

Syllabus POSC 4321-101 (6102): “*Business and Politics: Capitalism and Beyond*”

Instructor: Jerry Prout

Class Time: Monday 2PM to 4:30PM

Room: Wiehr 122

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Required Books:

Robert W. McChesney, *Digital Disconnect* (New York: The New Press, 2013)

Thomas E. Mann and Norman Ornstein, *Its Even Worse than it Looks*, (New York: Basic Books, 2012)

Jeffrey Birnbaum and Alan S. Murray *Showdown at Gucci Gulch*, (New York: Vintage Books, 1987)

Class Overview and Objectives: The objective of this course is to provide you with an understanding of how business suffuses our political system. Examining our mixed political economy, we will attempt to unravel the blurred lines between the economic and the political from three separate perspectives over our fifteen sessions together. First we will develop a *philosophic construct* that will allow us to better understand the contemporary business-political relationship. We will view how this relationship shapes our specific U.S. form of capitalism, how our economy has been shaped by government engagement, and its future shape is increasingly complicated by a global economy. In our second five weeks, we will view the ways business *expresses* itself legally, ethically, economically, and politically. In these sessions we will observe not only how business chooses to express itself, but also how it is required to do so. It is within this context we will see how it is often difficult to separate the lines between “the economic” and “the political.” We will dimension corporate political power and determine whether it is all its cracked up to be. Then, in the last five weeks we will examine specific examples of business advocacy to illuminate in the practical sense what we have learned in the first ten sessions.

Week 1 January 13: “Where is the Capitalist Manifesto: The Critical Champions of Capitalism”

Unlike Marxism, Syndicalism, Fascism and other theories of economic organization, capitalism emerged prior to ever being explained in theory. Even the subsequent theoretical “champions” of capitalism have been among its most ardent critics. Beginning with Adam Smith’s critique of mercantilism, Weber, Schumpeter, Von Mises, Keynes and even Friedman, have pointed to its inherent flaws as a means of emphasizing its attributes. We will examine the fundamentals of capitalism and its unhappy relationship to theory and politics as the pretext for understanding the contemporary business-government relationship.

Reading: Pope Francis, “Some Challenges of Today’s World,” *The Joy of the Gospel* (posted)

Michael Gearson, “Pope Francis and the Argument for Compassionate Capitalism,”
Washington Post (posted)

Robert McChesney, *Digital Divide*, Chapters 1&2, 1-62 (text)

Francis Fukuyama, “The End of History” (posted)

Carl Schram, “Can Democracy Survive Capitalism” *Claremont*, 21-22 (posted)

Robert Samuelson, “American Capitalism Besieged,” *Washington Post* (posted)

Week 2 January 20: MLK Day

Week 3 January 27: “Other Roads to Utopia: The Anti-Capitalist Narratives and Their Application”

Throughout US history, and now on an international stage, we see three distinctive anti-capitalist narratives. The Populist narrative is skeptical of capitalism’s tendency to aggregate economic power and the resulting disparities in wealth. The Progressive narrative seeks to place the government in the role of harnessing business influence and reforming corrupt practices. The anti-technology narrative is skeptical of modernity and the impacts of material progress on our spiritual and moral fabric. We will examine both the historical and contemporary manifestations of these narratives and their impact on the business-political relationship.

Reading: Jeffrey Birnbaum and Alan Murray, *Gucci Gulch*, (Chapters 1-3), 3-64 (text)
Claudio Katz, “Democratic and Communitarian Critiques of Capitalism,”
in *The American Political Science Review* (June, 1997) 277-289 (posted)

Week 4 February 3: “Corporations without Borders: The Irrelevance of US Politics to Business”

The reality of global business today is that national borders are less relevant than they were even a decade ago. Moreover, the digital revolution is further eroding traditional market barriers in ways that are just barely understood. In this asymmetrical, sometime chaotic environment, what is the relevance of domestic US politics for multinational corporations? Are US companies shopping for the best political economy? Should we be concerned if we lose traditional “US based” companies because of political policies? What if anything do we mean by “Corporate America?” Does it remain a relevant term in the political context?

Reading: Birnbaum and Allen, *Gucci Gulch*, (Chapters 4-5), 65-125
Stewart Patrick, “The Unruled World” *Foreign Affairs* (posted)

Week 5 February 10: “Beyond State Capitalism: What Should Politics Demand from Business?”

Given the state of US capitalism as we have now described it and the reach of the corporate form, is our political system equipped to manage our economy or has it become an extension of the market itself? Has the political marketplace as described by Theodore Lowi actually been realized? If at the turn of the twentieth century we witnessed in the Trusts the logical extension of free market economics, is history repeating itself with the emergence of a few firms who control the cloud? Is our broken political system capable of harnessing the new electronic oligopolists?

Reading: Mann and Ornstein, *Its Even Worse Than It Looks* Chapters 1-2, 3-80 (text)
Theodore Lowi, “The New Public Philosophy” in *The End of Liberalism*, 42-63 (posted)
Lane Kenworthy, “America’s Social Democratic Future,” *Foreign Affairs* 86-100 (posted)
Ruchir Dharma, “Broken BRICs,” *Foreign Affairs* 2-7 (posted)

Paper # 1 Due February 17 – 4 pages double-spaced (1000 words): *Every policy debate in our political economy has deep roots grounded in political theories and their ideological offspring. In less than two centuries America has catapulted from an agrarian colony, to the world’s leading industrial economy, and finally to the dominant post-industrial global economy. But that position is now in jeopardy. In creating your own interpretive narrative of what you believe to be the most salient points from Weeks 1-6, describe the philosophical constructs that have both propelled and restrained this growth, and how you would begin to characterize our current political economy? Begin to think of what this bodes for our future political economy?*

Week 6 February 17: “Being an Artificial Individual: How the Law Deals with Corporations?”

Early in our Republic Chief Justice Marshall said, “A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law.” This has led to varying interpretations of how

business can conduct itself not only in the marketplace, but also in the political sphere. Thus there are continuing heated legal controversies over political spending as an expression of free speech protected under the first amendment. What has the legal status of the corporation allowed? Is monopoly the natural end state of capitalism; and if so, what does that mean for “the end of history?”

Reading: Robert McChesney, *Digital Divide*, Chapters 3 and 4, 63-129 (text);
Morton Keller, “The Making of the Modern Corporation,” *Wilson Quarterly* 58-69 (posted)
“Why Wisconsin? The Badger State in the Progressive Era, *Wisconsin Magazine of History* 14-25 (posted)

Week 7 February 24: “Behaving like an Individual: The Concept of the Corporation as Citizen”

Corporations often like to build from their legal status as “individuals” and describe themselves as citizens. Though the language of corporate citizenship suggests certain “entitlements,” it also begs responsibilities. An entire literature now exists, much of it generated by companies themselves, addressing their “citizenship” roles. We shall examine this concept and its implications in the political arena. Is this realistic? Particularly when corporations can operate on a global scale what is the responsibility of the corporation as a “global citizen?”

Reading: Maak and Pless, “Business Leaders as Citizens,” *Business Ethics* (posted) 537-550 (posted)
Allen White, “Is It Time to Rewrite the Social Contract,” 1-19 (posted)
Arun Iyer, “Corporations, Individuals, and Contracts,” *Business Ethics*, 393-406 (posted)
McCorquodale and Simons, “Responsibility Beyond Borders,” *Modern Law Review*, 598-625 (posted)

Week 8 March 3: “Behaving as a Group: How Businesses Coalesce to Influence Political Outcomes”

Though businesses may see themselves as individuals before the law, they typically coalesce to drive outcomes favorable to specific industry groups. They also organize political advocacy on issues that directly impact their bottom line and more often than not this means joining forces with like minded companies. We will examine how company corporate offices function, and how coalitions and associations extend the influence of individual companies and as they try to influence policy. How do business associations differ in their behavior from other special interests and how much influence does business wield in interest group politics?

Reading: Birnbaum and Allen, *Gucci Gulch*, Chapters 6&7, 126-175 (text)
Mann and Ornstein, *Its Even Worse than it Looks*, Chapter 3: 81-103 (text).

Week 9 March 10: Spring Break

Week 10 March 17: “Moneyball Comes to DC: The Pervasive Influence of Money in Politics”

Campaign contributions are a politician’s lifeblood; the capability to raise a campaign war chest often is viewed as the very measure of survival, and a signal of electability. As the cost of campaigns has grown and various campaign contribution strategies called into question, so too has the public grown increasingly cynical of the corrupting factor of money in politics. We will examine what current analyses suggest regarding the role of money in politics. We will also survey the range of potential reforms being suggested and whether it is foreseeable that we could have a “clean politics.”

Reading: Mann and Ornstein, *Its Even Worse Than It Looks*, Chapters 4-6, 107-201 (text)

Paper # 2 Due March 24: 4 pages double-spaced (1000 words): *Corporations have certain legal standing in our democracy that enables and constrains their ability to advocate. As you summarize our discussions of the nature of the corporation, their evolution in form and expression, create your own*

critique and/or defense of corporate political expression. To the extent you can begin to relate this to your earlier characterization of the American political economy you will be ahead as we enter the final five weeks and prepare for the “Final.”

Week 11 March 24: “It Can’t Happen Again: The Essential Nature of Risk to Capitalism”

American economic history is replete with cyclical episodes of boom and bust, speculative bubbles and panic. The Great Depression and Great Recession have each resulted in creating regulation to insulate against the next market collapse. Yet the very essence of capitalism is tied to risk taking, not only with technological innovation but with financial instruments that can empower more entrepreneurs. In our digital age and global economic system have we lost the very ability to manage the lifeblood of capitalism? Is the “new normal” a recognition that it will “happen again and again?”

Reading: Carmen Reinhart and Ken Rogoff, “Banking Crises” in *This Time is Different*, Chapter 10, 141-173 (posted)

“Bank’s Lobby Help in Drafting Financial Bills,” *The New York Times*, May 23, 2013 (posted)

Martin Wolf, “Blessings and Perils of Liberal Finance,” in *Fixing Global Finance*, 10-27 (posted)

“Legislative Proposals Regarding Derivatives,” April 11 Testimony before House Financial Services Committee (posted)

<http://financialservices.house.gov/calendar/eventsingle.aspx?EventID=326536>

Week 12 March 31: “Made in America- Not So Much: Redefining the Global Trading System”

Despite the globalization of business, nation states have found it virtually impossible to agree to a new more liberalized multi-lateral trade agreement. The Doha Round has virtually collapsed and very few hold out the chance for its resuscitation; instead the new trend seems to be smaller bilateral and multilateral agreements such as the ongoing Trans Pacific Partnership negotiations, and the Trans-Atlantic Trade and Investment Partnership. What does the status of trade negotiations tell us about global capitalism? More importantly is it relevant in a world where the revenues of many large multi-nationals is larger than the GDP of most nation states.

Reading: Robert McMahon, “U.S. Trade Policy,” Council on Foreign Policy, see <http://www.cfr.org/trade/us-trade-policy/p17859> (posted)

Robert Lawrence and Lawrence Edwards, “Shattering Trade Myths,” *Harvard Business Review* (2012), 2-6 (posted)

Birnbaum and Allen, *Gucci Gulch*, Chapters 8-9, 176-233 (text)

Week 13 April 7: “Searching for Sustainability: The Challenge of Being Green”

Environmental regulation is one of the most oft cited and critiqued ways governments intervene in markets to mitigate the impacts of free market externalities. Business continues to spend significantly on advocacy aimed at delaying the implementation and reducing the costs of environmental regulation, while at the same time making the argument for behaviors that are sound both economically and environmentally. As Gro Harlem Brundtland’s Commission defined sustainability in its 1987 *Our Common Future* “Sustainable development is the kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Today many in the environmental movement critique the new vocabulary of sustainability. How has business addressed its responsibilities to the planet? In the wake of corporate sustainability initiatives has command control regulation run its effective course?

Reading: Richard L. Revez, “Federalism and Environmental Regulation,” *Harvard Law Review*, 553-641 (posted)

The Potential Role of a Carbon Tax in U.S. Fiscal Reform, Brookings Institute, Executive Summary (posted)

James E. McCarthy and Claudia Copeland, *EPA Regulations: Too Much, Too Little, or On Track?* 1-16 (posted)

Birnbaum and Allen, *Gucci Gulch*, Chapters 10-11, 234-283 (posted)

Week 14 April 14: “Snowdon and the Eisenhower: The Emergent Security-Industrial Complex”

Dwight Eisenhower’s farewell speech on the danger to democracy from what he famously described as the “military industrial complex,” is currently still very much with us. What this most decorated and respected general warned might become another form of tyranny has now taken on yet another dimension since 9-11. Today an enormous national security complex replete with its own contractors, consultants, and cohorts parallels and intersects with the more established “military-industrial complex. McChesney reminds us in his Chapter on the expansion of government and corporate reach into personal information, that the use of “national security” as a means to further economic concentration poses threats to our democracy. We will discuss the Snowdon controversy and examine whether he is a traitor or a patriot?

Robert McChesney, Chapter 7, 216-232

James Fallows, “The Military Industrial Complex” *Foreign Policy* (2002)

Kenneth Cukier and Viktor Mayer-Schoenberger, “Big Data,” *Foreign Affairs* (2013)

Les Aspin, “Games the Pentagon Plays,” *Foreign Policy* (1973)

Week 15 April 21: Easter Break

Week 16 April 28: Why are they Growing Corn in the Delta? Farm Bill Politics”

Today’s agricultural economy accounts for only 1% of the US GDP, however its impact on our domestic economy is exponentially greater. Moreover, the US, whether by default or by design, is critical to global food security, raising the question as to whether our Farm Bill politics, decisively regional in nature, are relevant to America’s role in the global agricultural economy. We will examine the enormous reach of the Farm Bill, and examine the tortuous path of the 2013 Farm Bill in the 113th Congress.

Russell Lamb, “The New Farm Economy,” *Regulation* (2003) 10-15

David Rodgers, “Farm Bill’s Demise Exposes Fault Lines in House,” *Politico* June 24, 6

May 9 Final Paper Due