Global Capital

*Political Economy of Capitalist Power*

York University, Political Science 6285 (0.3)
Winter, January 3 – April 3, 2007, Wednesday 11:30-2:30

Course Director: Jonathan Nitzan
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**OVERVIEW**

**Description**

What is capital? Is capital the same as machines, or is it merely a financial asset? Is it material or social? Is it static or dynamic? Surprisingly, these questions have no clear answers. The form of capital, its existence as monetary wealth, is hardly in doubt. The problem is with the content, the ‘stuff’ which makes capital grow, and on this issue there is no agreement whatsoever. For example, does capital accumulate because it is ‘productive,’ or due to the ‘exploitation’ of workers? Does capital expand ‘on its own,’ or does it need non-capitalist institutions such as the state? Can capital grow by undermining production and efficiency? What exactly is being accumulated? Does the value of capital represent a tangible ‘thing,’ ‘abstract labour’ or perhaps something totally different? What units should we use to measure its accumulation? Despite centuries of debate, none of these questions has a clear answer. Yet they have to have answers. The accumulation of capital is the central process of capitalism, and unless we can clarify what that means, our theories remain ‘bagel theories,’ with a big hole in the middle.

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 minor deviations from the course schedule and readings as we go along.)

**Format**

Seminar lectures and class discussion.
Evaluation

The course grade comprises the following items:

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<thead>
<tr>
<th></th>
<th>Weight</th>
<th>Maximum length</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>Participation</td>
<td>10%</td>
<td>—</td>
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<tr>
<td>Research Exercise 1</td>
<td>15%</td>
<td>—</td>
<td>February 21</td>
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<td>Research Exercise 2</td>
<td>15%</td>
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<td>March 14</td>
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<tr>
<td>Paper Proposal</td>
<td>10%</td>
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<td>March 28</td>
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<tr>
<td>Term Paper</td>
<td>50%</td>
<td>6,000 words</td>
<td>April 30</td>
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- **Participation** (10%). Regular attendance and reading the assigned material before class are pre-requisites for effective participation.

- **Research Exercises** (15% each). 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.

- **Paper Proposal** (10%). Students are asked to write a research paper on a topic of their choice relevant to the seminar. The paper could be: (1) a critical appraisal of one or more aspects of the literature; (2) an empirical study, preferably in reference to a theoretical debate; or (3) a more ambitious attempt to formulate and assess your own hypothesis or theory. In preparation for this research, you are asked to draft a proposal consisting of three paragraphs: (1) the question you seek to answer; (2) the possible answers for that question; and (3) the research methodology you will use to answer the question. This type of proposal is not easy to write, but it should greatly facilitate the research and writing of the paper itself. The proposal should be no longer than 500 words and should be emailed to me as a Word attachment (send to nitzan@yorku.ca).

- **Term paper** (50%). The paper itself must not exceed 6,000 words, including footnotes and references but excluding charts and tables. 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. Three useful suggestions: (1) in your introduction, specify clearly the purpose, hypothesis and method of your paper; (2) make sure you deliver on what you promise; and (3) re-read and re-edit your paper several times before handing it in. Email the paper as a Word attachment (send to nitzan@yorku.ca).

**Required Texts (available at the bookstore)**


**Recommended Texts (some are available at the bookstore)**


**SCHEDULE**

- Jan 3: Introduction and Organization

**Part I: Conceptions of Capital**

1. Jan 10: Capital, Capitalism and Political Economy
2. Jan 17: Utility and Value: Neoclassical Capital
3. Jan 24: Labour and Value: Marxist Capital
4. Jan 31: Power and Value: Veblen’s Capital
5. Feb 7: Technology and Power
   - Feb 14: [No Class – Reading Week]
6. Feb 21: The Corporation

**Part II: Transformations of Capital**

7. Feb 28: Capital AS Power: Dominant Capital and Differential Accumulation
8. Mar 7: Greenfield, Mergers and Globalization
9. Mar 14: Cost-Cutting or Stagflation?
10. Mar 21: Capital and State: Imperialism
11. Mar 28: New Imperialism or New Capitalism?
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


Background (recommended)


Optional Bibliography

2. Utility and Value: Neoclassical Capital

What are the key contradictions of the neoclassical understanding of capital? What are their origins and what do they imply for the edifice of neoclassical theory as a whole?

Required Readings


Background (recommended)


Optional Bibliography


### 3. Labour and Value: Marxist Capital

*Does Marxism require a labour theory of value? Is there a contradiction between the qualitative and quantitative labour theory of value? Can it be reconciled?*

**Required Readings**


**Background (recommended)**


**Optional Bibliography**


• Harvey, Philip. 1985. The Value-Creating Capacity of Skilled Labor in Marxian Economics. *Review of Radical Political Economics* 17 (1/2): 83-102. [eResources]

4. Power and Value: Veblen’s Capital

**How does Veblen’s understanding of capital as finance and only finance differ from the neoclassical and Marxian views?**

**Required Readings**


**Background (recommended)**


**Optional Bibliography**

5. Technology and Power

| Is technology an empowering factor of production, or is itself a form of power? |

Required Readings


Background (recommended)


Optional Bibliography


6. The Corporation

| Why has the corporation become the dominant form of organizing capital in the twentieth century? |

Required Readings


**Background (recommended)**


• *The Corporation.* 2003. Written by Mark Achbar, Joel Bakan, and Harold Crooks, Directed by Jennifer Abbott and Mark Achbar.

**Optional Bibliography**


7. Capital AS Power: Dominant Capital and Differential Accumulation

Is capital connected to power, or is capital itself a form of power?

Required Readings


Background (recommended)

Optional Bibliography


8. Greenfield, Mergers and Globalization

**Can a mere change in ownership boost accumulation? What is the link between corporate merger and capitalist globalization?**

**Required Readings**


**Optional Bibliography**

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9. Cost-Cutting or Stagflation?

**Can capital accumulation thrive on stagnation and inflation?**

*Required Readings*


*Background (recommended)*


*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. Capitalism and State: Imperialism

**Does capitalism imply imperialism?**

*Required Readings*


Background (recommended)

• Traven, B. 1979. The White Rose. Translated from the German by Donald J. Davidson. Originally Published in 1929. Westport, Conn.: L. Hill.
• The Coca-Cola Kid. 1985. Written by Frank Moorhouse, Directed by Dusan Makavejev

Optional Bibliography

11. New Imperialism or New Capitalism?

**Has the transformation of capital altered the nature of capitalism?**

**Required Readings**


**Background (recommended)**


**Optional Bibliography**


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 to offer a basic instruction session to students in this seminar. The instruction will cover: (a) the World Bank’s World Development Indicators, (b) the 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, January 9, 2007, 19:00-20:00, Scott Library, Instruction Room 531.
- Session I: Tuesday, January 16, 2007, 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.
Exercise 1 (15%)  

Due date. February 21, 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 early 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 the figure as similar as you can to the one given below. 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 neoliberalism was smaller government.’ (Maximum 250 words).  

![Graph of General Government Final Consumption Expenditure (% of GDP)](image-url)  

NOTE: Cutoff point between Middle and High Income countries: $9,385 Gross National Income per Capita.  
SOURCE: World Development Indicators 2005.
Exercise 2 (25%)

Due date. March 14, 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 sources 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.**

![Graph showing Real Capital Gain and Dividends on the S&P500, Real Hourly Wage in Private Industry, and Ratio of Capital Gain and Dividends to Hourly Wage.]

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’ gains from investing in the stock market (for the latter measure, 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).

3. (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:

   (a) the annual rate of growth of GDP (measured in ‘real’ terms, using quarterly data);
   (b) the annual rate of growth of the country’s stock market index (measured in ‘real’ terms, using monthly data); and
   (c) the annual rate of change (appreciation/depreciation) of the exchange rate (measured relative to the $US, using monthly data).

When using monthly data, compute the annual rate of growth by comparing each month to the same month the year before – i.e. November 2001 to November 2000, December 2001 relative to December 2000, etc. When using quarterly data, compare each quarter to the same quarter the year before; namely, second quarter 2001 to second quarter 2000, etc. Go back with the data as far as you can, so as to make the comparisons historically meaningful (up to 400 words).

4. (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. 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).