Fall 2016

**Business and Politics**

POSC 4321-101 (5748)
Instructor: Jerry Prout
Class Time: M-W 3:30 to 4:45
Room: Wiehr Physics 209
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**Required Books:**
Tamara Draut, Sleeping Giant (New York: Doubleday, 2016)
[Note other readings as listed provided in advance each week on D2L]

**Class Objectives:** The objective of this course is to provide you with a comprehensive understanding of the role business plays in our political economy. We will examine how business is enabled by government decisions, as well as how it is constrained by government regulation. Thus we will explore what some pejoratively call “crony capitalism,” and what others ridicule as “the nanny state.” My objective is to have you better appreciate the shades of gray in between these two convenient labels. We will discuss the economic and political theories that shape the business relationship to politics; the legal and ethical constraints that direct how corporations express themselves; and some case examples that illuminate the complexity and nuance of the business-political relationship in the context of the 2016 election.

**Class Overview:** Each class will begin with a presentation that will frame the ideas that shape our discussion. However, the readings and your response to them are more critical to our class discussions. I will post framing questions that will guide your reading and hint at what we will ask each other in class. The more class discussion the better. There are no right answers in this class, only well argued positions that are based on well reasoned and documented arguments.

**Expectations:** You should expect me to provide an unbiased, analytical framework that enables you to better understand the dimensions and complexity of business representation in the political arena. You should also expect I will stimulate good discussion and respect your participation. I will expect you to engage with an open mind that is curious and willing to cast aside preconceived notions. If you come to class as a conservative, I hope to make you more appreciative of the progressive narrative; or vice versa. Since I believe neither side has all the answers, I will be asking you lots of questions. If I knew the answer I would not be asking the
question; so don’t be shy. The goal is that you leave the last class with more questions than you bring to the first.

**Week 1**

**The Critical Champions of Capitalism: Where is the Capitalist Manifesto?**

Unlike Marxism, Syndicalism, Fascism and other theories of economic organization, capitalism emerged prior to ever being explained in theory. The “champions” of capitalism turn out to be ardent critics of their own political economies. Beginning with Adam Smith’s critique of mercantilism, Weber, Schumpeter, Von Mises, Keynes and even Friedman, all pointed to the inherent flaws in their contemporary political economies as a means of emphasizing the attributes of free markets. We will begin with an examination of the fundamentals of capitalism and its unhappy relationship to theory and politics as the pretext for understanding the contemporary business-government relationship.

August 29:
Adam Smith, Selections from the “Wealth of Nations,” from the *Enlightenment Reader*, ed. Isaac Kramnick.

August 31:

**Week 2**

**The Critical Champions of Capitalism: Where is the Capitalist Manifesto? (Continued)**

September 5 Labor Day (no class; see readings)
Waterhouse- Introduction and Chapter One
Frederick Hayek – “The Fatal Conceit” from *The Road to Serfdom*

September 7
Drut – Introduction and Chapter One
Edmund Fawcett, “Liberal Thinking after 1945,” from *Liberalism*

**Week 3**

**The Anti-Capitalist Narratives: What are the consistent critiques of capitalism?**

Throughout US history, and now on an international stage, we see three distinctive anti-capitalist narratives. The Populist narrative is skeptical of capitalism’s tendency to aggregate economic power and the resulting disparities in wealth. The Progressive narrative seeks to use government power and authority to create greater economic fairness and reform corrupt
government practices. The anti-technology narrative is skeptical of modernity and the impacts of material progress on our spiritual and moral fabric. We will examine the historical and contemporary manifestations of each of these narratives and their impact on the business-political relationship.

September 12
Draut – Chapter Two

September 14
Draut- Chapter Three
Claudio Katz, “Democratic and Communitarian Critiques of Capitalism” The American Political Science Review
Commencement address Barak Obama at Howard University

Week 4
Corporations without Borders: Is our regulatory system increasingly less relevant to American business?
The reality of global business today is that national borders are less relevant than they were even a decade ago. Moreover, the digital revolution is further eroding traditional market barriers in ways that are just barely understood. In this asymmetrical, sometime chaotic environment, what is the relevance of domestic US politics for multinational corporations? Are US companies shopping for the best political economy? Should we be concerned if we lose traditional “US based” companies because of political policies?

September 19
Draut- Chapter Four
Stewart Patrick, “The Un-ruled World” Foreign Affairs
David Vogel, “Private Global Business Regulation,” Annual Review of Political Science

September 21
Martin Wolf, “Will the Nation-State Survive Globalization,” Foreign Affairs
Justin Fox, “Are Corporate Taxes Headed the Way of Prohibition,” Harvard Business Review
Waterhouse - Chapter Two
**Week 5**

**Beyond State Capitalism: What should politics demand from business?**

As Waterhouse describes in many periods of US history, so-called ‘Business Statesman,” have emerged to help address larger issues that transcend their narrow business interests i.e., self interested capitalists who recognized their own success was dependent upon the integrity and functioning of government at all levels. Given the current state of US capitalism and the global realities of the marketplace, is our political system equipped to manage our economy? What responsibility does business have for the current state of our politics? More importantly, what responsibility does business need to assume for improving the functioning of our democracy?

September 26
Draut- Chapter five
Francis Fukayama “The End of History” National Interest
Francis Fukayama “America in Decay” Foreign Affairs

September 28
Waterhouse - Chapter Three
Lane Kenworthy, “America’s Social Democratic Future,” Foreign Affairs

**Paper 1**

Due October 3 @ 11:59pm
Minimum 4 pages double-spaced (1000 words): In creating your own interpretive narrative of what you believe to be the most salient points from Weeks 1-5, and apply selected concepts we have discussed to write a cogent paper that addresses how you believe the Republican and Democratic candidates for President would characterize the appropriate relationship of government to business? How would they characterize the relationship? How would they defend the market (or would they)? How would they deliver their own critiques of capitalism? Are they proposing to strengthen the business hand, or the government’s, or both? Do their arguments sound more like those of a free marketer, a state capitalist, or a social democrat? Cite (parenthetical and by page # or page range) at least 5 of the articles we read and make at least one point that draws from Waterhouse and/or Draut.

**Week 6**

**Being an Artificial Individual: How does/should the law deal with corporations?**

Early in our Republic Chief Justice Marshall said, “A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law.” This has led to varying interpretations of how business can conduct itself not only in the marketplace, but also in the political sphere. Thus there are continuing heated legal controversies over political spending as an expression of free speech protected under the first amendment. What has the legal status of the corporation allowed? Is monopoly the natural end state of capitalism; and if so, what does that mean for “the end of history?”
Week 7
Behaving like an Individual: What advantages do companies gain from their legal status as individuals?
Corporations in the political and social arena describe themselves as “corporate citizens.” Though the language of corporate citizenship suggests certain rights, it also begs commensurate responsibilities. An entire literature now exists, much of it generated by companies themselves, addressing their “citizenship” roles. We shall examine this concept and its implications in the political arena. When corporations can operate on a global scale what is the responsibility of the corporation as a “global citizen?”

Week 8
Behaving as a Group: How do businesses ally and align to leverage their individual interests?
Though businesses may see themselves as individuals before the law, they typically coalesce to drive outcomes favorable to specific industry groups. They also organize political advocacy on issues that directly impact their bottom line and more often than not this means joining forces with like-minded companies. We will examine not only how company corporate offices function, but also how coalitions and associations extend the influence of individual companies as they try to influence policy. How do business associations differ in their behavior from other special interests and how much influence does business wield in interest group politics?
October 19
Lee Drutman, “How Corporations Cooperate and Compete,” *Business of America is Lobbying* 
“So Why Can’t the Business Roundtable Get Anyone in Washington to Take it Seriously,” *Fortune Magazine*

**Week 9**

**Citizens, McCutcheon, and Trump: The corrupting influence of money on politics (or not)?**
Campaign contributions are a politician’s lifeblood; the capability to raise a campaign war chest often is viewed as the very measure of survival, and a signal of electability. As the cost of campaigns has grown and various campaign contribution strategies called into question, so too has the public grown increasingly cynical of the corrupting factor of money in politics. We will examine what current analyses suggest regarding the role of money in politics. We will also survey the range of potential reforms being suggested and whether it is foreseeable that we could ever have a “clean politics.”

October 24

October 26
Waterhouse – Chapter Seven
Lawrence Lessing, “Two Conceptions of Corruption,” *Republic Lost* Geng Ngarmboonanan, “Why Donald Trump is Terrible for Finance Reform,” *Huffington Post*

**Week 10**

**It Can’t Happen Again: Why do financial bubbles seem baked into US economic history?**
American economic history is replete with cyclical episodes of boom and bust, speculative bubbles and panic. The recent 2008 Great Recession resulted in additional regulation to insulate against the next market collapse. Yet the very essence of capitalism is tied to risk taking, not only with technological innovation, but also through the design of financial instruments that can empower more entrepreneurs and enrich more people. Yet inevitably that will lead to a new economic bubble ready to burst and hurt those at the bottom who did not participate. In our digital age and global economic system how do we mitigate these risks, or, given the interconnectedness of global finance, can we expect them to occur more often?

October 31
November 2
Draut – Chapter Seven
Martin Wolf, “Blessings and Perils of Liberal Finance,” in Fixing Global Finance, 10-27;
“Legislative Proposals Regarding Derivatives,” Testimony before House Financial Services Committee;
“Citizens United v FEC,” Supreme Court of US (Roberts Majority Opinion/ Stevens Dissent)

Paper 2
Due November 3 @ 11:59pm
Minimum 4 pages double-spaced (1000 words): Corporations have certain legal standing in our democracy that enables and constrains their ability to advocate. As you summarize our discussions of the nature of the corporation and their evolution both in form and expression, create a critique and/or defense of corporate political expression that you think the current Presidential candidates are or should be making? Do they believe business wields too much influence in the political marketplace; influence that is disproportionate to other organized interests? Are they concerned the citizen’s voice is lost in the sea of big money politics? How might they address the criticism that the current campaign and the role of social media enhances or diminishes business’ political voice? Cite (parenthetical and by page # or page range) at least 5 of the articles we read and make at least one point that draws from Waterhouse and/or Draut

Week 11
Made in America: In a global economy is the label “Made in America” relevant?
Since World War II the integration of the global economy has been on a steady pace. Yet the most recent experience with a comprehensive global trade agreement to build off the successful Uruguay Round (which completed in 1996), is the currently long stalled Doha round. While the US has successfully negotiated many smaller bilateral and multilateral agreements, such as the ongoing Trans Pacific Partnership negotiations now pending before Congress, a growing protectionist sentiment has emerged and is evident in the current campaign. What does the status of the TPP tell us about global capitalism? More importantly is insisting on ‘made in America” relevant in a world where the revenues of many large multi-nationals is larger than the GDP of most nation states and tied to their international sales and suppliers?

November 7
Summaries of the Trans Pacific Partnership (USTR, BRT, AFL-CIO, NRDC):
http://businessroundtable.org/resources/trans-pacific-partnership-overview
http://www.aflcio.org/Issues/Trade/Trans-Pacific-Partnership-Free-Trade-Agreement-TPP
https://www.nrdc.org/tags/tpp
November 9
Waterhouse – Chapter Eight

Week 12
Searching for Sustainability: Is this simply a convenient PR off-ramp for companies?
Environmental regulation is one of the most oft cited and critiqued ways governments intervene in markets to mitigate the impacts of free market externalities. Business continues to spend significantly on advocacy aimed at delaying the implementation and/or reducing the costs of environmental regulation, while at the same time making the argument for behaviors that are sound both economically and environmentally. As Gro Harlem Bruntland’s Commission defined sustainability in its 1987 Our Common Future, “Sustainable development is the kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Today many free market libertarians and leading environmental advocates join in critiquing the new vocabulary of sustainability. How has business addressed its responsibilities to the planet? In the wake of corporate sustainability initiatives has command control regulation run its effective course?

November 14

November 16
Summary; James E. McCarthy and Claudia Copeland, EPA Regulations: Too Much, Too Little, or On Track? 1-16; Draut – Chapter Eight

Week 13
No Class Thanksgiving (Nov 21 and 23)

Week 14
The Military-Security Complex? Since Ike’s famous speech, has anything really changed?
Dwight Eisenhower’s farewell speech on the danger to democracy from what he famously described as the ”military industrial complex,” is currently still very much with us. What this most decorated and respected general warned might become another form of tyranny has now taken on yet another dimension since 9-11. Today an enormous national security complex replete with its own contractors, consultants, and cohorts, parallels and intersects with the more established “military-industrial” complex. The growing “security industrial” apparatus has
expanded government and corporate reach to include the collection of personal information. Does the expanded use of the rationale of “national security” pose threats to our personal freedoms; right of privacy and more broadly to democracy? We will discuss the Snowden and, more recently the Apple – San Bernardino phone controversies and ask which parties are likely to be viewed best by history?

November 28
James Fallows, “The Military Industrial Complex” Foreign Policy
Was Edward Snowden Justified: http://www.npr.org/2014/02/18/279151014/debate-was-edward-snowden-justified

November 30
Les Aspin, “Games the Pentagon Plays,” Foreign Policy

Week 15
Farm Bill Politics: Growing the Future?
Today’s agricultural economy accounts for only 1% of the US GDP, however its impact on our domestic economy is exponentially greater. Moreover, the US, whether by default or by design, is critical to global food security, raising the question as to whether our Farm Bill politics, decisively regional in nature, are relevant to America’s role in the global agricultural economy. We will examine the enormous reach of the Farm Bill, and examine the tortuous path of the 2013 Farm Bill in the 113th Congress. Second Machine Age-9.

December 5
Russell Lamb, “The New Farm Economy,” Regulation
David Rodgers, “Farm Bill’s Demise Exposes Fault Lines in House, Politico

Review
December 7
Draut – Blueprint for a Better Deal
Waterhouse – Epilogue

Paper 3 (FINAL)
Due @ 11:59pm December 14
Minimum 5 pages double-spaced (1250 words): The President-elect is currently receiving a series of briefings on various policies and critical issues. Imagine that on the early Presidential calendar for February 7, 2017 is a speech that has been scheduled with the CEO’s that
comprise The Business Roundtable (the top 200 companies in the US). You are the President’s speechwriter and he has asked for an early memorandum to help him think about what he should say.

In your memo to the President you need to express what you consider the optimum relationship that you would like to see the BRT and its member companies have with the administration going forward. Thus you will need to frame your recommendations by addressing the following: How should the administration view the role of the market in our economy? Will it take the position business is generally over regulated, under regulated, or both? Might there be a new paradigm for business government relations; if so, what if any examples of regulations (state, federal, local) might become a template for the future? Does the administration plan to target or crack down on any specific sectors, and if so why? What should the President tell his business partners on how they might engage in the political process? What specific policies would she/he like to see them engage on (short term/long term)? Does she/he want to warn them of stepped up enforcement in a specific area? Will she/he want to invite them to participate in the formulation of a specific policy priority (e.g., tax, trade, immigration, education)? What questions and concerns should the President anticipate coming from the business leaders? How do they view the President’s strengths and weaknesses, and what are their expectations for this administration. You do not need to answer all of these questions to write a thoughtful memorandum. But you do need to reveal a thorough grasp of many of the concepts we have discussed and the ways they will shape how our new President proceeds with the business community?

Class evaluation:
Performance will be evaluated on the basis of these three components:
1. Papers 1 and 2: 1 = 30%
2. Class Participation: Premium on thoughtful response = 40%
3. Paper 3 (Final) = 30%

The university attendance and honor policies are here for your review. We all should follow without exception.
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http://bulletin.marquette.edu/undergrad/academicregulations/#attendance