

Varieties of Capitalism

[draft syllabus Spring 2010]

European Studies 700.714

Spring 2010 ▪ Mondays 2:15pm – 4:15pm ▪ Room TBA

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Office Hours: M and Th 10:30am-12:30pm and by appointment

Course Overview: While global capitalism is often portrayed as a single, dominant economic system, capitalism takes many different forms even among the advanced industrial countries. This course analyzes the institutions of capitalism and asks what explains the continued differentiation in national political economies? What are the consequences of these differences, if any? Have capitalist economies been converging on a liberal model? Why or why not? Class sessions concentrate on analysis and vigorous discussion of Harvard Business School cases on national economic strategy, supplemented by seminar style discussions. Students are required to prepare the readings carefully before class. Cases generally take four hours to prepare and students should be ready to answer questions about the details of the case as well as all supplementary data and exhibits. Case discussions will be geared towards illuminating major issues, rather than providing correct answers. Students will develop their understanding of the political economy of leading and emerging European countries, the United States, and Japan.

Course Requirements:

Attendance and Class Participation 40%

Students are expected to do the readings each week and contribute to class discussions. Special presentations and projects are also required.

Reaction Papers 20%

Students are required to submit six 1-2 page reaction papers over the course of the term and submit them by email to the instructor on Sunday night with the subject line “Reaction Paper Week x.” These papers are not graded but allow students to develop and express their own reactions to the readings in preparation for class discussion.

Midterm Exam 20%

The midterm exam is made up of short answer questions focused on the readings from the first half of the course.

Final Exam 20%

The final exam is made up of short answer questions focused on the readings from the second half of the course.

Course Readings:

Required Readings:

Yergin and Stanislaw, The Commanding Heights (ISBN 978-0684835693).

HBS Cases (course reference ID c18593) available on-line at:

<http://harvardbusinessonline.hbsp.harvard.edu/relay.jhtml?name=cp&c=c18593>

Course Reserves:

Recommended Readings:

Hall and Soskice, Varieties of Capitalism. (ISBN 978-0199247752).

STATES VERSUS MARKETS

[1] September 10 ▪ Introduction

Questions for Discussion:

What are the major institutions of capitalism? How and why have they evolved differently in different states? Are different varieties of capitalism currently under pressure to converge? What are the consequences of the trend from state to market control of the world economy?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

Yergin and Stanislaw, The Commanding Heights, introduction, chapters 1-2.

CORPORATE GOVERNANCE SYSTEMS

[2] September 17 ▪ Japan: The Miracle Years

Questions for Discussion:

How did the Japanese model work? In what ways did it support investment, improvements in technology and management, and the reallocation of resources from less productive to more productive uses? Did Japan's policies lead to growth? Can other countries copy aspects of the Japanese model?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

Japan: The Miracle Years (HBS Case 9-702-014, 27pp.)

World Bank Bulletin, The Making of the East Asian Miracle,

<http://www.worldbank.org/html/dec/Publications/Bulletins/PRBvol4no4.html>

Yergin and Stanislaw, The Commanding Heights, chapter 6.

[3] September 24 ▪ The German Financial System

Questions for Discussion:

How well did the German economy perform in the 1990s? How well did the major German firms perform? How does the German financial and corporate governance system compare with that of Japan? What changes, if any, should they be considering?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

German Financial System 2000 (HBS Case 9-700-135)

Note on Corporate Governance Systems (HBS Case Note 9-292-012, 19pp.)

Recommended Readings:

WestLB, SachsenLB and US Mortgage Crisis:

<http://www.ft.com/cms/s/0/e220872a-4fc8-11dc-a6b0-0000779fd2ac.html>

[4] October 1 ▪ US Corporate Governance in Crisis

Questions for Discussion:

What makes the US corporate governance system distinct? What impact has this had on corporate reorganization, productivity, and growth? What are the drawbacks of the US system and have these been effectively addressed by the recent spate of legislation and shareholder activism?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

Corporate Renewal in America (HBS Case 9-702-018, 32pp.)

Corporate Reform in the US (HBS Case Note 9-304-091, 13pp.)

Yergin and Stanislaw, The Commanding Heights, chapter 12 (chapter 4 recommended).

EUROPEAN VARIETIES OF CAPITALISM

[5] October 8 ■ France: Reforming the Social System

Questions for Discussion:

What are the critical challenges facing the French pension system? What are the main options for reform? What are the likely impacts of pension reform decisions on labor and capital markets?

Assignments:

Prepare case, readings, and questions for discussion. *First research paper due.*

Required Readings:

The French Pension System: On the Verge of Retirement (Abridged) (HBS Case 9-799-143, 23pp.)

Yergin and Stanislaw, The Commanding Heights, chapter 11.

BBC Report on 2003 Strikes: <http://news.bbc.co.uk/1/hi/world/europe/2976958.stm>

OECD Brief:

http://www.oecdobserver.org/news/fullstory.php/aid/1042/French_pension_pickle.html

[6] October 15 ■ Sweden: Reforming the Social System

Questions for Discussion:

How did Sweden develop its distinctive welfare state institutions? Have these been effective in the past? Why have they run into problems recently? How have governments of different hues sought to respond? Will these responses be sufficient?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

The Welfare State and its Impact on Business Competitiveness: Sweden Inc. for Sale? (HBS Case 9-703-019, 27pp.)

[7] October 22 ■ UK: The Blair Wealth Project

Questions for Discussion:

How has Tony Blair sought to revise Britain's economic policy after years of Tory rule? What is the key to Britain's economic strategy? Has Blair been successful? Why? Will these successes endure or is Britain facing new challenges?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

The Blair Wealth Project: Antecedents and Prospects (HBS Case 9-702-008, 25pp.)

[8] October 29 ▪ Italy: Underdevelopment in the Mezzogiorno

Questions for Discussion:

How well has Italy performed since the Second World War compared to its European neighbors? When did the Mezzogiorno fall behind and why? Evaluate the attempts of the central government to solve this problem. Are the problems of the Mezzogiorno rooted in culture as Putnam claims? Are they largely unreachable by economic reforms? What is meant by the transition from the First Republic to the Second and what caused it? Did Italy experience a cultural transformation in 1992? If so, where and why? How does the Italian experience since the Second World War compare to the US experience since 1865?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

One Country – Two Systems: Italy and the Mezzogiorno (A) (HBS Case 9-701-068)

One Country – Two Systems: Italy and the Mezzogiorno (B) (HBS Case 9-701-143)

[9] November 5 ▪ Spain: Integration into the European Union

Questions for Discussion:

How have democracy and dictatorship shaped Spain's economic policy? Has the European Union played a major role in Spain's politics and economic development? What are the central challenges that Spain has faced?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

Spain: Straddling the Atlantic (HBS Case 9-705-006)

EMERGING EUROPE

[10] November 12 ▪ Czech Republic: Political Economy of Transition

Questions for Discussion:

Evaluate the starting position of the Czech economy relative to other East European economies in the 1990s. How well did the Czech Republic perform in the 1990s? Evaluate the reforms in terms of promoting stability, getting the prices right, getting the institutions right, and promoting growth. What type of corporate governance system is emerging?

Assignments:

Prepare case, readings, and questions for discussion. *Second research paper due.*

Required Readings:

Economic Reform in the Czech Republic: Velvet Revolution or Velvet Blanket? (HBS Case 9-700-100)

Yergin and Stanislaw, The Commanding Heights, chapter 10.

Commanding Heights: Interviews: Nemat Shafik

http://www.pbs.org/wgbh/commandingheights/shared/pdf/int_nematshafik.pdf

Commanding Heights: Interviews: Jeffrey Sachs

http://www.pbs.org/wgbh/commandingheights/shared/pdf/int_jeffreysachs.pdf

[11] November 19 ▪ Slovakia: The Flat Tax Revolution

Questions for Discussion:

How and why was the flat tax implemented in Slovakia? What are the distributive impacts of the reform? Is the flat tax a good idea or not? Should it be tried elsewhere? What impact is Slovakia's decision having in other European countries?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

Rovna Dan: The Flat Tax in Slovakia (HBS Case N2-707-043)

[12] November 26 ▪ Russia: Emerging from a Time of Troubles

Questions for Discussion:

What were the main elements of the reform program of President Boris Yeltsin? What were the main challenges facing President Vladimir Putin in 2000? What were the most compelling strategic goals? Is a distinctive type of corporate governance system emerging?

Assignments:

Prepare case, readings, and questions for discussion.

Required Readings:

Russia: The End of a Time of Troubles? (HBS Case 9-701-076, 27pp.)

Commanding Heights: Profiles: Anatoly Chubais

http://www.pbs.org/wgbh/commandingheights/shared/pdf/prof_anatoliichubais.pdf

Commanding Heights: Interviews: Anatoly Chubais

http://www.pbs.org/wgbh/commandingheights/shared/pdf/int_anatoliichubais.pdf

Commanding Heights: Interviews: Joseph Stiglitz

http://www.pbs.org/wgbh/commandingheights/shared/pdf/int_josephstiglitz.pdf

FUTURE OF THE EUROPEAN ECONOMY

[13] December 3 ▪ European Economic Integration: Obstacles and Opportunities

Questions for Discussion:

Are European economies still largely national despite the European Union? Has the European Union had much success in breaking down barriers between national economies? What challenges does the European Union face in the future?

Assignments:

Prepare case, readings, and questions for discussion. *Third research paper due.*

Required Readings:

The EU's 13th Directive on Takeover Bids: Unlucky for Some? (HBS Case 9-703-014)

European Financial Integration (HBS Case Note 9-703-032)

Summary of European Takeover Directive:

<http://europa.eu/scadplus/leg/en/lvb/l26012a.htm>