Capitalism and Democracy

Lecturer
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Course Timetable
Lectures will be held on Wednesdays 2-4pm, Theatre N, Newman Building.

Description
Why are some countries rich, and some countries poor? Why are some countries more unequal than others? What explains the rise of Trump, the populist far-right, and the Brexit vote? Can these political events be traced to the financial crisis? To what extent is economic inequality undermining the conditions for liberal democracy? This module introduces students to the politics of economic inequality in advanced capitalist democracies, through a detailed study of income and wealth inequality from the 19th century to the present. First, we analyse basic concepts and theories in the study of political economy (weeks 1-3). Second, we examine the structural transformation of democratic capitalism from the post-war period to the present (weeks 4-5). Third, we theoretically and empirically analyse recent trends in income inequality (week 6-7), and wealth inequality (week 8-9). Fourth, we turn to the electoral and producer group politics of advanced capitalist democracies, and examine why inequality differs so much between countries (weeks 10-11). To conclude, we will examine the political and policy response to the global financial crisis, and ask whether it has exacerbated inequalities, and undermined liberal democracy? (week 12). Throughout the module I will make reference to contemporary events, and link these back to what we’re studying. Core themes include the impact of globalisation, technological change, the problem-solving capacity of democracy, austerity, the changing dynamics of social class, central banking, financialisation, corporate tax avoidance, nationalism, populism and the political consequences of the global financial crisis.
Intended learning outcomes
Each lecture is constructed around a core reading, which you must complete before coming to class. All lectures are designed to be participatory with each student expected to contribute toward end-of-class discussions. The course is historical, theoretical, conceptual and empirical. Large datasets and individual case studies will be used. The core textbook is Thomas Piketty’s ‘Capital in the 21st Century’. Please purchase this book as soon as possible. All of the data/tables and graphs from the book can be downloaded here: http://piketty.pse.ens.fr/en/capital21c2

Learning outcomes for the module include the enhancement of your critical, research, professional and personal skills. The course will improve your capacity for:

- Critical thinking
- Problem solving
- Communication
- Numeracy
- Dataset awareness
- Conceptual rigor
- Analytic argumentation
- Comparative case study knowledge

Assessment.

Quiz + mid-term blog post/podcast (40%)
End of term paper/take home exam (60%)

Readings
Readings will be drawn from a wide range of books and journals. All required readings must be completed before the lecture for which they are assigned. Journal articles are accessible online through the UCD library’s e-journals catalogue. Other readings are available on designated websites or on Brightspace. If you do not read, you will not learn!

Disability Support Services
Students whose disabilities, medical conditions or learning difficulties (such as dyslexia) have been recognized and documented by UCD’s Disability Support Services and who expect that their disability will affect the conditions of their assessment in this course are encouraged to contact Prof. Regan as soon as possible. Others who suspect that they may have such a disability are encouraged to contact the DSS office as soon as possible. For more information, see http://www.ucd.ie/disability/index.html.

Academic Standards
(1) UCD’s policy on standard academic practice (i.e., avoiding plagiarism) will be strictly enforced.
(2) All written work submitted for this module should also conform to Harvard style (see guide on UCD Library website) for citations.

(3) In class discussions, I expect everyone to show tolerance for different viewpoints.

**Books**

**Required**


Note: All page numbers for *Capital in the 21st Century* (C21) are for the softback copy, as sold in UCD’s campus bookstore.

**Recommended (not in any order)**


Berman, Sheri. *Democracy and dictatorship in Europe: From the ancien régime to the present day*. Oxford University Press, 2019.


**Selected articles:**


Thewissen, S., 2013. Is it the income distribution or redistribution that affects growth?. *Socio-Economic Review*, p.mwt019.


Gingrich, J. and Häusermann, S., 2015. The decline of the working-class vote, the reconfiguration of the welfare support coalition and consequences for the welfare state. Journal of European Social Policy, 25(1), pp.50-75.


**Recommended News Source:** The Financial Times ([www.ft.com](http://www.ft.com))

**Data** All of the data we will use in the module can be directly downloaded at the World Inequality database: [https://wid.world/](https://wid.world/)

**Twitter Hashtag** #CapitalUCD

**Facebook Discussion Page** [https://www.facebook.com/groups/484618095706372/](https://www.facebook.com/groups/484618095706372/)
Week 1: Capitalism and Democracy

Q) If there are more poor people than rich people, why don’t the poor soak the rich? Are liberal democracies capable of solving the problems of contemporary capitalism? Is social democracy compatible with global capitalism?

One core question permeates political economy scholarship: how is it possible to combine capitalism (free competitive markets that generate inequality) with democracy (collective choice that generates equality)? One produces stark inequalities in the distribution of income and wealth, whilst the other (the democratic state), in principle, is based on egalitarianism (one person, one vote). So why don’t the poor soak the rich? There are a lot more poor people than rich people, so why don’t they use their voting power to redistribute economic resources?

As we will see throughout this course, understanding the relationship between capitalism and democracy, under market rules, is anything but straightforward. A sizeable middle class can act as a buffer against radical demands for redistribution. There are different types of capitalism, and different types of democracy. Choices in the past create a path dependent effect, and the electorate don’t just vote in their economic interest. The dynamic tension of the relationship between states and markets, politics and power, is the underlying theme of our course. However, it is a course in social science, so we will not discuss these things without reference to facts, particularly as they pertain to the distribution of income and wealth.


Week 2: How to Measure Income and Wealth

Q) What is economic growth? What is the difference between income and wealth? Why is wealth always more unequally distributed than income? If inequality is declining between countries, why is it rising within countries? Why are we examining social class, groups and income and wealth shares, rather than Gini coefficients?

Before we discuss the determinants of inequality, and the different theories of political economy that explain capitalist development, it is important that we clarify some important political economy concepts, such as economic growth, income, wealth, the capital-income ratio, and the inequalities that arise from the unequal distribution of income and wealth. These concepts underpin the indicators we use throughout the course, and heavily influence the type of measurements and inferences we draw from the data, so it is crucial that you study them!

Required reading: C21, pp 49-141
**Week 3: Perspectives on Political Economy**

**Q)** What are the main theoretical frameworks to explain the politics of capitalist development? Why are some nations poor, and some nations rich? What is the intellectual and political legacy of great thinkers such as Adam Smith, David Ricardo, Joseph Schumpeter, Karl Polanyi, Fredrick Hayek, and John Maynard Keynes?

We will discuss the history of economic ideas with reference to classical and critical political economy, and relate these ideas to contemporary debates on the politics of inequality, and capitalist development. We will also introduce the growing scholarly debates that tries to explain the causal factors behind rising income inequalities within advanced capitalist democracies over the past decade: skills based technological change versus political power.

**Required reading:**

C21, pp 1-49

Power, Policy and Top income Shares: [https://doi.org/10.1093/ser/mwx027](https://doi.org/10.1093/ser/mwx027)

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**Week 4: Keynesianism: The Rise of Democratic Capitalism**

**Q)** What explains the structural transformation of capitalism throughout the 19th and 20th century? What was the impact of the war on capitalist development in Europe, and slavery in the USA? What gave birth to democratic capitalism after the war? How influential were Keynesian macroeconomic ideas during this period?

We will examine the causal factors behind the rise and fall of capitalism in Europe from the 19th to the 20th century, as measured by the capital/income ratio. We will examine the development of various forms of wealth (buildings, housing, stocks, bonds, patents, firms) and compare the structural transformation of capital in Europe to the USA, whilst examining the underlying politics of this transformation (from an aristocratic elite to democratic capitalism). We will discuss the impact of two world wars, and why and how this gave rise to new Keynesian macroeconomic ideas about how to combine and integrate market economies with liberal democracies. The outcome was a period of embedded liberalism.

**Required reading:** C21, pp 141-204
Week 5: Monetarism: The Return of Neoliberal Capitalism

Q) What explains the structural transformation of capitalism throughout the 21st Century? What was the impact of the neoliberal conservative revolutions? Why did governments pursue public policies aimed at liberalising global markets? How did this change the relationship between states and markets? Voters and parties?

We will examine the transformation of capitalism in the 21st century, and the importance of globalization and financialisation in this process. We will inquire why the wealth/income ratio has increased to new historic highs, whilst examining the importance of financialisation in shaping the dynamics of contemporary capitalism. We will ask whether capital has become more important than labour in shaping the dynamics of economic inequality today, and inquire into the role of technology, globalisation and changing labour markets. We will discuss the impact of the oil crisis, inflation and stagflation, and discuss and why and how this gave rise to new monetarist ideas about how to combine liberalised capital markets, independent central banks and liberal democracies. The outcome was a period of disembedded liberalism.

Required reading: C21, pp 204-297

Week 6: Income Inequality in Europe and the USA

Q) What is the actual distribution of income in Europe and the USA? If we divide up national income in a country, how much goes to the bottom 50%, the middle 40%, and the top 10%? Within the top 10%, how much goes to the top 1%?

At this stage of the course we will bring to an end our inquiry into the structural transformation of capital and wealth, and how it has evolved since the 19th century. We will now start to study the precise distribution labour and capital income. This is the inequality that arises from the unequal distribution of labour income (wages, salaries) and capital income (income that accrues to the owners of property, such as rent or dividends). We will also examine and study the importance of income shares, paying particular attention to rising top incomes. We will ask why economic inequality is much higher in the USA compared to Western Europe?

Required reading: C21, pp 297-424
Week 7: Explaining the Rise of Top Incomes

Q) How do we explain the rise of top incomes? Why is the top 1% taking so much of the share of national income, whereas the amount going to the bottom is stagnating? Is the rise of top incomes the result of merit? Is it an outcome of skills-based technological forces, or active political public policy choices?

This week will move beyond describing the distribution of income at the individual and household level, and engage those theoretical debates that seek to explain why income inequality is rising within advanced capitalist democracies, and why this is intimately connected to rising top incomes. We also discuss how and income inequality is declining between countries (the rise of Asia/china), but rising within countries (top incomes).


Week 8: Wealth Inequality in Europe and the USA

Q) What is the actual distribution of wealth in Europe and the USA? How much property-wealth do the bottom 50%, middle 40%, top 10%, and top 1% actually own? Why is wealth so much more unequally distributed than income?

This week we will describe the precise distribution of wealth among the population. Capital and wealth are forms of property that generate capital income. We will note that since the 19th century, the bottom 50% of the population have generally never owned any form of wealth or property, and that the democratic revolutions of the 20th century gave rise to a property owning middle class (the middle 40%). We will also note that during the 21st century wealth has become increasingly concentrated amongst the top decile and top centile.

Required reading: C21, pp 424-544

Week 9: Explaining the Rise in Wealth Inequality

Q) What explains the extreme level of wealth inequality that we observe today? Is it mainly related to housing or business-financial assets? Has anything really changed? Is it related to political policy choices? Or is it related to impersonal market forces?

This week we will try to explain why wealth is so concentrated, and whether this is a function of the changing nature of technology, and the corporate monopolisation. We will note that housing/asset prices increasingly play an important role in shaping the dynamics of wealth distribution amongst the bottom 90% of the population, but that real wealth, and real fortunes are bound up in business-finance assets. We will also discuss the growing importance of
inheritance in shaping wealth inequality, and ask whether this role for inheritance undermines liberal meritocracy, and indirectly leads to a rentier society?

**Required reading:** C21, pp 424-544, and the Enduring Importance of Family Wealth: [https://www.econstor.eu/handle/10419/125443](https://www.econstor.eu/handle/10419/125443)

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**Week 10: The Comparative Politics of Advanced Capitalism**

**Q)** _What explains the cross-national variation in income and wealth inequality? Why is Europe less unequal than the USA? Why is Scandinavia more equal than the rest? Are all countries converging toward the same level of inequality, or diverging?_

This week we will discuss the cross-national variation in levels of income inequality between countries in the advanced market economies of the world. We will identify distinct “national varieties of capitalism” that gives rise to very different socio-economic outcomes. We will examine those countries that secure high levels of economic growth with lower levels of economic equality. Central to this cross-national variation is fiscal policy, and the welfare state.

**Required reading:** C21, 544-663, and The decline of the working class vote: [https://doi.org/10.1177%2F0958928714556970](https://doi.org/10.1177%2F0958928714556970)

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**Week 11: Electoral Competition, Party Politics and Class Voting**

**Q)** _What are the political and institutional underpinnings of national varieties of capitalism? Can a country change its model of capitalism? If there is no such thing as “one market” then why do policymakers always assume there is?_

This week we will discuss the electoral and political underpinnings of distinct national varieties of capitalism in Europe. We will examine the changing nature of social class, labour market change, social liberalisation, and occupational structure, and the extent to which these socio-structural changes are shaping the dynamics of party politics in Europe/USA.

**Week 12: The Global Financial Crisis and its Aftermath**

**Q)** *Does an increasing concentration of wealth and income undermine the meritocratic basis of liberal market democracy? Has the global financial crisis exacerbated these inequalities, and in turn, created the conditions for rising populist nationalism?*

This week we will examine the policy response to the international banking financial crisis, and the subsequent period of austerity. We will discuss the central role played by central banks in responding to the crisis, and examine the geopolitical implications. We will ask whether the rise of authoritarian politics, and democratic backsliding is coincidental to the great recession? We will conclude by discussing whether liberal democracies are capable of solving the multiple problems of contemporary capitalism, including the pressing issue of climate action.

**Required reading:** Adam Tooze, *Crashed*, chapters 1-3