**Global Capital**

*Political Economy of Capitalist Power*

York University, Politics 6285 (3.0)

Fall Term, September 4 – December 3, 2019, Tuesday 11:30-14:30

**Course Director: Jonathan Nitzan**

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**Overview**

**Description**

*What is capital?* Despite centuries of debate, there is no clear answer to this question – and for a good reason. Capital is a polemic term. The way we define it attests our theoretical biases, ideological disposition, view of politics, class consciousness, social position, and more.

Is capital the same as machines, or is it merely a financial asset? Is it a material article or a social process? Is it a static substance or a dynamic entity? The form of capital, its existence as monetary wealth, is hardly in doubt. The problem is with the content, the stuff that 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 from within capitalism, or does it need non-capitalist institutions like the state and other external forces? Is accumulation synonymous with economic growth, or can capital expand by damaging production and undermining efficiency? What exactly is being accumulated? Does the value of capital represent utility, abstract labour – or perhaps something totally different, such as power or force? What units should we use to measure its accumulation?

Surprisingly, these questions remain unanswered; in fact, with the victory of liberalism, most of them are no longer being asked. However, the silence is incomplete. As crisis and social strife intensify, the questions resurface. The accumulation of capital is the central process of capitalism, and unless we can clarify what that process means, we remain unable to understand our world, let alone change it.

The seminar has two related goals: substantive and pedagogical. The substantive purpose is to tackle the question of capital head on. The course explores a spectrum of liberal and Marxist theories, ideologies and dogmas – as well as a radical alternative to these views. The argument is developed theoretically, historically and empirically. The first part of the seminar provides a critical overview of political economy, examining its historical emergence, triumph and eventual demise. The second part deals with the two 'materialistic' schools of capital – the liberal theory of utility and the Marxist theory of labour time – dissecting their structure, strengths and limitations. The third part brings power back in: it analyses the relation between accumulation and sabotage, studies the institutions of the corporation and the state and introduces a new framework – the capitalist mode of power. The fourth and final part offers an alternative approach – the theory of capital as power (or CasP for short) – and illustrates how this approach can shed light on conflict-ridden processes such as corporate merger, stagflation, imperialism and the new wars of the late twentieth and early twenty-first centuries.

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 projects.
Format

Seminar lectures and class discussion.

Evaluation

There are two grading schemes. Your final grade is the higher of Scheme A and B:

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<tr>
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<th>Scheme A</th>
<th>Scheme B</th>
<th>Maximum length</th>
<th>Due Date</th>
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<tr>
<td>Participation</td>
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<tr>
<td>Research Exercise 1</td>
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<td>Research Exercise 2</td>
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<td>Tuesday, November 12</td>
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<td>Paper Proposal</td>
<td>10%</td>
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<td>500 words</td>
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<td>Term Paper</td>
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- **Participation.** Class attendance is mandatory. Students must come prepared, having read the required readings before class.

- **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 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 me the paper as a Word attachment (nitzan@yorku.ca).

A NOTE ON PROGRESSION: The assignments and paper do not assume any prior experience in doing empirical work. Consequently, these works 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 with 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)


Highly Recommended

This little book will teach you how to write:


Optional (some titles are available at the bookstore)


**SCHEDULE**

*Sep 10:* Introduction and Organization

**Dilemmas of Political Economy**

1. *Sep 17:* The Rise and Demise of Political Economy

**The Enigma of Capital**

2. *Sep 24:* Neoclassical Theories of Capital: Utility
3. *Oct 1:* Marxist Theories of Capital: Labour

**Bringing Power Back In**

4. *Oct 8:* Accumulation and Sabotage
5. *Oct 15:* Reading Week – no class

**Accumulation of Power**

8. *Nov 5:* Dominant Capital & Differential Accumulation
9. *Nov 12:* Breadth: Greenfield, Mergers & Globalization
10. *Nov 19:* Depth: Cost Cutting and Stagflation
11. *Nov 29:* Regimes of Accumulation: Theory and History
12. *Dec 3:* Regimes of Accumulation: Theory and History
READINGS

Introduction and Organization

Useful Overviews (optional)


1. The Rise and Demise of Political Economy

Questions for Discussion

1. What are the main differences between classical political economy and neoclassical political economy?
2. What were the major theoretical crises of political economy?
3. Is political economy a viable framework for understanding and transforming society?

Required Readings


Novels (optional)


Additional Bibliography (optional)


2. Neoclassical Theories of Capital: Utility

*Questions for Discussion*

1. What are the key premises of neoclassical political economy?
2. Can neoclassical political economists explain prices and quantities?
3. Can the ‘quantity of capital’ be measured – and if not, what does mean for the neoclassical framework?

*Required Readings*


*Novels and films (optional)*


*Additional Bibliography (optional)*

3. Marxist Theories of Capital: Labour

Questions for Discussion

1. Why did Marx insist on a labour theory of value?
2. What are the ‘transformation problems’ of Marx’s labour theory of value?
3. Can Marxism explain and negate capitalism without a workable theory of value?

Required Readings

[Read one of the following two items:]


**Novels (optional)**


**Additional Bibliography (optional)**


### 4. Accumulation and Sabotage

*Questions for Discussion*

1. What is capitalization and how does it relate to neoclassical and Marxist notions of capital?
2. What gets capitalized: utility, labour, or power?
3. What does Veblen mean by ‘strategic sabotage’?

*Required Readings*

Veblen, Thorstein. 1923. [1967], *Absentee Ownership and Business Enterprise in Recent Times. The Case of America.* With an introduction by Robert Leckachman. Boston: Beacon Press. [required textbook; the most important parts are Chs. I-VI (pp. 3-118), Chs. VIII-IX (pp. 205-228) and Chs. XI-XIII (pp. 284-445) – 302 pages]

[The following two articles by Veblen can be read as an analytical synopsis of – but not a substitute for – his *Absentee Ownership:]*


Novels and Films (optional)

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

Additional Bibliography (optional)


5. Organs of Capital: Corporations and Governments

Questions for Discussion

1. How has the rise of the large corporation altered the study of political economy?
2. Can a capitalist economy exist without a state, and what does that mean for theories of value and capital?

Required Readings


Films (optional)


Additional Bibliography (optional)


6. Modes of Power: Ancient, Feudal, Capitalist

Questions for Discussion

1. Can capital be thought of as a ‘mega-machine’?
2. What is the difference between a mode of power and a mode of consumption & production?
3. What are the similarities and differences between the feudal and capitalist modes of power?

Required Readings


Novels and Films (optional)

- Modern Times. 1936. Written and Directed by Charles Chaplin.

Additional Bibliography (optional)

7. Dominant Capital & Differential Accumulation

Questions for Discussion

1. Do capitalists try to maximize profit or beat the average?
2. How do dominant capital and differential accumulation differ from capital in general and absolute accumulation?

Required Readings


Novels and Films (optional)


Additional Bibliography (optional)

8. Breadth: Greenfield, Mergers and Globalization

Questions for Discussion

1. What is the difference between mergers and acquisition and greenfield investment?
2. Why has the former increased relative to the latter?
3. Has corporate amalgamation affected capitalist globalization?

Required Readings


Novels and Films (optional)


Additional Bibliography (optional)


9. Depth: Cost Cutting and Stagflation

Questions for discussion

1. Since the early twentieth century, prices have tended to rise rapidly and uninterruptedly. Why?
2. How can inflation coexist with stagnation (i.e., as stagflation)?
3. Is inflation neutral or re-distributional?
**Required Readings**


**Autobiographies (optional)**


**Additional Bibliography (optional)**


10 & 11. Regimes of Accumulation: Theory and History

Questions for discussion

1. Are the new wars in the Middle East ‘imperialist’?
2. How are Middle East conflicts related to inflation, stagflation and the accumulation of capital?

Required Readings


Novels (optional)


Additional Bibliography (optional)


**Recent CasP-Related Research**

**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 spreadsheet 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) *Global Insight* and (c) *Global Financial Data*. Two identical sessions will be given early in the term. You are required to attend one of them:

- Session I: Wed, September 11, 2019, 17:00-18:30, Scott Library, Instruction Room 530.
- Session II: Tues, September 17, 2019, 17:00-18:30, Scott Library, Instruction Room 530

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 assistance – with the databases as well as with other questions. The library resource page for this course could be found here: [http://researchguides.library.yorku.ca/nitzan](http://researchguides.library.yorku.ca/nitzan).
Exercise 1 (15%)

Due date. October 22, 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 2010s (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 and Low and Middle-Income countries (Maximum 250 words).

General Government Final Consumption Expenditure
(% of GDP)


SOURCE: World Development Indicators, Online, 2019
Exercise 2 (25%)  

Due date. November 12, hard copy in class.

Data and presentation. This exercise uses data that can be retrieved from World Development Indicators, Global Financial Data, Global Insight and Mergent (you can also 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. Review the figure and turn to the questions on the next page.

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

1. (25%; up to 500 words) The top part of the figure on page 23 compares two U.S. time series, each expressed as a 10-year trailing 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 of the S&P500 group of companies (the term ‘total’ indicates that stock prices are augmented by reinvested dividends). 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 trailing average). Answer the following questions:

   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 presented in the figure?

2. (25%; up to 400 words) A good data source for this question is the IMF’s International Financial Statistics databank available through Global Insight. Using time series data for a country of your choice (other than the United States), produce a chart similar to the one plotted on page 23. 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 (if you cannot find a total return index, use a stock price index instead). 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%; up to 400 words) Consider the figure on page 25. The chart shows the rate of growth of U.S. ‘real’ GDP (GDP measured in constant prices). It uses quarterly data, with each observation showing the annual per cent change from the same quarter in the previous year (e.g. Q1 1998 relative to Q1 1997, Q2 1998 relative to Q2 1997, etc.).

   a. Use Global Financial Data (GFD) to obtain quarterly data for the ‘real’ GDP of a country other than the United States. You must choose a country whose quarterly ‘real’ GDP data begin in 1960 or earlier (note that GFD’s quarterly data may go back only so far, and that for earlier years it reports only annual data; these annual data must be deleted from your dataset for the purpose of the presentation here). Calculate the annual growth rate of the country’s ‘real’ GDP and plot it similarly to the figure on page 25.

   b. Based on the growth rates of the U.S. and the country you have chosen, assess the following statement: ‘Neoliberalism, which started in the early 1980s, has made the two countries more unstable’.

4. (25%; up to 400 words). Use Mergent to obtain the following time-series data for a corporation of your choice: (a) net income (profit after taxes), and (b) sales revenues. Both series have to go back for at least 10 years. Using these data, compute the times series for the corporation’s markup (the ratio of net profit to sales revenues). Plot all three series on the same chart (net income and sales on the left axis and the markup on the right axis; use a log scale if needed). 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 of the variation of profit – changes in sales or changes in the markup? What conclusion can you draw from this answer? (Note that, since profit is the product of sales and the markup, it is co-determined by both, by definition. The question here concerns the relative importance of their respective variations.)
US 'Real' GDP
Annual Growth Rate

per cent

NOTE: The figure shows quarterly data. 'Real' GDP is expressed in constant 2009 dollars. The year-on-year rate of growth is computed between the same quarters in adjacent years. The last data point is for 2019:Q1.