Capital and Power
In the Global Political Economy

York University, Political Science 4291(0.3)
Fall, September 6 - November 29, 2007, Thursday 8:30-11:30

Course Director: Jonathan Nitzan
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OVERVIEW

DESCRIPTION

What is capital? Is it a material thing or a social relation? What is political about capital and how does capital relate to power? What is the role of capital in the broader global political economy? The seminar examines such questions theoretically and historically. The first part explores basic conceptions of capital. It begins by studying three approaches to capital: one based on utility, a second based on labour value and a third based on power. The discussion then broadens to examine these three approaches in relation to technology, the corporation and the state. The second part of the seminar deals with transformations of capital. This part introduces the twin concepts of dominant capital and differential accumulation. Using these concepts, the seminar explores the historical processes of corporate mergers, globalization, stagflation, imperialism and the new wars of the twenty-first century. (There could be some deviations from the course schedule and readings as we go along.)

FORMAT

Lectures and class discussion.

EVALUATION

The course grade comprises the following items:

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<tr>
<th></th>
<th>Weight</th>
<th>Maximum length</th>
<th>Due Date</th>
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<tr>
<td>Participation</td>
<td>10%</td>
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<tr>
<td>Research Exercise 1</td>
<td>15%</td>
<td>---</td>
<td>October 25</td>
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<tr>
<td>Research Exercise 2</td>
<td>25%</td>
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<td>November 15</td>
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<tr>
<td>Term Paper</td>
<td>50%</td>
<td>4,000 words</td>
<td>December 16</td>
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General. All work must be typed and should not exceed the specified word limit. Late submissions will be accepted only with a valid documented reason (medical or family misfortune); otherwise, they will be subject to a penalty of 10% per day.

Participation (10%). You are allowed to miss 2 sessions without reason. Every additional no-show reduces your participation grade by 2%.

Research Exercises (15% and 25%). The two research exercises are to be done in pairs. The purpose of the exercises is threefold: (a) to familiarize you with some of the data sources available for the study of political economy; (b) to give you hands-on experience in obtaining, manipulating and interpreting empirical information; and (c) to make you appreciate the importance and limitations of facts.

Take Home Essay (50%). This essay is to be written individually. The purpose is for you to creatively combine theoretical discussion with empirical analysis.

TEXTS (AVAILABLE FROM THE BOOKSTORE)

Required


Optional

SCHEDULE

- **Sep 6**: Introduction and Organization
- **Sep 13**: Rosh Hashana – No class

**Part I: Conceptions of Capital**

1. **Sep 20**: Capital, Capitalism and Political Economy
2. **Sep 27**: Utility and Value: Neoclassical Capital
3. **Oct 4**: Labour and Value: Marxist Capital
4. **Oct 11**: Power and Value: Veblen’s Capital
5. **Oct 18**: Technology and Power
6. **Oct 25**: The Corporation

**Part II: Transformations of Capital**

7. **Nov 1**: Capital AS Power: Dominant Capital and Differential Accumulation
8. **Nov 8**: Mergers and Globalization
9. **Nov 15**: Stagflation
10. **Nov 22**: Capital and State: Imperialism and Beyond (I)
11. **Nov 29**: Capital and State: Imperialism and Beyond (II)

**Readings**

The required readings are available from one of the following sources: (1) required textbook; (2) course kit; (3) York Library’s ‘eResources’; (4) specified URL.

**Introduction and Organization**

1. **Capital, Capitalism and Political Economy**

*Required Readings*


*Optional Bibliography*

2. Utility and Value: Neoclassical Capital

**Required Readings**


**Optional Bibliography**

3. Labour and Value: Marxist Capital

Required Readings


Optional Bibliography


4. Power and Value: Veblen’s Capital

**Required Readings**


**Optional Bibliography**


5. Technology and Power

Required Readings


Optional Bibliography


6. The Corporation

Required Readings

Silver. Minneapolis and London: University of Minnesota Press, pp. 97-150. [course kit; 54 pages]

Optional Bibliography

7. Capital AS Power: Dominant Capital and Differential Accumulation

*Required Readings*


*Optional Bibliography*


8. Mergers and Globalization

*Required Readings*


*Optional Bibliography*

9. Stagflation

**Required Readings**


**Optional Bibliography**


• Means, Gardiner C. 1935. Price Inflexibility and Requirements of a Stabilizing Monetary Policy. *Journal of the American Statistical Association* 30 (June): 401-413. (eResources)


10 & 11. Capital and State: Imperialism and Beyond

**Required Readings**


**Optional Bibliography**


O’Meara, Dan. 2006. 'American Empire' and 'US Imperialism' After the War in Iraq?: The American State in the Contemporary Global Order. Labour, Capital and Society 39 (1): 4-33. [eResources]


**RESEARCH EXERCISES 1 AND 2**

*Purpose.* The purpose of the exercises is threefold: (a) to familiarize you with some of the data sources available for the study of the political economy; (b) to give you hands-on experience in obtaining, manipulating and interpreting empirical information; and (c) to make you appreciate the importance and limitations of facts.

*Work in pairs.* Working with someone else is beneficial for a number of reasons. First, discussing and debating your ideas is a catalyst for the imagination. Second, it helps prevent panic when things don’t work out. And, third, it gives me less to grade. If you nevertheless want to work alone, that’s OK, but clear it with me first.

*Start immediately.* Things always take longer than you think. Attend one of the library instruction sessions (see schedule below), and start working on the first exercise.

*Back up your work.* Computers can be quick to eliminate any trace of your work if you are not careful. Make sure to save frequent backups.

*Excel.* There are no shortcuts here. You should familiarize yourself with this spread sheet programme, simply since it is the most widely used. If you know how to plot data in another programme, that’s fine too.

*Presentation.* Pay very close attention to aesthetics. Write your answers with care, trying to be concise but precise. Type your answers and print your tables and charts neatly.

*Library database instructions.* I have arranged with Walter Giesbrecht of Scott Library (walterg@yorku.ca) to offer a basic instruction session to students in this seminar. The instruction will cover: (a) the World Bank’s *World Development Indicators*, (b) *International Statistical Yearbook* and (c) *Global Insight*. Two identical sessions will be given early in the term. You are required to attend one of them:

- Session I: Tuesday, September 11, 2006, 19:00-20:00, Scott Library, Instruction Room 531.
- Session II: Wednesday, September 19, 2006, 19:00-20:00, Scott Library, Instruction Room 531

The session will help you get started with the first assignment. The librarians are also very helpful beyond the seminar. Don’t be shy to seek help – with the databases as well as with other questions. The library resource page for this course, along with data pointers and explanations, is here: [http://www.library.yorku.ca/cms-resolver/?item_id=6091698](http://www.library.yorku.ca/cms-resolver/?item_id=6091698).
Exercise 1 (15%)

Due date. October 25, hard copy in class.

Data and presentation. This exercise uses World Bank’s World Development Indicators; it requires you to use Microsoft Excel or a comparable charting programme.

Questions

1. (75%) Using data from the World Bank’s World Development Indicators, plot the ‘General Government Final Consumption Expenditure (% of GDP)’ for both the ‘High Income countries’ and the ‘Low and Middle Income countries.’ The data begin in 1960 and extend to the mid 2000s (the World Bank constantly updates its data, so your own figure may include additional/modified observations). Using Excel to chart the result, try to make your figure look exactly as the one given below (including chart proportions, font size, line style, etc.). You should hand in the Excel sheet of the graph with your answer.

2. (25%) Using the data charted in your figure, assess the following statement: ‘Since the early 1980s, the hallmark of neo-liberalism was smaller government.’ Differentiate between the experience of high income countries on the one hand and low and middle income countries on the other (Maximum 250 words).

NOTE: Cutoff point between Middle and High Income countries: 11,116 Gross National Income per Capita in 2006.  
SOURCE: World Development Indicators 2007
Exercise 2 (25%)

Due date. November 15, hard copy in class.

Data and presentation. This exercise uses data that can be retrieved from World Development Indicators, the International Statistical Yearbook or Global Insight (you can use other sources if you wish). The exercise also requires you to use Excel or a comparable charting programme. Document your data, including the sources and variable names, and explain all your computations.

Questions

1. (25%) The top part of the figure below compares two U.S. time series. One series is the ‘real’ hourly wage rate in private industry. The other series, also expressed in ‘real’ terms, is the sum of capital gains and dividends earned from investing in the S&P500 index. The bottom part of the figure computes a ‘differential’ index: the ratio between the nominal wage and the nominal capital gains and dividends. (a) Explain the difference between nominal and ‘real’ measures of income. (b) Explain the meaning of a ‘differential’ index and how it differs from ‘real’ measures of income. (c) What conclusions can you draw from the data in the figure? (up to 500 words).

Return on Capital and Labour in the U.S.A.

NOTE: real series are computed by deflating nominal data by the CPI.
* Capital gains and dividends is the difference between successive values of the S&P500 Total Return Index.
SOURCE: U.S. Bureau of the Census through Global Insight; Global Financial Data (www.globalfindata.com)
2. (25%) Using time series data for a country of your choice (other than the United States), produce a chart similar to the one plotted on the previous page. The chart should compare the evolution of the ‘real’ wage rate to the evolution of ‘real’ capital gains from investing in the stock market. Note that capital gains/losses denote the increase or decrease of the market index between successive years (in the computation, you can use either the stock price index or the stock market total return index). The chart should also calculate the ‘differential’ ratio between the gains from investing in the stock market on the one hand, and the wage rate on the other. What conclusions can you draw from your computations? (up to 400 words).

(25%) Assess the following claim for a country of your choice: ‘The rise of neoliberalism since the early 1980s has made [country X] more unstable.’ Your answer should be based on the historical evolution of the following three variables, each plotted on a separate chart. Go back with the data as far as you can, so as to make the comparisons historically meaningful (up to 400 words).

   a. The annual rate of growth of GDP, using quarterly data. This index should show the per cent rate of change of ‘real’ GDP, measured between the same quarters in successive years (e.g. Q1 1998 relative to Q1 1997).

   b. The annual rate of growth of the country’s stock market index, expressed in ‘real’ terms, and using monthly data. This index should show the per cent rate of change of the ‘real’ stock market index, measured between the same months in successive years (e.g., Jan 1998 relative to Jan 1997).

   c. The annual rate of change of the country’s exchange rate relative to the $US, using monthly data. This index should show the rate of change of the exchange rate, measured between the same months in successive years (e.g., Dec 2005 relative to Dec 2004).

3. (25%). For a corporation of your choice, obtain the following annual time-series data for at least 10 years: (a) net profit after taxes, and (b) sales revenues. Compute the time series for the corporation’s markup (the ratio of net profit to sales revenues). Plot all three series on the same chart (profit and sales on the left axis, the markup on the right axis). Document the exact sources of your data, including variable names when appropriate (try to quantify your answer by assessing the relative deviations of each variable). What is the main cause for the change in profit – changes in sales or changes in the markup? What conclusion can you draw from this answer? (up to 400 words).
TERM PAPER (50%)

Due date. December 16 (a Word file – not PDF – emailed as an attachment to nitzan@yorku.ca).

Instructions. Write an essay on one of the topics listed below. Your paper should provide a thoughtful theoretical examination of the issue, backed by empirical evidence. The theoretical arguments should draw on the course material and readings (required and optional); you are encouraged (but not obliged) to use additional sources. The empirical evidence could draw on secondary sources, but it must also contain your own data analysis using the skills acquired in the course. The listed topics are very broad. This generality gives you considerable flexibility; but it also means that you have to carefully – and explicitly – narrow down your question/topic to make it manageable.

The paper must be emailed to me by December 16 as a single Word attachment. Make sure this single attachment includes all text and graphics (insert graphics by using "paste special" → “as picture”; this method of pasting will reduce the file size). The paper should not be longer than 4,000 words of text (including references and notes), plus charts and tables. Longer papers will not be accepted.

How to write the paper. Your ingenuity and in-depth understanding will be lost unless expressed clearly. Pay attention to the structure of the essay, writing style, grammar and presentation: (a) in your introduction, specify clearly the purpose, hypothesis and method of your paper; (b) make sure you deliver on what you promise; and (c) re-read and re-edit your paper several times before handing it in.

Topics

1. ‘Capital has become the most important form of politics, both domestically and globally.’ Write an essay articulating your agreement or disagreement with the above statement.

2. ‘The late 1990s were a bubble economy, in which financial markets were increasingly de-linked from the real world.’ Discuss critically the logic and empirical bases of this statement.

3. Who rule the corporation, how do they rule it, and why does it matter? Assess these questions theoretically and empirically.

4. ‘Money and finance are essentially mechanisms of intermediation. They help the real economy function, but have little impact on the final outcomes themselves.’ Critically assess the theoretical debates and historical evidence pertaining to this statement.

5. Examine the political economy of privatization in a country of your choice. What were the causes? Who benefited, who lost and how? What were the broader ramifications for society? (Some interesting countries to look at: Argentina, Brazil, China, Israel and Russia, among others.)

6. During the Apartheid era, South African capital was subject to capital controls. Most of these controls were lifted during the 1990s. Assess the impact of this change on the political economy of the country.

7. ‘A growing proportion of financial assets is owned by workers through pension funds. If this trend continues, the basic conflict between capital and labour will eventually be eliminated.’ Do you agree with the first part of this statement? Do you agree with its conclusion?
8. ‘Real investment brings growth and prosperity, whereas financial investment is fictitious and wasteful. Capitalist prosperity therefore depends encouraging the former and restricting the latter.’ Assess the validity of this claim in light of the theoretical and empirical connection between capitalist production and capitalist ownership.

9. Is ‘economics’ a science or is it an ideology? Discuss from at least two different perspectives.

10. Can ‘capital’ be measured? Discuss from three different perspectives.

11. Compare and contrast the fundamental assumptions of the ‘utility,’ ‘labour value’ and ‘power’ theories of capital.

12. ‘Capital accumulation requires a state.’ Assess this statement theoretically and empirically.

13. Over the past fifty years, economic growth in the industrial countries has trended downward. Explain this process from the perspective of at least two theories of capital accumulation.

14. Since the 1940s, the developed countries have experienced uninterrupted inflation. Was this inflation ‘good’ or ‘bad’ for capital accumulation? Discuss from the viewpoint of at least two different theories of accumulation.

15. Where does the ‘normal rate of return’ come from? Answer this question from two theoretical viewpoints and, if possible, support your answers with empirical evidence.

16. Using charts, examine the long term correlation between inflation and growth in 3 countries of your choice. How are your finding related to the process of capital accumulation?

17. Examine the effects of ‘globalization’ on capital accumulation in a country of your choice.

18. Write a paper that analyses, empirically and/or theoretically, the relationship between power and accumulation in a country of your choice.

19. Examine, theoretically and/or empirically, the process of corporate centralization in a sector or a country of your choice.

20. Is contemporary capitalism ‘imperialist’? Examine this question analytically and empirically.

21. ‘The new wars of the 21st century are necessary for capital accumulation.’ Using theory and empirical evidence, explain why you agree or disagree.

22. Is knowledge a ‘factor of production’? How do intellectual property rights affect the process of capital accumulation? Examine these questions analytically and empirically.

23. ‘The environment is a public ‘externality’; privatizing it will boost the accumulation of capital.’ Assess the theoretical and empirical validity of this statement.

24. Examine the underlying political economy of accumulation for a particular corporation or group of corporations.
Environment By Capital & Main. A warehouse project is planned for a Los Angeles area that is among the very worst in the state for the threats that toxic cleanups and hazardous wastes pose. Chinatown Renters’ Saga Takes a Twist. Labor & Economy By Joe Rihn. Mistakenly one may juxtapose capital with power and think that it is possible to possess power (as capital). iovialis.org. iovialis.org. Persepolis, in former times, was the second capital of Achaemenian power founded in the 5th -6th century B.C. [...] the town is situated within 60 km. [...] northward from Shiraz and 70 km. from Pasargadae.