

Nature of the Course

This course explores the evolving relationship between business and government, primarily though not exclusively in advanced industrialized democracies. Many corporate executives have taken the view that when it comes to business, “the government is best that governs least,” but in practice, most governments intervene extensively in economic matters. Whether this intervention results in systematic differences across countries is a matter of some debate. Conventional economics textbooks generally assume that while tastes and technologies may differ across advanced industrial nations, the underlying economic structures should largely follow a common pattern, often implicitly assumed to be the Anglo-American one. In the period after the Second World War, however, countries such as Japan, France, Sweden, and Germany attained high levels of prosperity with business-government relations that differed significantly from those prevailing in Britain or the United States. Some scholars and analysts argued that different forms of capitalism existed around the world and, moreover, that some of these variants offered more promise than the Anglo-American model. In the 1990s, the success of the United States in generating strong economic growth coupled with high levels of employment prompted renewed admiration for the American model, here and overseas. At the same time, it raised questions about the sustainability of other variants of capitalism.

Globalization, too, offered the prospect of transforming business-government relations. The ease with which capital and goods could move around the world is said by some to have eroded significantly the capacity of governments to control businesses in pursuit of social goals such as environmental and worker protection. The greater freedom of corporations to seek out the most hospitable environment in terms of low taxes and lenient regulations, could produce a “race to the bottom” by nations worried about attracting business investment. Others argued that this scenario was unduly pessimistic, and that globalization also offered the prospect of great welfare gains and stronger regulations through harmonization and policy coordination. Even at the state and local level, governments may have gained opportunities to be important actors in relation to business through a process unattractively entitled “glocalization.”

This course addresses issues of compelling importance to those planning careers in business, government and public policy. Among the questions explored are:

- How different is the business-government relationship in other countries from that prevailing in the United States?
- Are other “capitalisms” as effective as the American model in attaining economic and social goals? Will these other variants of capitalism be successful in meeting the demands of the 21st century?
- Why has the American model become more popular and successful in the 1990s? Are there any pitfalls in other nations’ adopting U.S. practices?
- How has globalization changed the business-government relationship, at the national, subnational, and international levels?

Course Requirements

The course will be run as a seminar, not as a lecture series. You are responsible for completing all the readings and for producing each week a “reaction paper,” two to three pages in length, that articulates your conceptualization of the main issues from the vantage point of a hypothetical actor of your choice, such as a government official, a business executive, a union leader or a public interest group spokesperson. Class performance, including these reaction papers, accounts for 40% of your grade.

You are also required to prepare a report, for presentation to the class, that explores in depth a topic relevant to this course. This could be a report on changes in the overall business-government relationship within a particular country, a study of a specific industry and its relationship to governments in at least two countries, or an exploration of international decision making on topics such as greenhouse gases (as at Kyoto) or harmonization of rules affecting business. This report accounts for 40% of your grade and its presentation to the class for the remaining 20%.

In addition to the assigned class readings, you are expected to monitor current developments in business-government relations by reading publications such as *The Economist* and *The Financial Times* regularly.

Readings

We shall discuss a predetermined set of assigned readings for the first twelve weeks. The remaining sessions of the class will be devoted to the presentation of your reports.

Introduction: Some Basic Patterns of Business-Government Relations

Week 1 States vs. Markets? Comprehensive Planning vs. Limited Interventions?

Graham K Wilson *Business and Politics: A Comparative Introduction* 2nd ed. (Chatham NJ: Chatham House, 1990)

Jeffrey Hart *Rival Capitalists: International Competitiveness in the US, Japan and Western Europe* (Ithaca: Cornell University Press, 1992) Introduction.

Peter Hall, “The Organization of State-Society Relations,” Ch. 10 of *Governing the Economy: The Politics of State Intervention in Britain and France* (Oxford: OUP, 1986)

Fred Block, “The Roles of the State in the Economy,” Ch. 28 in *The Handbook of Economic Sociology* (Princeton: Princeton University Press, 1994).

Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle Between Government and the Marketplace that is Remaking the Modern World* (New York: Simon and Schuster, 1998), Chs. .

National Varieties of Capitalism

Weeks 2 and 3 Britain and the United States: Market As Master?

Wyn Grant, *Business and Politics in Britain* (Houndsmills UK: Macmillan, 1993.)

Hart, *Rival Capitalists*, Chs. 4 and 6.

J L Campbell, J. R. Hollingsworth and L Lindberg (eds) *Governance of the American Economy* (Cambridge: Cambridge University Press, 1991)
David Vogel *Fluctuating Fortunes: The Political Power of Business in America* (New York: Basic Books, 1989.)
Thomas K. McCraw, "American Capitalism," in Thomas K. McCraw, *Creating Modern Capitalism* (Cambridge: Harvard University Press, 1997)

Week 3. France: The Rise—and Fall—of Dirigisme

Vivian Schmidt "The Decline of Traditional State Dirigisme in France; The Transformation of Political Economic Policies and Policy Making Processes" *Governance* 9 (1996) 375-406.
Vivian Schmidt *From State to Market: The Transformation of French Business and Government* (New York: Cambridge University Press, 1996.)
Hart, *Rival Capitalists* chapter 3.
Jack Hayward *Industrial Enterprise and European Integration: From National to International Champions in Western Europe* (Oxford: OUP, 1995.)
Michel Albert, *Capitalism Against Capitalism* (New York: Walss and Whurr, 1993).

Week 4 Japan: Success that Soured?

Jeffrey Bernstein "Japanese Capitalism," in Thomas K. McCraw, *Creating Modern Capitalism* (Cambridge: Harvard University Press, 1997.)
Richard Katz, *Japan: The Success That Soured*.
T. J. Pempel *Regime Shift* (Ithaca: Cornell University Press, 1998.)
Chalmers Johnson *Japan, Who Governs? The Rise of the Developmental State in East Asia* (New York: Norton, 1995.)
Hart, *Rival Capitalists*, chapter 6
Peter Hartcher *The Ministry: How Japan's Most Powerful Institution Endangers World Markets* (Boston MA: Harvard Business School Press.)
Peter Hall, "The Japanese Civil Service and Economic Development in Comparative Perspective" in Hyung-Ki Kim et al (eds) *The Japanese Civil Service and Economic Development* (Oxford: Clarendon Press, 1995.)

Week 5 Germany: Weak State in a Strong Economy?

Jeffrey Fear, "German Capitalism," in in Thomas K. McCraw, *Creating Modern Capitalism* (Cambridge: Harvard University Press, 1997)
Wolfgang Streeck "German Capitalism: Does It Exist? Can it Survive?" in Colin Crouch and Wolfgang Streeck (eds) *Modern Capitalism or Modern Capitalisms?* (London: Pinter, 1999.)
Peter Katzenstein, *Industry and Government in West Germany* (Ithaca: Cornell University Press, 1989.)
Sigurt Vitols "German Industrial Policy, An Overview" *Industry and Innovation* 4 (1997) 15-36.

Week 6 The Past, Present, and Future (?) of Neocorporatism

Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca, Cornell University Press, 1989)

Jonas Pontusson, "At the End of the Third Road: Swedish Social Democracy in Crisis"
Politics and Society 20 (1992) 305-32

Jonas Pontusson, *The Limits of Social Democracy* (Ithaca: Cornell University Press, 1992.)

Jan Erik Lane "The Decline of the Swedish Model" *Governance* 8 (1995) 579-90.

Week 7 Russia and China: Transitions from Communism

Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle Between Government and the Marketplace that is Remaking the Modern World* (New York: Simon and Schuster, 1998), Chs. .

World Bank, *From Plan to Market: World Development Report 1996*.

Anders Aslund, *How Russia Became a Market Economy* (Washington: Brookings, 1995).

Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978-1993* (Cambridge: Cambridge University Press, 1994).

Nicholas Lardy, *China's Unfinished Economic Revolution* (Washington: Brookings, 1998).

Issues in Globalization and Governance

Week 8 Regulation in Comparative Perspective

David Vogel *National Styles of Regulation* (Ithaca: Cornell University Press, 1987)

Pietro Nivola *Comparative Disadvantage* (Washington DC: Brookings Institution, 1997)

Steven K. Vogel, *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries* (Ithaca: Cornell University Press, 1998), Chs. 1-3, 10-11.

Week 9 Finance

Louis Pauly, *Who Elected the Bakers? Surveillance and Control in the World Economy* (Ithaca; Cornell University Press, 1997.)

Peter A Johnson *The Government of Money: Monetarism in Germany and the United States* (Ithaca; Cornell University Press, 1998.)

David Held & Anthony McGrew, David Goldblatt & Jonathan Perraton, "Shifting Patterns of Global Finance," Ch. 4 in *Global Transformations: Politics, Economics, and Culture* (Stanford: Stanford University Press, 1999).

Ethan Kapstein, *Governing the Global Economy: International Finance and the State* (Cambridge: Harvard University Press, 1994).

Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton: Princeton University Press, 1996.)

Week 10 Transnational Issues: Environment, Labor Standards, Migration

Francis Cairncross, *Costing the Earth: The Challenge for Governments, the Opportunities for Business* (Boston: Harvard Business School Press, 1993).

David Vogel, *Trading Up* (Cambridge MA: Harvard University Press, 1995)

Week 11 Multilayered Governance

- Herman Schwartz, *States Versus Markets: History, Geography and the Development of the International Political Economy* (New York: St Martin's Press, 1994.)
- Karsten Ronit and Volker Schneider, "Global Governance Through Private Organizations" *Governance* 12 (1999) 243-266.
- Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies* (New York, Free Press Paperbacks, 1996).
- Gerald Meier, "Global Governance," Ch. 11, in *The International Environment of Business: Competition and Governance in the Global Economy* (Oxford: OUP, 1998).
- Charles F Sabel "Flexible Specialization and the Re-Emergence of Regional Economies" in Paul Hirst and Jonathan Zeitlin (eds) *Reversing Industrial Decline* (New York: St Martin's, 1989.)
- Michael Storper "The Resurgence of Industrial Economies, Ten Years Later: The Region as a Nexus of Untraded Interdependencies" *European Urban and Regional Studies* 3 (1995) 191-221.

Week 12 Globalization and Convergence

- Robert Wade, "Globalization and Its Limits: Reports of the Death of the National Economy are Greatly Exaggerated," Ch. 2 in Suzanne Berger and Ronald Dore *National Diversity and Global Capitalism* (Ithaca: Cornell University Press, 1996).
- Robert Boyer and Daniel Drache, eds., *States Against Markets: The Limits of Globalization* (London: Routledge, 1996.)
- William Grieder, *One World, Ready or Not: The Manic Logic of Global Capitalism* (New York: Simon and Schuster, 1998)
- Robert Kuttner, *Everything for Sale: The Virtues and Limits of Markets* (Chicago: University of Chicago Press, 1999)
- Thomas Friedman, *The Lexus and the Olive Tree* (New York: Farrar, Strauss and Giroux, 1999), Chs.
- Michael Bordo, Barry Eichengreen, and Douglas Irwin, "Is Globalization Today Really Different than Globalization a Hundred Years Ago?", NBER Working Paper No. 7195, June 1999.
- Robert Boyer, "The Convergence Hypothesis Revisited: Globalization but Still the Century of Nations?", Ch. 1 in Suzanne Berger and Ronald Dore *National Diversity and Global Capitalism* (Ithaca: Cornell University Press, 1996).
- Lant Pritchett, "Divergence, Big Time," *Journal of Economic Perspectives*, 1996.
- J. Bradford DeLong, "'Globalization' and 'Neoliberalism': A Review Essay," forthcoming *Chronicle of Higher Education*, currently available at http://econ161.berkeley.edu/Econ_Articles/Reviews/alexkafka.html.