

**14.72: Capitalism and Its Critics**  
**Spring, 2005**

**M & W 2:30-4:00**  
**Room 4-265**

**Professor Peter Temin**  
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This course focuses on capitalism and its critics in the context of the historical evolution of advanced industrial society. It will consider two major issues: the relative roles of markets and the state and the balance between individual rights and social responsibilities in the organization of economic activity. The structuring theme of the course is Thomas Kuhn's notion of a scientific paradigm. The course examines several different paradigms which have been used to analyze and understand capitalism in the context of the historical period in which those paradigms initially emerged and the specific political and economic problems with which they were designed to deal.

The material is organized under five broad headings: Liberalism and Capitalism; Marxism and Corporatism; Views of Industrialization; Pathologies of Capitalism, and Implications for Today.

The course will use fictional and ethnographic accounts of individual economic achievement to highlight and sharpen the alternative ways of thinking about the social and political dimensions of economic activity. The issue of individualism and its relationship to capitalist growth and development is first introduced through *The Fountainhead* by Ayn Rand. We return to examine these questions again at the end of the course in the context of Watson's autobiographical account of the discovery of DNA, *The Double Helix*, and Lester and Piore's new book, *Innovation: The Missing Dimension*, both of which raise questions about the role of individuals relative to social groups and broader intellectual communities in modern economic development. We relate this issues to current policy concerns through a consideration of *Saving Social Security* by Diamond and Oszag. Students should purchase these books.

**Course Requirements**

The course will require three types of written exercises: exams, formal papers, and weekly reactions to the reading.

Exams

There will be two exams: a quiz on March 16 and a three-hour final examination at the end of the term.

Papers

This course is a HASS-D subject and requires 20 pages of coherent essay. This requirement will normally be met through three essays, the first due on February 28, the second on April 11, and the third on May 2. Two of the essays should focus on the relationship between the economic

system and the values and work relationships which emerge in *The Fountainhead* (the first paper) and either *The Double Helix* or *Innovation: The Missing Dimension* (the third paper). The middle paper should focus on the development of our current economic system. More detailed instructions will be provided in class. Alternatively, students may select a related topic of their own.

### Reflections on the readings

Students are required to keep a written journal consisting of one or two pages informal reflections on the readings each week. These should identify the most important issues which the readings pose and attempt to characterize the perspective which the authors take upon the relationship between the economy and the state and/or the relative roles of individual and social forces in economic growth and development.

### **Reading Assignments**

The Readings will be on reserve at Dewey. A packet of the shorter reading assignments may be purchased at Graphic Arts, E52-045. The classic books on the reading list and/or those containing relatively long assignments have been ordered at the Coop and should be available there for purchase. Students are urged to purchase *The Fountainhead*, *The Double Helix*, and *The Soul of the New Machine*.

#### **I. Introduction (2/2-9)**

Thomas S. Kuhn, *The Structure of Scientific Revolutions*, (Chicago: University of Chicago Press, 1970), Chapters 2, 3, 9, 10; pp. 10-34, 92-134.

Milton Friedman, *Essays in Positive Economics*, (Chicago: University of Chicago Press, 1953), "The Methodology of Positive Economics," pp. 3-43.

John Rawls, "Some Reasons for the Maximin Criterion," *American Economic Review* 1974, pp. 141-146. <http://links.jstor.org/sici?sici=0002-8282%28197405%2964%3A2%3C141%3ASRFTMC%3E2.0.CO%3B2-9>

#### **II. Liberalism and Capitalism (2/14-23)**

Ayn Rand, *The Fountainhead*, (New York: Random Books, 1957).

Gary Becker, *An Economic Approach to Human Behavior*, (Chicago: University of Chicago Press, 1976), Chapters 1 and 13; pp. 3-14 and 282-294.

George Gilder, *Wealth and Poverty*, (New York: Bantam Books, 1981), Part I, pp. 3-101.

Peter A. Diamond and Peter R. Orszag, *Saving Social Security: A Balanced Approach*

(Washington: Brookings Institution, 2004), Chapters 1-3, pp. 1-54.

### **III. Marxism and Corporatism (2/28-3/14)**

Karl Marx and Friedrich Engels, *The Communist Manifesto* (New York: Simon and Schuster, 1964 [1848]).

<http://www.marxists.org/archive/marx/works/1848/communist-manifesto/>

Karl Marx, *Capital*, (Moscow: Foreign Languages Publishing House, 1963), Vol 1, Chapter XV, Secs. 1 and 2, pp. 371-395.

Jon Elster, *An Introduction to Karl Marx*, (Cambridge: Cambridge University Press, 1986), Chapters 4, 7; pp. 60-78, 122-39.

Thorstein Veblen, *The Theory of Business Enterprise*, (London: Routledge/Thoemmes Press, 1994 [1904]), Chapters 2, 3, 8; pp. 5-65, 268-301.

Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (New York: Basic Books, 1984), Chapter 2; pp. 19-48.

Richard R. Nelson, "Assessing Private Enterprise: An Exegesis of Tangled Doctrine," *Bell Journal of Economics*, (1981), pp. 93-111.

John Kenneth Galbraith, *The New Industrial State*, (Boston: Houghton Mifflin Company, 1985) Chapter 7; pp. 75-90.

Robert M. Solow, "The New Industrial State or Son of Affluence," *The Public Interest*, 9 (Fall, 1967), 100-08.

**Midterm Exam (3/16)** Followed by SPRING VACATION

### **IV. Views of Industrialization (3/28-4/6)**

Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, (London; New York: Routledge, 1992, 1930,) Chapters 2 and 5, pp. 47-78, 155-183.

Mary Douglas, *The World of Goods: Towards An Anthropology of Consumption*, (New York: W.W. Norton & Company, 1979), Chapters 1, 3, 4, pp. 15-24, 56-94.

Douglas North, *Structure and Change in Economic History*, (New York: W.W. Norton & Company, 1981), Chapters, 12-14, pp. 158-98.

Alfred D. Chandler, Jr. *Scale and Scope: The Dynamics of Industrial Capitalism*,

(Cambridge, MA: Harvard University Press, 1990), Chapter 2, pp. 14-46.

Leslie Hannah, "Marshall's 'Trees' and the Global 'Forest': Were 'Giant Redwoods' Different?" in Naomi R. Lamoreaux, Daniel M. G. Raff, and Peter Temin, *Learning by Doing in Markets, Firms and Nations* (Chicago: University of Chicago Press, 1999), pp. 253-85.

Naomi R. Lamoreaux, Daniel M. G. Raff, and Peter Temin, "Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History," *American Historical Review*, 108 (April 2003), 404-33.  
<http://www.historycooperative.org/journals/ahr/108.2/>

## **VI. Pathologies of Capitalism (4/11-25)**

Lionel Robbins, *The Great Depression*, (St. Martin's Press, London, 1934), Chapters 1, 8, 9, pp. 1-9, 160-200.

John Maynard Keynes, *The General Theory of Employment Interest and Money*, (New York, St. Martin's Press, 1957), Chapters 1-3, 18-19, pp. 3-34, 245-271.

Joseph Schumpeter, *Capitalism, Socialism and Democracy*, (New York: Harper & Bros., 1942), Chapters 5-14, especially 11-14, pp. 61-163, especially 121-163.

F.A. Hayek, *The Road to Serfdom*, (Chicago: University of Chicago Press, 1944), Introduction, Chapters 1-4, pp. 1-62.

## **VII. Implications for Today (4/27-5/11)**

James D. Watson, *The Double Helix: A Personal Account of the Discovery of the Structure of DNA*, (New York: Penguin, 1969).

Richard Lester and Michael Piore, *Innovation: The Missing Dimension* (Cambridge: Harvard University Press, 2004).

Peter A. Diamond and Peter R. Orszag, *Saving Social Security: A Balanced Approach* (Washington: Brookings Institution, 2004), Chapters 6-8, pp. 99-163.

Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, DC: Institute for International Economics, 1997), pp. 1-9, 69-89.

James Mittelman, *The Globalization Syndrome* (Princeton 2000), p. 3-30.

## **Final Exam**