

BOSTON UNIVERSITY
Department of International Relations

GLOBALIZATION AND CONTEMPORARY CAPITALISM
IN ADVANCED INDUSTRIALIZED NATIONS

IR596

Fall 2006

Class Hours: Tuesdays 2:00-5:00pm
Location: IRC 102

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appointment

GLOBALIZATION AND CONTEMPORARY CAPITALISM: IR596

Prof. Vivien A. Schmidt

COURSE DESCRIPTION:

Has globalization promoted economic liberalization and convergence while undermining national sovereignty and control? Or do nation-states retain control as they follow different adjustment paths? This course examines these propositions as it considers the internationalization of the financial markets and trade and their impact on the three postwar varieties of capitalism in a wide range of countries.

COURSE CONTENT:

Globalization is a term that is often left vague and undefined, better to conjure up the large panoply of forces that have seemingly imposed similar imperatives across advanced industrialized nations. These forces may be understood primarily in terms of the economic pressures arising from the internationalization of the financial markets and trade; the institutional rules and rulings emerging from supranational trade organizations and negotiations; and/or the ideas circulating worldwide that present those economic or institutional forces as imperatives for change. But whether seen mainly as a set of economic, institutional, or ideational forces, globalization has served as a major rationale for governments to alter their countries' macroeconomic policies, by focusing on tight monetary policies, budgetary austerity, low inflation, and caps on public debt and government deficits; their microeconomic policies, by liberalizing their markets, deregulating the rules governing business, privatizing public sector firms, and increasing flexibility in labor markets; and their socioeconomic policies, by cutting social spending and rationalizing social services. Although national governments, whether operating alone or in concert through supranational trade organizations, are largely responsible for instituting the liberalizing changes that made globalization possible, they are increasingly subject to the pressures that they have themselves set loose.

More specifically, globalization has diminished both national governments' autonomy, that is, their ability to make decisions independently, without regard to external economic forces and actors, and their control, that is, their effective power to influence economic forces and actors in the national economy. This in many ways represents less an absolute loss of autonomy and control, however, than an alteration in the exclusivity and scope of national governments' competence. Not only does national competence remain to the extent that global processes occur within national territory and, whatever the deregulatory push, continue to depend upon national legal systems in the guaranteeing of contracts and the enforcement of private property rights. But national governments have also often reasserted control, whether individually, through national means, or collectively, through supranational, global or regional authorities that allow for shared control over the international economy.

For all the common pressures from the forces of globalization, moreover, great divergence persists in national responses. Most importantly, there is tremendous

asymmetry in the impact of globalization on nation-states, depending upon the prevailing economic conditions, practices, and preferences of different countries. Countries conform to different models of capitalism, which can be roughly categorized as market capitalism (e.g., the United States and Britain), managed capitalism (e.g., Germany, Sweden, and the Netherlands), and state capitalism (e.g., France, Italy, and Japan to a less extent). And although they all have been liberalizing in response to global as well as regional (for the European countries) economic and institutional pressures, they have followed parallel rather than convergent paths of adjustment.

This course begins with an examination of the debates surrounding the nature of globalization and its impact on the nation-state. It then goes on to consider first, the internationalization of the financial markets and their implications for national autonomy; second, the internationalization of trade and its effect on national control over economic actors; and third, the rise of the transnational corporation and its effect on national control. The next part of the course looks more closely at the three basic models of capitalism in advanced industrialized countries, first as they developed in the postwar years, and then as they have been changing in response to the pressures of globalization. Finally, it considers continuing differences with regard to culture, and then ends with a general reconsideration of the question of whether capitalism is converging or whether countries are following different liberalizing paths in their adjustment to international economic pressures.

COURSE OUTLINE:

- A. Introduction, Course Organization, Course Themes
- B. Globalization
 - 1. The Challenges of Globalization: History, Politics, Culture AND Economics
 - 2. The Internationalization of Trade and FDI
 - 3. The Internationalization of the Financial Markets
 - 4. Globalization and Regionalization
 - 5. Changes in Government Policies in Response to Globalization
- C. Varieties of Capitalism and the Challenges of Globalization
 - 1. The Postwar Varieties of Capitalism and Welfare States
 - 2. Changes in Economic Practices
 - 3. Changes in Production Systems
 - 4. Changes in Industrial Relations Systems
 - 5. Changes in Welfare States
- D. Conclusions and Case Reports on Industrial Sectors

REQUIRED BOOKS:

- Hall, Peter A. and Soskice, David (eds), (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.
- Gilpin, Robert (2002) *The Challenge of Global Capitalism: The World Economy in the 21st Century* Princeton: Princeton University Press.

Scharpf, Fritz W. and Schmidt, Vivien A. eds., *Welfare and Work in the Open Economy* Volume II: *Diverse Responses to Common Challenges* (Oxford: Oxford University Press, 2000). Schmidt, Vivien A. (2002) *The Futures of European Capitalism* Oxford: Oxford University Press.

Yamamura, Kozo and Streeck, Wolfgang (eds.) (2003) *The End of Diversity: Prospects for German and Japanese Capitalism* Ithaca, NY: Cornell University Press.

The books are all available at Barnes and Noble. All other readings will be available via e-journals or at the library on reserve. See the Course Outline for details.

Students are strongly encouraged to get a subscription to the daily Financial Times and the weekly The Economist.

COURSE REQUIREMENTS:

There will be one major paper (15-20 pages—20-25 for graduate students) worth 45 percent of the grade, a midterm exam worth 45 percent of the grade, and one or two oral class reports. Class participation plus the oral reports will together be worth 10% of the grade (attendance is required and active participation expected). The major paper will be on some aspect of globalization and its impact on one or two advanced industrialized countries (two countries mandatory for graduate students), e.g., deregulation of the financial markets, deregulation of telecommunications, privatization of public utilities and services, multinational mergers and acquisitions, tax competition, capital mobility and foreign direct investment, the impact of the Asian financial crisis on Japan, meeting the competitive challenges resulting from the internationalization of trade, and so forth. It is due the last class. The first part of the paper is expected to show how the readings in class relate to the topic. The class reports will be based on readings from the syllabus and presented in class (10 minute presentation). Students will also be expected to provide a preliminary report on their major paper in the last sessions of the course.

The College of Arts and Sciences (CAS) Dean's Office has requested that you be informed of the following: The last day you may drop the course without a W grade is Oct. 7. The last day you may drop the course with a W grade is Oct. 28. You are responsible for knowing the provisions of the CAS Academic Conduct Code (copies are available in CAS 105). Cases of suspected academic misconduct will be referred to the Deans' Office.

COURSE READINGS

9/5

A. INTRODUCTION, COURSE ORGANIZATION, COURSE THEMES

B. GLOBALIZATION

9/12

1. The Challenges of Globalization: History, Politics, Culture AND Economics

Gilpin, Robert "Introduction: The Fragile Global Economy," "The Second Great Age of Capitalism," "The Cold War International Economy," and "Globalization and its Discontents" in *Global Capitalism*, pp. 1-87, 293-324.

Feigenbaum, Harvey (2005) "Smart Practice and Innovation in Cultural Policy: Responses to Americanization" (mss. to be emailed)

[Sophie Meunier](#), "The French Exception" *Foreign Affairs*, [July/August 2000](#) (ejournals)

[Niall Ferguson](#), "Sinking Globalization" *Foreign Affairs*, [March/April 2005](#) (ejournals)

[Geoffrey Garrett](#), "Globalization's Missing Middle" *Foreign Affairs*, [November/December 2004](#) (ejournals)

9/19

2. The Internationalization of Trade and FDI

Gilpin, "The Insecure Trading System" and "Age of the Multinational" in *Global Capitalism*, pp. 88-113 and 163-192.

[Daniel W. Drezner](#) "The Outsourcing Bogyman" *Foreign Affairs*, [May/June 2004](#) (ejournals)

Schmidt, Vivien "Offshore and 'Nearshore' Outsourcing in Europe: Why the Variety of National Responses?" Revised version of a paper prepared for presentation for the conference: "The New Global Division of Labor: Winners and Losers from Offshore Outsourcing." Center for Global Initiatives, Mt Holyoke College, South Hadley MA (March 3-4, 2006). (will email)

[N. Gregory Mankiw](#) and [Phillip L. Swagel](#), Antidumping: The Third Rail of Trade Policy *Foreign Affairs*, [July/August 2005](#) (ejournals)

Alter, Karen and Sophie Meunier, "Nested and Overlapping Regimes in the TransAtlantic Banana Trade Dispute" *Journal of European Public Policy* vol. 13, no 3 (April 2006): 362-382 (ejournals or will email)

9/26

3. The Internationalization of the Financial Markets

Gilpin, "The Unstable Monetary System" and "Global Financial Vulnerability" in *Global Capitalism*, pp. 114-164.

Hirst, Paul and Thompson, Grahame (2000) 'Globalization in One Country? The Peculiarities of the British', *Economy and Society* 29/3: 335-356. (ejournals)

Vitols, Sigurt (2003) "From Banks to Markets: The Political Economy of Liberalization of the German and Japanese Financial Systems" in *End of Diversity?* Yamamura and Streeck (eds.), pp. 240-260.

Lütz, Susanne, "Convergence within national diversity—a comparative perspective on the regulatory state in finance" Prepared for delivery at the 2004 Annual Meeting of the American Political Science Association, September 2-4, 2004. (will email)

10/3 (to be rescheduled—9/28 or 9/29, 2-5pm, 6-9pm; or 10/10, 8:30-11 am)

4. Globalization and Regionalization

Gilpin, Robert "Managing the Global Economy" in *Global Capitalism*, pp. 325-327.

Gilpin, "European Regional Integration" in *Global Capitalism*, pp. 193-226.

Schmidt, Vivien A. (2002) "The Challenges of Globalization and Europeanization: The Impact on National Autonomy and Control" in *The Futures of European Capitalism* (Oxford: Oxford University Press), Chapter 1, pp. 11-58.

Gilpin, "American Economic Strategy" in *Global Capitalism*, pp. 227-264.

Katzenstein, Peter J. (2003) "Regional States: Japan and Asia, Germany in Europe" in Kozo Yamamura and Wolfgang Streeck (eds.) *End of Diversity? Prospects for German and Japanese Capitalism* (Ithaca: Cornell), pp. 89-114.

Gilpin, "Asian Regionalism" in *Global Capitalism*, pp. 265-292.

10/17

5. Changes in Government Policies in Response to Globalization

[Martin Wolf](#) "Will the Nation-State Survive Globalization?" *Foreign Affairs*, [January/February 2001](#)

Schmidt, Vivien A. (2002) "The Dynamics and Mechanics of Policy Adjustment" in *Futures of European Capitalism*, Chapter 2, pp. 59-106.

Kitschelt, Herbert (2003) "Competitive Party Democracy and Political-Economic Reform in Germany and Japan: Do Party Systems Make a Difference?" in *End of Diversity?* Yamamura and Streeck (eds.), pp. 334-363.

Cioffi, John W. and Höpner, Martin (2004) "The Political Paradox of Finance Capitalism: Interests, Preferences, and Center-Left Party Politics in Corporate Governance Reform." Mss. (will email)

10/24 Midterm Exam

C. VARIETIES OF CAPITALISM AND THE CHALLENGES OF GLOBALIZATION

10/31

6. Postwar Varieties of Capitalism and Welfare States

Hall, Peter and Soskice, David (2001). 'Introduction', in Peter A. Hall and David Soskice (eds), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press, pp. 1-70.

Schmidt, Vivien A. (2002) "Still Three Varieties of Capitalism?" in *The Futures of European Capitalism*, Chapter 3, pp. 107-146.

Schmidt, Vivien A. (2006) "Bringing the State back into the Varieties of Capitalism and Discourse back into the Explanation of Change." Paper prepared for presentation to the American Political Science Association National Meetings (Philadelphia, Aug. 31-Sept. 3) (will email)

Crouch, Colin (2005) "Models of Capitalism," *New Political Economy* vol. 10, no. 4: 439-456 (ejournals or will email)

Fritz W. Scharpf and Vivien A. Schmidt (2000) "Introduction" in *Welfare and Work in the Open Economy vol. 2* eds., Scharpf and Schmidt, pp. 1-18.

11/7

7. Changes in National Economic Practices

Schmidt, Vivien A. (2002) "The Dynamics of Adjustment in Economic Practices in Britain, France, and Germany" and "The Role of Discourse in the Political Dynamics of Adjustment in Britain, France, and Germany" in *Futures of European Capitalism*, Chapter 4, pp. 147-205 and Chapter 6, pp. 257-302.

Vitols, Sigurt (2001). 'Varieties of Corporate Governance: Comparing Germany and the UK', in *Varieties of Capitalism*, Hall and Soskice (eds), pp. 337-360.

Jackson, Gregory (2003) "Corporate Governance in Germany and Japan: Liberalization Pressures and Responses during the 1990s" in *End of Diversity?* Yamamura and Streeck (eds.), pp. 261-305.

11/14

8. Changes in Production Systems

Hancké, Bob (2001). 'Revisiting the French Model: Coordination and Restructuring in French Industry', in Hall and Soskice (eds), *Varieties of Capitalism*, pp. 307-336.

Boyer, Robert (2003) "The Embedded Innovation Systems of Germany and Japan: Distinctive Features and Futures" in *End of Diversity?* Yamamura and Streeck (eds.), pp. 147-182.

Juergen, Ulrich (2003) "Transformation and Interaction: Japanese, U.S., and German Production Models in the 1990s" in *End of Diversity?* Yamamura and Streeck (eds.), pp. 212-239.

Tate, Jay (2001) "National Varieties of Standardization" in Hall and Soskice (eds), *Varieties of Capitalism*, pp. 442-473.

11/21

9. Changes in Industrial Relations Systems

Thelen, Kathleen (2001). 'Varieties of Labor Politics in the Developed Democracies', in Peter A. Hall and David Soskice (eds), *Varieties of Capitalism*, pp. 71-103.

Daly, Mary (2000) "A Fine Balance: Women's Labor Market Participation in International Comparison" in *Welfare and Work in the Open Economy vol. 2* eds., Scharpf and Schmidt, pp. 467-510.

Arroyo, Sebastian (2004) "Still Two Models of Capitalism? Economic Adjustment in Spain" Prepared for delivery at the 2004 Annual Meeting of the American Political Science Association, September 2 - September 5, 2004. Chicago.

Estevez-Abe, Margarita, Iversen, Torben, and Soskice, David (2001). 'Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State', in Hall and Soskice (eds), *Varieties of Capitalism*, pp. 145-183.

Cathie Jo Martin (2004) "Reinventing Welfare Regimes: Employers and the Implementation of Active Social Policy" *World Politics* vol. 57, no. 1 (download from ejournals)

11/28

10. Changes in Welfare States

- Martin Rhodes, "The Adjustment of the British Welfare State" in *Welfare and Work in the Open Economy* vol. 2 eds., Scharpf and Schmidt, pp. 19-68
- Herman Schwartz, "Internationalization and Two Liberal Welfare States: Australia and New Zealand" in *Welfare and Work in the Open Economy* vol. 2 eds., Scharpf and Schmidt, pp. 69-130.
- Jonah Levy, "France" in *Welfare and Work in the Open Economy* vol. 2 eds., Scharpf and Schmidt, pp. 308-350
- Maurizio Ferrera and Elisabetta Gualmini, "Italy" in *Welfare and Work in the Open Economy* vol. 2 eds., Scharpf and Schmidt, pp. 351-398
- Cerami, Alfio (2006) "The Politics of Reforms in Bismarckian Welfare States: The cases of the Czech Republic, Hungary, Poland and Slovakia." Paper presented at the conference "A Long Goodbye to Bismarck? The Politics of Welfare Reforms in Continental Europe" at the Center for European Studies, Harvard University (June 16-17).

12/5-12/12

E. Conclusions and Case Reports on Industrial Sectors