

## **Doctoral Seminar: Economy and Society I**

Prof. Dr. Jens Beckert

Tuesdays, 2:00–3:30

Max Planck Institute for the Study of Societies

Paulstraße 3

*Start: October 15, 2013*

### **Subject**

The seminar explores central topics of political economy and economic sociology. It ranges from the origins of the two disciplines—when they were not yet separated—to theories on the relationship between capitalism and democracy after World War II. Seminar readings reflect the major political-economic controversies of modernity: the origin and peculiarities of the capitalist economic system; the role of politics in a liberal economic order; the need for reform and the possibility of revolution; the limits of state regulation and social control of the capitalist economy; and the relationship between the capitalist market economy and modern culture. The seminar lays the foundations for a further seminar (Economy and Society II) on more recent theories and research approaches.

### **Language**

The seminar will be conducted in English. Students may submit written material in either English or German. Oral contributions are as a rule made in English, but occasional use of the German language is possible and is recommended when it serves clarity.

### **Participation and Grading**

Discussion of the readings will make up the core of the seminar sessions. Students are expected to read all assigned texts and to participate regularly and actively. To get credit, students must

- attend all sessions and do all assigned readings;
- write three reading reports.

Reading assignments are available online and accessible by password. Access information will be distributed during the first seminar meeting or may be obtained in advance by e-mail from the teaching assistant, Timur Ergen (te@mpifg.de).

To get credit points for the seminar, each student must write *three 2000-word reading reports* summarizing the most important points raised in the text and discussing them. In preparation for the reports, students are expected to consult also secondary sources. Questions the essays should address are: What are the main points made by the author? How does he develop the argument? Which methods is he applying? What are the key concepts in the assigned text? What can be learned from the text in the context of the questions addressed in the seminar? What controversies does the text

highlight and speak to? *The reports must be given to the tutor before the session starts. Reports submitted afterwards will not be accepted.*

Grading will be based on the quality of a student's contributions in class, as well as on the reading reports.

### **Introductory Reading**

Berger, Peter L., 1986: *The Capitalist Revolution*, Chapter 1, "Capitalism as a Phenomenon", New York: Basic Books, pp. 15–31.

Giddens, Anthony, 1975: *Capitalism and Modern Social Theory. An Analysis of the Writings of Marx, Durkheim and Max Weber*, Cambridge: Cambridge University Press.

## **COURSE OUTLINE**

### **1 Introduction, Work Schedule**

*October 15, 2013*

### **2 Liberalism**

*October 22, 2013*

Rationalist economic theories of the transition to modern capitalism construed capitalism as the liberation of human nature from the fetters of feudalism. For liberalism, modern capitalist society was a voluntary association of free people aimed at the optimum realization of their individual capabilities and interests. An individual's social position was supposed to be determined solely by peaceful labor and success in the free market. Adam Smith laid the foundations of modern economic theory with his methodological individualism and the explanation of social relations as an equilibrium between utility-maximizing actors.

*October 22*

Smith, Adam, 1976 [1776]: *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell, A. S. Skinner and W. B. Todd, Book I, Chapters I–IV, Oxford: Oxford University Press, pp. 13–46.

### 3 Theories of the Transition to Modern Capitalism: Marx, Durkheim, Weber

October 29, November 5 and 12, 2013

The classic sociologists were critical of voluntaristic and efficiency-theoretical explanations of the transition to modern economic society, albeit for different reasons. For Marx, capitalism was not a free association of people jointly increasing their material prosperity, but rather the result of the violent destruction of the subsistence economy of the Middle Ages and of the imposition of new class divisions. For Durkheim, modern society based on division of labor did not serve to increase human utility or happiness, but was rather a necessary means of maintaining social cohesion in the face of increasing competition for resources. Weber, finally, explained the transition to modernity as a consequence of a new rational “economic ethos,” which had developed in the late Middle Ages on the basis of the cultural continuity of the Western world as a new response to age-old existential questions. The discussions between Marx, Durkheim, Weber, and the liberal tradition developed a set of topics and conceptual instruments which continue to shape sociological and economic theory until the present day.

October 29

Marx, Karl, 1990 [1867]: *Capital*, trans. Ben Fowkes, Volume 1, Part VIII, “So-called Primitive Accumulation”, New York: Penguin Classics, pp. 873–895, 914–930. *German original*: Marx, Karl, 1966 [1867]: *Das Kapital*, Bd. 1, Kap. 24, “Die sogenannte ursprüngliche Akkumulation”, Berlin: Dietz Verlag, pp. 741–761, 777–791.

November 5

Durkheim, Émile, 1984: *The Division of Labour in Society*, trans. W.D. Halls, with an introduction by Lewis Coser, Book II, Chapter I: “The Progress of the Division of Labor and of Happiness”, Chapter 2, “The Causes”, London: Macmillan, pp. 179–225.

November 12

Weber, Max, 1958 [1904]: *The Protestant Ethic and the Spirit of Capitalism*, trans. Talcott Parsons, in particular Chapter II, “The Spirit of Capitalism” (pp. 47–78), Chapter IV, “The Religious Foundations of Worldly Asceticism” (pp. 95–128), Chapter V, “Asceticism and the Spirit of Capitalism” (esp. 166–183). *German original*: Weber, Max, 1988 [1904]: *Die Protestantische Ethik und der Geist des Kapitalismus*, insb. “I. 2. Der ‘Geist’ des Kapitalismus” (pp. 30–62), sowie “II. Die Berufsethik des asketischen Protestantismus,” (pp. 84–121, 183–206). In: Weber, Max, *Gesammelte Aufsätze zur Religionssoziologie I*, Tübingen: J. C. B. Mohr (UTB Bd. 1488).

### 4 Revolution and Reform: Marx, Durkheim

November 19, 2013

To Marx and Durkheim in particular, the capitalist economy-cum-society of their time appeared

transitory and in need of reorganization. Reform and revolution were on the political agenda of modern capitalism from the outset. For the authors of the *Communist Manifesto*, the logic of historical development subsequent to the bourgeois revolution called for the socialization of production and human life in a society in which private property has been abolished. Later, in a central chapter of his principal work, Marx examined and affirmed the possibility of reform obtained by political struggle and implemented by the bourgeois state within the framework of an economic order dominated by capitalist interests. Durkheim considered it both possible and necessary to ensure “just” contracts and, thereby, social solidarity and stability by means of institutional measures within a liberal order and without attacking private property; only by means of far-reaching reforms could modern society, in his view, be protected from self-destructive conflicts and could its full potential be realized.

*November 19*

Marx, Karl, and Friedrich Engels, 2008 [1848]: *The Communist Manifesto*, Part I, “Bourgeois and Proletarians” (pp. 41–49). In: Barma, Naazneen H. and Steven K. Vogel (eds.): *The Political Economy Reader*, New York: Routledge, pp. 41–62. *German original*: Marx, Karl und Friedrich Engels, 1959 [1848]: *Manifest der Kommunistischen Partei*, “I. Bourgeois und Proletarier”, in: Marx, Karl und Friedrich Engels, *Werke*, Bd. 4, Berlin: Dietz Verlag, pp. 462–474.

Marx, Karl, 1990 [1867]: *Capital*, trans. Ben Fowkes, Volume 1, Part III, Chapter 10, “The Working Day”, New York: Penguin Classics, pp. 375–389, 411–416. *German original*: Marx, Karl, 1966 [1867]: *Das Kapital*, Bd. 1, Kapitel 8, “Der Arbeitstag”, Berlin: Dietz Verlag, pp. 279–293, 315–320.

Durkheim, Émile, 1984: *The Division of Labour in Society*, trans. W.D. Halls, with an introduction by Lewis Coser, Preface to the Second Edition; Book III, Chapter 2: “The Forced Division of Labour”, London: Macmillan, pp. xxxi–lix, 310–322.

## **5 The Political Governability of Modern Capitalism and Its Limits: Keynes, Kalecki, Hayek**

*November 26 and December 3, 2013*

Although during World War I the capitalist economy had been controlled by the warring states down to the last detail, in the 1920s the debate continued between state interventionists and economic liberals, not least in connection with the momentous question of the possibility of a centrally planned economy, of the kind under construction in the Soviet Union in the wake of the Russian Revolution. The intensifying economic crises towards the end of the decade directed the discussion to the subject of full employment and whether it could be ensured by government policy. John Maynard Keynes devised a new technique of state control of the economy for the purpose of securing lasting full employment by monetary and fiscal means. After World War II, “Keynesianism” became established as the economic orthodoxy of “democratic capitalism”—the historic attempt to make capitalism and democracy compatible.

Keynesian theory and practice did not go unopposed. Socialists such as Michal Kalecki questioned the willingness of the capitalist classes to renounce unemployment as a means of disciplining workers. At the same time, liberalism contested the very possibility of political control over complex modern societies, including their economies, and insisted on the indispensability of free markets, including free labor markets. Keynes's old adversary from the 1920s, Friedrich von Hayek, had found himself on the margins of economic debate during the three decades of the post-War "Golden Age." In the 1980s, however, he was rediscovered and, as the chief theoretician of neoliberalism and the Thatcher revolution against the interventionist welfare state, celebrated a belated victory over Keynes and Keynesianism.

*November 26*

Keynes, John M., 1973 [1936]: *The General Theory of Employment, Interest and Money*, London and Basingstoke: Macmillan, in particular Chapter 12, "The State of Long-Term Expectations" (pp. 147–164) and Chapter 24, "Concluding Notes on the Social Philosophy towards which the General Theory Might Lead" (pp. 372–384).

Kalecki, Michal, 1943: "Political Aspects of Full Employment". In: *Political Quarterly*, Vol. 14, No. 4, pp. 322–331.

*December 3*

Hayek, Friedrich A., 1950: "Full Employment, Planning and Inflation". In: Hayek, Friedrich A., 1967: *Studies in Philosophy, Politics, and Economics*, Chicago: The University of Chicago Press, pp. 270–279.

Hayek, Friedrich A., 2002 [1968]: "Competition as a Discovery Procedure". In: *Quarterly Journal of Austrian Economics*, Vol. 5, No. 3, pp. 9–23. *German original*: Hayek, Friedrich A., 1969 [1968]: "Wettbewerb als Entdeckungsverfahren". In: Hayek, Friedrich A., *Freiburger Studien: Gesammelte Aufsätze*. Tübingen: Mohr Siebeck, pp. 249–265.

## **6 The "Double Movement": Polanyi**

*December 10, 2013*

Towards the end of World War II, in the United States, Austro-Hungarian emigrant Karl Polanyi surveyed the turbulent history of modern liberalism and capitalism. His aim was to develop the outlines of a postwar social order which would be immune to economic crises, fascist nationalism, and international conflicts. The most important discovery of Polanyi's historico-political studies of the "Great Transformation" was that liberalism—the expansion of free markets—was always accompanied by societal "counter-movements," the purpose of which was to protect society against the "vagaries of the market" and to limit the commercialization of man and nature. Polanyi's concept of an always precarious "double movement" of market expansion and market regulation today, in the age of so called "globalization," seems more relevant than ever.

*December 10*

Polanyi, Karl, 1957 [1944]: *The Great Transformation: The Political and Economic Origins of Our Time*, Boston: Beacon Press, especially chapters 5, 6, 11, 12, and 21.

## **7 Capitalism and Democracy: Marshall, Lipset, Bell, Streeck**

*December 17, 2013, January 7, 14 and 21, 2014*

Against the background of successful Keynesian economic management in the immediate postwar years, the conflict between capitalism and democracy appeared solvable for the first time. High economic growth enabled the construction of welfare state social security systems that contained the tensions between legal equality and actual inequality. T. H. Marshall's theory of the development of material citizenship rights under capitalism became one of the key texts in the development of a political sociology that considered the democratic political order to be capable of legitimizing capitalism as an economic system by changing it. In the work of American sociologist and political scientist Seymour Martin Lipset, the empirical investigation of the relationship between economic development and the stability of representative democratic institutions succeeded traditional discussions of the compatibility of capitalism and democracy. Lipset and the comparative research on democracy that followed him are no longer concerned with the critical potential of democracy as such, but rather with its actual functioning as an empirical social institution. In parallel with this, theories of political economy emerged in the USA, as the leading economic power, which predicted an "end of ideology" under the influence of the development not of capitalism, but of modern industrial society, as well as a convergence between the capitalist West and the communist East on some middle way. The contradictions of the postwar compromise between capitalism and democracy became visible already in the 1970s. Daniel Bell saw a social crisis emerging from overburdening demands of citizens on their governments. Most recently Wolfgang Streeck provided a powerful analysis of the economic and financial crisis of 2008 based on the analysis of the contradicting demands put on the state by economic and social interests. The crisis is thus seen as a culmination point of developments that started more than forty years ago.

*December 17*

Marshall, Thomas H., 1965 [1949]: "Citizenship and Social Class". In: Marshall, Thomas H., *Class, Citizenship, and Social Development. Essays by T. H. Marshall*, Garden City, N.Y.: Anchor Books, pp. 71–134 (especially: "The Early Impact of Citizenship", pp. 91–105).

*January 7*

Lipset, Seymour Martin, 1963 [1960]: *Political Man: The Social Bases of Politics*, Chapter 2, "Economic Development and Democracy", Garden City, N.Y.: Anchor Books, pp. 27–63.

January 14

Bell, Daniel, 1978, "The Cultural Contradictions of Capitalism". In: Bell, Daniel, *The Cultural Contradictions of Capitalism*, New York: Basic Books, pp. 33–84.

January 21

Streeck, Wolfgang, 2011, "The Crisis of Democratic Capitalism". In: *New Left Review*, Vol. 71, pp. 5–29.

## 8 The Moral Dimension of Capitalism: Hirschman

January 28, 2014

The relationship between capitalism and morality has been at the center of the economic and social debate on the capitalist economic order since Adam Smith. Recurrent questions include whether economic activity under capitalism undermines, presupposes, or promotes moral behavior, or possibly presupposes and undermines it at the same time. In a seminal essay, Albert Hirschman summarized and reviewed the various strands of the debate. Does the market economy contribute to civilizing social interaction or does it institutionalize the commodification and exploitation of human beings—in other words, barbarism? Current discussions on "business ethics" under the constraint of economic competition are interwoven, in complex ways, with political and societal conflicts about social interests and their definition and justification.

January 28

Hirschman, Albert O., 1982: "Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble?". In: *Journal of Economic Literature*, Vol. 20, No. 4, pp. 1463–1484.