Political Economy of Capital Accumulation

York University, Political Science 4292(6.0)
Fall Semester, September 13 – December 10, 2010
Seminar meetings: McLaughlin College 216, Monday and Wednesdays, 16:00-19:00

Course Director: Jonathan Nitzan
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OVERVIEW

DESCRIPTION

Capital is the central power institution of capitalism: it is the main force underlying the relentless transformation of power relations in capitalist societies. The course explores the accumulation of capital from three interrelated perspectives: conceptual, historical and empirical. At the conceptual level, the course examines the evolution of different orthodox and critical theories of value and how these theories serve to explain and justify contending notions of accumulation. At the historical level, it traces the development of capital from its humble pre-capitalist origins to its present world dominance. At the empirical level, it studies and juxtaposes the qualitative and quantitative aspects of capital accumulation and study what they mean for the contemporary political economy. In parallel to these explorations, the course introduces students to the art and science of empirical research. By the end of the course, students are expected to be able to develop and integrate theoretical arguments with their own empirical work.

FORMAT

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>
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<tr>
<td>Research Exercise 1</td>
<td>15%</td>
<td>---</td>
<td>Wed, October 20</td>
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<tr>
<td>Research Exercise 2</td>
<td>25%</td>
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<td>Wed, November 10</td>
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<tr>
<td>Term Paper</td>
<td>50%</td>
<td>4,000 words</td>
<td>Wed, December 15</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, building on the course material.

**TEXTS**

**Required**


**Optional (some available at the bookstore)**


**Course Kit**

- Available from Keele Copy Centre, 4699 Keele Street, 416-665-9675
**Political Economy of Capital Accumulation**

**Schedule (by week)**

**Sep 13:** Introduction and Organization +
(start topic 1 below) Capital, Capitalism and Political Economy

**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
   **Oct 11:** Reading week – no classes
4. **Oct 18:** Power and Value: Veblen’s Capital
5. **Oct 25:** Technology and Power
6. **Nov 1:** The Corporation

**Part II: Transformations of Capital**

7. **Nov 8:** Capital AS Power: Dominant Capital and Differential Accumulation
8. **Nov 15:** Mergers and Globalization
9. **Nov 22:** Stagflation
10. **Nov 29:** Capital and State: Imperialism and Beyond (I)
11. **Dec 6:** 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.

1. Introduction and Organization

1. Capital, Capitalism and Political Economy

**Required Readings**

Optional Bibliography


2. Utility and Value: Neoclassical Capital

Required Readings


Optional Bibliography

  [http://www.paecon.net/PAEReview/issue38/ArnspergerVaroufakis38.htm](http://www.paecon.net/PAEReview/issue38/ArnspergerVaroufakis38.htm).
3. Labour and Value: Marxist Capital

**Required Readings**


**Optional Bibliography**

• Savran, Sungur, and Ahmet E. Tonak. 1999. Productive and Unproductive Labour: An Attempt at Clarification and Classification. Capital & Class (68, Summer): 113-152. [eResources]

4. Power and Value: Veblen’s Capital

Required Readings


Optional Bibliography


5. Technology and Power

**Required Readings**


**Optional Bibliography**

6. The Corporation

Required Readings


Optional Bibliography


7. Capital AS Power: Dominant Capital and Differential Accumulation

Required Readings


Optional Bibliography

• Olson, Mancur. 1982. The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities. New Haven: Yale University Press. Read as much as you can, with special emphasis on Chs. 1-3 (pp. 1-75). [75 pages]

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

**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, it encourages discussion and debate and entices the imagination. Second, it helps prevent panic when things don’t work out. And, third, it gives me less to grade. If you insist on working 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* and (b) *Global Insight*. Two identical sessions will be given early in the term. You are required to attend one of them:

- Session I: Tue, September 21, 2010, 19:00-20:00, Scott Library, Instruction Room 531.
- Session II: Wed, September 22, 2010, 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 could be found in this list: [http://www.library.yorku.ca/ccm/instruction-guides/pols4292](http://www.library.yorku.ca/ccm/instruction-guides/pols4292).
**Exercise 1 (15%)**

**Due date.** October 20, hard copy in class.

**Data and presentation.** This exercise uses the 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 late 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).

![General Government Final Consumption Expenditure (% of GDP)](chart.png)


**SOURCE:** *World Development Indicators* 2010
Exercise 2 (15%)  

Due date. November 10, hard copy in class.  

Data and presentation. This exercise uses data that can be retrieved from *World Development Indicators*, 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 (review the figure and turn to the next page)  

NOTE: Real series are computed by dividing the nominal series by the CPI.  

1. (25%) The top part of the figure in the previous page compares two U.S. time series, each expressed as a 10-year moving average. One is a ‘flow’ series: the ‘real’ hourly wage rate in manufacturing. The other is a ‘stock’ series, also expressed in ‘real’ terms: the total return index (including reinvested dividends) of the S&P500 group of companies. The bottom part of the figure computes a ‘differential’ index: the ratio between the nominal total return index and the nominal wage rate (also expressed as a 10-year moving average. Answer the following questions (up to 500 words):

   a. Explain the difference between ‘stock’ and ‘flow’ data.
   b. Explain the difference between nominal and ‘real’ measures.
   c. Explain the meaning of a differential index and how it differs from ‘real’ measures.
   d. What conclusions can you draw from the data in the figure?

2. (25%) Using time series data for a country of you 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 the ‘real’ total return from investing in the stock market. The chart should also calculate the ‘differential’ ratio between the total return index of the stock market and the wage rate. 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).
TERM PAPER (50%)

Due date. December 15 (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 15 as a single Word attachment. Make sure this single attachment includes all text and graphics (insert graphics in Word 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. ‘Capitalism has become a bubble economy, in which financial markets are 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 essentially are 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. ‘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.

7. 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.
8. ‘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?

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 nearly 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.

25. Using empirical evidence, examine the current capitalist crisis from at least two theoretical perspectives.