Rogoff. This Time is Different. Eight Centuries of Financial Folly. Oxford and Princeton, Princeton University Press. Chapter 13, 203-222.

II. Theoretical Perspectives on Capitalism and its Crises
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Week 2 Marxist approaches

*James O'Connor: *The Fiscal Crisis of the State*. New York: San Martin's Press 1973, Introduction, Chapters 1, 9, pp. 1-30, 221-268

Recommended

Eric Olin Wright “Alternative Perspectives in Marxist Theory of Accumulation and Crisis”, *Critical Sociology* 2/3 1975, pp. 115-142.

William Sewell “The Temporalities of Capitalism”, *Socio-Economic Review* (2008) 6, 517–537

Offe, Claus, 1984 “Crisis of crisis management” – Elements of a political crisis theory” in Claus Offe *Contradictions of Welfare State* Hutchinson London, Sydney pp 35-65

Offe, Claus ‘Ungovernability- the Renaissance of conservative theories of crisis” in Claus Offe *Contradictions of Welfare State* Hutchinson London, Sydney pp 65-88

Aglietta, Michel (1979): *A Theory of Capitalist Regulation. The US Experience*, Verso

Boyer, Robert (1990): *The Regulation School. A Critical Introduction*. Columbia University Press

Karl Marx: Crisis Theory. From Theories of Surplus Value. In: *The Marx-Engels Reader*, edited by Robert C. Tucker. New York/London: Princeton University Press, pp. 443-468.

Week 3 Schumpeter:

*“Can Capitalism Survive?” in Schumpeter Joseph, 1942 *Capitalism, Socialism and Democracy* Harper & Row Publishers, pp. 59-165

Recommended

“The crisis of the Tax State” in Swedberg, Richard (ed) *The Economics and Sociology of Capitalism*, 1991 Princeton University Press pp. 99-141

Elliott, J. 'Marx and Schumpeter on Capitalism's Creative Destruction', *The Quarterly Journal of Economics* (HB/1/.Q3), 95 (1980), pp. 45-68

Heilbroner, R, 'Was Schumpeter Right?', *Social Research* (H/1/.S53), 48 (1981), pp. 456-71 1928: The Instability of Capitalism

Schumpeter, Joseph ‘The Instability of Capitalism’ *The Economic Journal*, Vol. 38, No. 151 (Sep., 1928), pp. 361-386

Wolfgang Streeck *Re-Forming Capitalism Institutional Change in the German Political Economy* Oxford: Oxford University Press, 2009, especially chapter 17.

Week 4 Polanyi

* Polanyi, Karl *The Great Transformation*, Beacon Press 1957, chapters 6-8, 19, 20; pp. 68-103, 223-248

Recommended:

Fred Block, "Karl Polanyi and the Writing of the Great Transformation", *Theory and Society*, Vol. 32, No. 3, 2003

Fred Block and Margaret Somers, "Beyond the Economistic Fallacy: The Holistic Science of Karl Polanyi", in *Vision and Method in Historical Sociology*, edited by Theda Skocpol, Cambridge University Press, 1984, pp. 47-84

Hirschman, Albert O.: *Shifting involvements : Private Interest and Public Action*, Oxford: Martin Robertson, 1982

Week 5 Business Cycles and Financial Crises

*Charles P. Kindleberger: *Manias, Panics, and Crashes: A History of Financial Crises*, New York: Wiley, 1989, fourth edition, chapters 2, 3, 6, 11; pp. 16-57, 108-129, 232-243

Recommended:

George A. Akerlof and Robert J. Shiller (2009): *Animal Spirits. How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*. Princeton, Princeton University Press, pp. xxx

Minsky, tba.

Part II: From the Great Depression to the Asian Crisis

Week 6 The Great Depression

*Peter Gourevitch. *Politics in Hard Times. Comparative Responses to International Economic Crises*. Cornell University Press 1986. Chapter 4: Breaking with Orthodoxy: The Formation of a Mixed Economy, pp. 124-180

Recommended

Hall, Thomas E and Ferguson, J. David: *The Great Depression: an international disaster of perverse economic policies*, Ann Arbor, The University of Michigan Press, 1998, pp. 63-131

Charles P Kindleberger. *The World in Depression, 1929-1939*, Harmondsworth : Penguin Books, 1987; pp.95-168, 288-307

Week 7: The rise and demise of the post-war order

*Andrew Glyn. *Capitalism Unleashed*. Oxford: Oxford University Press, chapter 1: 1-24

*Susan Strange. *The New World of Debt*. *New Left Review*, I/230, July-August 1998, pp. 91-114

Recommended:

Block, Fred: *The Origins of International Economic Disorder : a Study of United States International Monetary Policy from World War II to the present* , Berkeley : University of California Press, 1978.

Helleiner, Eric: *States and the Reemergence of Global Finance*. Ithaca, Cornell University Press, 1994

Strange, Susan: *Mad Money. When Markets outgrow Governments*, Ann Arbor, The University of Michigan Press, 1998.

Rodrik, Danni: *How Far Will International Economic Integration Go?" The Journal of Economic Perspectives*, Vol. 14, No. 1 (Winter, 2000), pp. 177-186
John Gerard Ruggie "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order" *International Organization*, Vol. 36, No. 2, pp. 379-415

Stallings, Barbara 1992, "International Influence on Economic Policy: Debt, Stabilization and Structural Reform", in Haggard Stephen and Kaufmann Robert R. (eds): *The Politics of Economic Adjustment*, New Jersey: Princeton University Press.

Week 8: The Asian Crisis

*Bruce Cumings. *The Asian Crisis, Democracy and the end of Late Development*, in T.J. Pempel (ed.). *The Politics of the Asian Crisis*. Ithaca, New York: Cornell University Press 1999, pp. 17-45

*Linda Y.C. Lim. *Free Market Fancies: Hongkong, Singapore and the Asian Financial Crisis*, in T.J. Pempel (ed.). *The Politics of the Asian Crisis*. Ithaca, New York: Cornell University Press 1999, pp 101-115

*Meredith Woo Cummings: *The State, Democracy and the Corporate Sector in Korea*, in T.J. Pempel (ed.). *The Politics of the Asian Crisis*. Ithaca, New York: Cornell University Press 1999, pp. 116-142

Recommended:

The Asian Financial Crisis and the Virtues of Democracy, Journal article by Dani Rodrik; *Challenge*, Vol. 42, 1999

Dani Rodrik 'Who needs Capital account convertibility', Harvard University February 1998

Richard Higgott "The Asian Economic Crisis: A Study in the Politics of Resentment" *New Political Economy*, Vol. 3, No. 3, 1998

Krugman, Paul: *The Return of Depression Economics*, 2008, pp. 3-30; 139-191
Robert Wade “Wheels within wheels: Rethinking the Asian Crisis and the Asian Model”, *Annual Review of Political Science*, 2000, (3), pp. 85–115

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III. The Current Crisis

Week 9: What went wrong?

*Herman Schwartz: *Subprime Nation. American Power, Global Capital, and the Housing Bubble*. Ithaca, New York, Cornell University Press 2009, chapters 1 and 7, pp. 1-23, 174-202

Recommended

Gowan, Peter “Crisis in the Heartland. Consequences of the New Wall Street System”. *New Left Review*, January/February 2009, pp. 5-29

Crotty, “James Structural causes of the global financial crisis: a critical assessment of the ‘new financial architecture’,” *Cambridge Journal of Economics*, 2009, (33): 563–580

Leo Panitch and Martijn Konings: *Myths of Neoliberal Deregulation*. *New Left Review* 57, May/June 2009, pp. 67-83

Brenner, Robert: *The economics of global turbulence : the advanced capitalist economies from long boom to long downturn, 1945-2005*, London; New York : Verso, 2006

Stiglitz, Joseph: *The Roaring Nineties: A New History of the World's Most Prosperous Decade*, 2004

Wade, Robert “From global imbalances to global reorganizations” *Cambridge Journal of Economics*, 2009, (33) 539-562

Week 10: The Crisis of Privatized Keynesianism

*Colin Crouch, “What Will Follow the Demise of Privatised Keynesianism?” *The Political Quarterly*, Vol. 79, No. 4, October-December 2008, pp. 476-487

*Robert D. Manning. *Credit Card Nation. The Consequences of America’s Addiction to Credit*, Basic Books 2000, Chapter 2, pp. 31-67

Recommended:

Dorothee Bohle: *East European Transformations and the Paradoxes of Transnationalization*, European University Institute, Florence, EUI Working Papers SPS 2010/01

Herman M. Schwartz and Leonard Seabrooke (eds). *The Politics of Housing Booms and Busts*. Palgrave MacMillan, 2009

Week 11: The crisis in Europe and the eurozone

*Becker, Joachim, and Johannes Jäger. 2010. Development Trajectories in the Crisis in Europe. *Debatte: Journal of Contemporary Central and Eastern Europe* 18 (1):5-27

*Dorothee Bohle: The Crisis of the Eurozone. Manuscript

Week 12: Conclusion: From Economics to Politics

*Labor and the Global Financial Crisis. Discussion Forum. With Contributions by Luccio Baccaro, Robert Boyer, Colin Crouch, Marino Regini, Paul Marginson, Richard Hyman and Rebecca Gumbrell-McCormick, *Socio-Economic Review* (2010) 8, 341–376.

*Peter Mair. 2009. Representative versus Responsible Government (Köln: Max-Planck-Institut für Gesellschaftsforschung) MPIfG Working Paper 09/8

Recommended

Wolfgang Streeck. Endgame? The Fiscal Crisis of the German State. (Köln: Max-Planck-Institut für Gesellschaftsforschung) MPIfG Discussion Paper 07/7.

Wolfgang Streeck and Daniel Mertens. An Index of Fiscal Democracy. ((Köln: Max-Planck-Institut für Gesellschaftsforschung) MPIfG Working Paper 10/3