# ARE 793A, CRN T\_B\_D ― Spring 2018

CAPITALISM: PAST & PRESENT

**Tuesday/Thursday 4:00 PM–5:15 PM**

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**Required Texts and Readings**

* Jerry Z. Muller: *The Mind and the Market: Capitalism in Western Thought*. New York, NY: Anchor Books, 2002
* Joyce Appleby: *The Relentless Revolution: A History of Capitalism*. New York & London: W.W. Norton & Company, 2010
* JZ Muller’s book provides most of the class’s structure and logic. J Appleby’s book provides complementary information and background. Additional readings (from those listed after Course Outline and Schedule) supplement the two texts.

**Course Objectives**

The primary purpose of this course is to explore the nature of our economic system. It is my contention that knowing how our society, and particularly its economic system, works is a prerequisite for informed policy analysis.

**Prerequisites**

1. Advanced graduate standing
2. An interest in exploring the historical and philosophical roots of our present economic system

**Course Expectations**

1. This is a graduate course aimed primarily at Ph.D. students.
2. Class participation, including completing readings so as to be prepared to contribute to discussions in class is required to successfully complete this class.
3. Each student will make two course presentations. The presentations include a short handout that summarizes the major points of interest. The printout of PowerPoint slides does not meet the handout requirement.
4. There are no exams in this class.
5. Please turn off your phone during class or mute the sound.
6. Please do not use your laptop during class for activities not directly related to the class in session.

**Grading**

1. **The Weights:**

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| --- | --- | --- |
| Assignments | Maximum Points Possible | |
| Two presentations @ 250 points each | 500 points | |
| Class participation and contributions to discussions | 500 points | |
| **Total** | | **1,000 points** |

1. **Letter Grade Scale:**

A letter grade will be assigned according to the following scale:

|  |  |  |  |
| --- | --- | --- | --- |
| 900 and above | | | A |
| 800–899 | B | |
| 700–799 | C | |
| 600–699 | D | |
| Below 600 | F | |

*Changes to Syllabus***:** The dates given in the syllabus are estimates. Adjustments to the syllabus will be announced in class and by email.

Academic Honesty: The rules and guidelines of the University Academic Standards apply to all cases of academic dishonesty.

Social Justice: **“**West Virginia University is committed to social justice. I concur with that commitment and expect to foster a nurturing learning environment based upon open communication, mutual respect, and non-discrimination. West Virginia University does not discriminate on the basis of race, sex, age, disability, veteran status, religion, sexual orientation, color or national origin. Any suggestions as to how to further such a positive and open environment in this class will be appreciated and given serious consideration.

If you are a person with a disability and anticipate needing any type of accommodation in order to participate in this class, please advise me and make appropriate arrangements with Disability Services (293-6700).”

Course participants with learning disabilities may qualify for special accommodations, such as extra time on tests. However, a professional with Disability Services must determine if special accommodations are warranted and what they should be.

***Course Outline and Schedule***

(**Dates and topics are subject to possible minor changes**)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Dates**  (subject to possible minor changes) | **Topic** | **Chapters by Text** | | |
| **Muller** | | **Appleby** |
| 1. **January 12** | Introduction | Intro & Ch. 1 | | Ch. 1 |
| 1. **January 14** | Laying Groundwork: Voltaire (and others) | Ch. 2 | | Ch. 2 |
| 1. **January 19** | The Moral Philosopher: Adam Smith | Ch. 3 | | Ch. 3 |
| 1. **January 21** | Economies of Scale: Adam Smith | Ch. 3 | | Ch. 3 |
| 1. **January 26** | Capitalism’s Dynamic Nature | Ch. 4 | | Ch. 4 |
| 1. **January 28** | Conservative Critiques (Edmund Burke) | Ch. 5 | | Ch. 4 & 5 |
| 1. **February 2** | History as Process of Progression (GWF Hegel) | Ch. 6 | | Ch. 5 & 6 |
| 1. **February 4** | Critiques from the Left (K Marx & F Engels) | Ch. 7 | | Ch. 7 |
| 1. **February 9** | Critiques from the Left (K Marx & F Engels) | Ch. 7 | | Ch. 7 |
| 1. **February 11** | More Critical Views of Capitalism: M Arnold | Ch. 8 | | -- |
| 1. **February 16** | Implicit Criticism: Capitalism and Conquest | -- | | Ch. 8 |
| 1. **February 18** | German Sociologists: Weber, Simmel, Sombart | Ch. 9 | | -- |
| 1. **February 23** | German Sociologists: Weber, Simmel, Sombart | Ch. 9 | | -- |
| 1. **February 25** | German Sociologists: Lukàcs and Freyer | Ch. 10 | | Ch. 9 |
| 1. **March 1** | War and Depression | -- | | Ch. 9 |
| 1. **March 3** | A Cautionary Note: J Schumpeter | 11 | | -- |
| 1. **March 8** | Architect of a New Capitalism? JM Keynes | 12 | | 10 |
| 1. **March 10** | The Promise of Affluence | 12 | | 10 |
| 1. **March 15** | Marcuse’s Critique | 12 | | 10 |
| 1. **March 17** | Opposing Keynes and Socialism: F Hayek | 13 | | -- |
| **March 22 & 24** | Spring / Easter Recess |  | |  |
| 1. **March 29** | A Global Economy (Again)? | -- | | 11 |
| 1. **March 31** | Global Institutions | -- | | 12 |
| 1. **April 5** | Crises and Recent Critics | -- | | 13 |
| 1. **April 7** | Conclusions | 14 | | 13 |
| 1. **April 12** | Capitalism and Individualism | To be assigned | | |
| 1. **April 14** | Clash of Values: Economics versus Human Rights | To be assigned | | |
| 1. **April 19** | What do we Deserve? An Issue of Fairness | To be assigned  To | | |
| 1. **April 21** | Moral Foundation of Successful Capitalism | To be assigned | | |
| 1. **April 26** | A Brief History of the Corporation | To be assigned | | |
| 1. **April 28** | Corporate Responsibility | To be assigned | | |
| **May 2 through May 7** | **Finals Week**  **No exam in this class** |  |  | |
| **May 10** | **Election Day** |  |  | |
| **May 16** | **Commencement** |  |  | |

**Suggestions for Further Reading**

Alesina, Alberto and Paola Giuliano, “Culture and Institutions,” *Journal of Economic Literature* 53(4, 2015), 898–944

Binswanger, Hans Christoph, *Geld und Magie: Eine ӧkonomische Deutung von Goethes Faust*. Hamburg, Murmann, 2005 (first published in 1985) [This book is available in English as [*Money and Magic: A Critique of the Modern Economy in the Light of Goethe's Faust*. Chicago: University of Chicago Press. The English version is very expensive, however]](http://www.amazon.com/Money-Magic-Critique-Economy-Goethes/dp/0226051854/ref=sr_1_1?s=books&ie=UTF8&qid=1451497627&sr=1-1&keywords=Hans+Christoph+Binswanger)

Branco, Manuel Couret, *Economics versus Human Rights*. London & New York: Routledge, 2009

Bury, J.B., *The Idea of Progress: An Inquiry into its Origin and Growth*. New York, Dover, 1932, 1960

Carroll, Archie B., Kenneth J. Lipartito, James E. Post, Patricia H. Werhane, and Kenneth E. Goodpaster, editors, *Corporate Responsibility: The American Experience*. Cambridge, UK: Cambridge University Press, 2012

Folon, Jean-Michel, editor, *The Universal Declaration of Human Rights*. Brussels: Amnesty International, Belgium, 1988

Friedman, Milton, *Capitalism & Freedom*. Chicago & London: University of Chicago Press, 1962,

Graeber, David, *Debt: The First 5,000 Years*. Brooklyn, NY: Melville House Publishing, 2011

Haesler, Aldo, *Das letzte Tabu: Ruchlose Gedanken aus der Intimsphäre des Geldes*. Frauenfeld, Stuttgart, Wien: Huber, 2011

Hausman, Daniel M. & Michael S. McPherson, *Economic Analysis and Moral Philosophy*. Cambridge, UK: Cambridge University Press, 1996

Hayek, Friedrich A., *The Road to Serfdom*. Chicago & London: University of Chicago Press, 1944, 1972

Jensen, Derrick, *The Culture of Make Believe*. White River Junction, VT: Chelsea Green Publishing Company, 2002, 2004

Kindleberger, Charles P., “The Great Transformation by Karl Polanyi,” *Daedalus* 103(1, Winter 1974), *Twentieth-Century Classics Revisited*: 45-52

Kocka, Jürgen, *Geschichte des Kapitalismus*. Munich: Verlag C.H. Beck, 2014

Le Goff, Jacques, *Your Money or Your Life: Economy and Religion in the Middle Ages*. New York: Zone Books, 1998 [first published in French in 1986]

Mishra, Pankaj, *From the Ashes of Empire: The Intellectuals Who Remade Asia*. New York: Farrar, Straus & Giroux, 2012

Myers, Milton L., *The Soul of Modern Economic Man: Ideas of Self-Interest, Thomas Hobbes to Adam Smith*. Chicago & London: University of Chicago Press, 1983

Nelson, Robert H., *Economics as Religion: From Samuelson to Chicago and Beyond*. University Park, PA: Pennsylvania State University Press, 2001

Nierenberg, David, *Anti-Judaism: The Western Tradition*. New York & London: W.W. Norton & Company, 2013

Olsaretti, Serena. *Liberty, Desert, and the Market: A Philosophical Study*. Cambridge, UK: Cambridge University Press, 2004

Parsons, Talcott, “”Capitalism” in Recent German Literature: Sombart and Weber,” *Journal of Political Economy* 36(6, Dec. 1928): 641-661.

\_\_\_\_\_\_\_\_\_\_, “”Capitalism” in Recent German Literature: Sombart and Weber, concluded,” *Journal of Political Economy* 37(1, Jan. 1929): 31-51.

Persky, Joseph, “Retrospectives: Adam Smith’s Invisible Hands,” *Journal of Economic Perspectives* 3(4, Fall 1989): 195-201

Picketty, Thomas, *Capital in the Twenty-First Century*. Cambridge, MA and London: Belknap Press of Harvard University Press, 2014

Polanyi, Karl, *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press, 1944, 1957, 2001

Rodney, Walter, *How Europe Underdeveloped Africa*, African Tree Press, 2014 (first edition published by Bogle L’Ouverture Publications in 1972)

Rose, David C., *The Moral Foundation of Economic Behavior*. New York: Oxford University Press, 2011.

Rӧpke, Wilhelm, *A Humane Economy: The Social Framework of the Free Market*. Lanham, New York, London: University Press of America, 1960.

Sandel, Michael J., *What Money Can’t Buy: The Moral Limits of Markets*. New York: Farrar, Straus and Giroux, 2012

\_\_\_\_\_\_\_\_\_\_, *Liberalism and the Limits of Justice*, Second Edition. Cambridge, UK: Cambridge University Press, 1982, 1998

Satz, Debra, *Why Some Things Should not be for Sale: The Moral Limits of Markets*. New York: Oxford University Press, 2010.

Schumpeter, Joseph A., *Capitalism, Socialism, and Democracy*. New York: Harper & Row, 1976 [earlier copy rights: 1942, 1947, 1950].

Sen, Amartya. *On Ethics and Economics*. Oxford, UK & Cambridge, USA: Blackwell, 1987

Sennett, Richard, *The Craftsman*. New Haven & London: Yale University Press, 2008

\_\_\_\_\_\_\_\_\_\_, *The Culture of the New Capitalism*. New Haven & London: Yale University Press, 2006

\_\_\_\_\_\_\_\_\_\_, *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism*. New York & London: W.W. Norton & Company, 1998

Siedentop, Larry, *Inventing the Individual: The Origins of Western Liberalism*. Cambridge, MA: Belknap Press of Harvard University Press, 2014

Skidelsky, Robert and Edward Skidelsky, *How Much is Enough? Money and the Good Life*. New York: Other Press, 2012.

Smart, J.J.C. & Bernard Williams, *Utilitarianism, For & Against*. Cambridge, UK: Cambridge University Press, 1973

Temin, Peter, “The Cambridge History of Capitalism,” *Journal of Economic Literature* 53(4, 2015): 996-1016

Useem, Jerry, “Are Bosses Necessary?” *The Atlantic Monthly*, October 2015. Downloaded at <http://www.theatlantic.com/magazine/archive/2015/10/are-bosses-necessary/403216/>, December 30, 2015.

Williams, Eric, *Capitalism and Slavery*, Chapel Hill: University of North Carolina Press, 1944, 1994

Wright, Ronald, *A Short History of Progress*. Philadelphia, Perseus Books, 2004.

**Comments on the *Suggestions for Further Reading***

**Many of the titles in the above bibliography are fairly self-explanatory. However, there are a few inclusions that may not be obvious. For example, there are two books on Progress. Why? The notion that society is moving in a direction of progress is, historically speaking, quiet young. In an agrarian society it is much more likely that a circular view prevails: everything is repeated year after year in a fairly predictable way. Such a view corresponds to the experiences of members of such societies while progression does not.**

**The bibliography also contains a work on Anti-Judaism. This is related to, but not the same, as Anti-Semitism. At a time when commercial activities and particularly financial commerce (banking, lending) were held in low regard in Western society, they often fell to Jews and Judaism and financial business were sometimes equated. The way this prejudice was expressed was not constant over time and the above work shows when and why it originated and how it evolved. The book by Le Goff is not directly related to Anti-Judaism, but as the economy started to change in the Middle Ages and money lending and other financial transactions became indispensable in the slowly emerging new economy, society needed to adjust its views and value systems. Capitalism also freed a majority of individuals from class constraints.**

**More generally, the emergence of capitalism required a large number of societal changes such as new institutions, the demolition of old institutions, and the creation of new social values. Important among these values is that of the Individual and Individualism, which is why I included a book on this topic. I also included *The Universal Declaration of Human Rights* because all of those rights are rights of the individual and as such would not have been written in the Middle Ages when a feudal society with strictly defined class structures prevailed. In such a society, it was not usually individual talent or aspirations that decided what a person could become, but class membership.**

**The list includes many critics and critiques of capitalism, some of them rejecting it altogether, most questioning some of its manifestations. Sennett is a famous American sociologist who has repeatedly written on the effects of the “new” “sharing” society. Several other writers, Sandel and Satz among them, are less critics of capitalism as they are trying to determine appropriate limits for the application of market processes and capitalism. That issue is still far from being resolved.**

**Books about debt and money have to include Picketty’s surprise bestseller. I value Graeber’s contribution very highly. He approaches the history of money and debt from his perspective as an anthropologist, which yields many interesting insights for economists. Binswanger’s re-interpre­tation of one of the world’s literary masterpieces is exceptional, but not easy.**

**Amartya Sen’s book is an excellent starting point for those who want to learn more about the relationship between ethics and fairness and efficiency. The classic *Utilitarianism, For and Against*, is a useful first step toward a more informed view of the philosophical underpinnings of modern economic theory. I include Rӧpke among these works. He was one of the intellectual fathers of the post-war German Economic Miracle. The economic system he and others helped devise became known as Social Market Economy (soziale Marktwirtschaft). It still exerts influence, for example through the participation of German labor representatives on corporate boards (co-determination or Mitbestimmung, in German).**

**A few of the included books deal with moral social values, but only Rose makes the case that certain moral values, and in particular trustworthiness, are critical for the development of an affluent society. The following quote summarizes the key ideas: “*General prosperity is impossible without specialization, but specialization is impossible without transactions. Transactions, in turn, inevitably open the door to opportunistic victimization. The resulting fear of opportunistic victimization can drive transaction costs so high that many transactions are discouraged. This is devastating because it is through transactions that the gains from specialization are realized. The higher are transactions costs generally, the smaller is the set of feasible transactions, the more limited transaction behavior will therefore be, and hence the lower will be the gains from specialization, so the less prosperous the society will be* (Rose: 36).”**

**I did not include references to Adam Smith’s two most important works. Instead, I listed an article by Joseph Persky and a book by Myers. I like Myers small book because it provides a context for the evolution of *The Wealth of Nations*, as a response to Thomas Hobbes, a response that was roughly 100 years in the making.**

**Jürgen Kocka is included even though his book is currently available only in German and therefore not likely to be accessible to you. However, since I will employ his definition of capitalism in this class, I thought it needed to be listed.**

**Definition of Capitalism Used in this Class**

**Following Kocka (see *Suggestions for Further Reading*), we define capitalism as an ideal-typical system that is not usually following the defining characteristics exactly.**

**Kocka does not use the existence of a class of entrepreneurs as necessary for the existence of capitalism. This differentiates his definition from many others. It has the advantage that includes emerging systems such as that of the P.R. China that rely on government ownership to a large degree.**

**The following are the characteristics that we apply to our understanding of Capitalism:**

1. **It is based on individual property rights and decentralized decision-making. The term individual in this context is applied to persons as well as organizations and associations.**
2. **In a capitalist system, the predominant form of coordination is through markets and prices.**
3. **The capitalist system is based on division of labor (see Adam Smith, but division of labor is already mentioned by Augustine in in his book *City of Good*.) Note that division of labor translates into economies of scale.**
4. **The capitalist system is a monetary economy. This is what allows far greater aspiration toward future wealth than what is possible in an economy based primarily on bartered exchange. The existence of money also allows profit to serve as the major criterion (measure) for judging investments.**