The Capitalist Mode of Power

A Research Seminar

York University, Political Science 6260 (6.0)
Fall, September 9 – December 8, 2009
Tuesday 14:30-17:30 & Thursday 11:30-14:30

Course Director: Jonathan Nitzan
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Overview

Description

Capitalism is often understood as a mode of production and consumption. The seminar critiques this view and offers an alternative perspective of capitalism as a mode of power.

Thematically, the course consists of five parts: (1) Dilemmas of Political Economy: the two basic bifurcations separating ‘politics’ from ‘economics’ and the ‘real’ from the ‘nominal’, and how these dualities have gradually fractured political economy; (2) The Enigma of Capital: the liberal and Marxists conceptions of value and capital and why political economists still try to sort them out; (3) Capitalization: how discounting conquered the world while political economists looked the other way; (4) Bringing Power Back In: the history and theory of the capitalist mode of power; and (5) Capital as Power: a radical alternative to liberal and Marxists theories of accumulation.

Pedagogically, the seminar seeks to prepare students toward conducting their own independent research. Students are introduced to various electronic data sources, instructed in different methods of analysis and tutored in developing their empirical research skills. As the seminar progresses, these skills are used both to assess various theories and to develop the students’ own theoretical/empirical research project.

Format

Seminar lectures and class discussion.
Evaluation

Your course evaluation is based on the items listed in the table below. If you submit all the course work, your final grade will be the higher of Scheme A and B. If you fail to submit any of the listed items, your grade will be calculated on the basis of Scheme A.

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<thead>
<tr>
<th></th>
<th>Scheme A</th>
<th>Scheme B</th>
<th>Maximum length</th>
<th>Due Date</th>
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<tr>
<td>Participation</td>
<td>10%</td>
<td>10%</td>
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<td></td>
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<tr>
<td>Research Exercise 1</td>
<td>15%</td>
<td>0</td>
<td>—</td>
<td>October 22</td>
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<tr>
<td>Research Exercise 2</td>
<td>15%</td>
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<td>—</td>
<td>November 12</td>
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<tr>
<td>Paper Proposal</td>
<td>10%</td>
<td>10%</td>
<td>6,000 words</td>
<td>November 26</td>
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<tr>
<td>Term Paper</td>
<td>50%</td>
<td>80%</td>
<td>6,000 words</td>
<td>December 30</td>
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- **Participation.** Regular attendance and reading the assigned material before class are pre-requisites for effective participation.

- **Research Exercises.** 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.

- **Term Paper: Short Proposal.** 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 to that question; and (3) the research methodology you will use to answer the question. This brief proposal is not easy to write, but writing it properly 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: Final Draft.** The paper itself must not exceed 6,000 words, including footnotes and references but excluding charts and tables. Note: your ingenuity and in-depth understanding will be lost unless they are clearly expressed, so pay close 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).

A NOTE ON PROGRESSION: The assignments and paper are structured to develop your capacity in stages. In the first step (Research Exercise 1) you are asked merely to replicate an existing empirical work, so that you can familiarize yourself with the data sources and Excel. Building on this knowledge, the second step (Research Exercise 2) instructs you to empirically research and answer a series of questions. And in the third step (term paper), when you are finally standing on your own feet, your task is to both ask the questions and research the answers. Having gone through these three
steps, you should be able to conduct your own independent research and further develop your capabilities.

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


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

SCHEDULE

Sep 10: Introduction and Organization

Dilemmas of Political Economy

1. Sep 15 & 17: The Capitalist Dualities and the Fracturing of Political Economy

The Enigma of Capital

2. Sep 22 & 24: Neoclassical Theories of Capital: Utility
4. Oct 6 & 8: What is Being Accumulated?
   Oct 13 & 15: Study week – no classes

Capitalization


Bringing Power Back In

6. Oct 27 & 29: Accumulation and Sabotage
7. Nov 3 & 5: The Corporation
8. Nov 10 & 12: Modes of Power

Accumulation of Power

10. Nov 24 & 26: Breadth: Greenfield, Mergers & Globalization
11. Dec 1 & 3: Depth: Cost Cutting and Stagflation
12. Dec 8: Regimes of Accumulation: Prosperity and Crisis

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. (*) Denotes technically difficult material.

Introduction and Organization


1. The Capitalist Dualities and the Fracturing of Political Economy

Required Readings

The Capitalist Mode of Power


Background (recommended)


Optional Bibliography


2. Neoclassical Theories of Capital: Utility

Required Readings

Background (recommended)


Optional Bibliography


3. Marxist Theories of Capital: Labour

Required Readings


Background (recommended)


Optional Bibliography

4. What is Being Accumulated?

Required Readings

• (*) Harvey, Philip. 1985. The Value-Creating Capacity of Skilled Labor in Marxian Economics. Review of Radical Political Economics 17 (1/2): 83-102. [eResources; 20 pages]

5. Capitalization: The Architecture of Power

Required Readings


**Background (recommended)**


**Optional Bibliography**


6. Accumulation and Sabotage

**Required Readings**


  *The following two articles by Veblen can be read as an analytical synopsis of (but not a substitute to) his Absentee Ownership*  


• Means, Gardiner C. 1935. Price Inflexibility and Requirements of a Stabilizing Monetary Policy. *Journal of the American Statistical Association* 30 (June): 401-413. [eResources; 13 pages].


**Background (recommended)**


• Traven, B. 1929. [1979]. *The White Rose*. Translated from the German by Donald J. Davidson. Westport, Conn.: L. Hill.


**Optional Bibliography**


• Veblen, Thorstein. 1919. [1964]. The Place of Science in Modern Civilisation and Other Essays. New York: Russell & Russell.

7. The Corporation

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

The Capitalist Mode of Power

8. Modes of Power

Required Readings


Background (recommended)


Optional Bibliography

9. Dominant Capital and Differential Accumulation

Required Readings


Background (recommended)


Optional Bibliography


10. Breadth: Greenfield, Mergers and Globalization

Required Readings


Optional Bibliography


11. Depth: Cost Cutting or Stagflation?

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. [eResrouces]


12. Regimes of Accumulation: Prosperity and Crisis

*General Readings (tentative)*

[This list will be revised, updated and trimmed in early November]


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 15, 2009, 19:00-20:00, Scott Library, Instruction Room 531.
- Session II: Monday, September 21, 2009, 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 will be posted in early September 2009.
Exercise 1 (15%)  

Due date. October 22, 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: 11,906 Gross National Income per Capita in 2008.
SOURCE: World Development Indicators 2009
Exercise 2 (15%)

Due date. November 12, 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.](image)

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).

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. 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).

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 (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).