

SOCIOLOGY 340

AMERICAN CAPITALISM

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Tuesday: 6:10-9:00,
Psych 102
Office Hours: TBA

Course Description: This is a comparative-historical course in sociology that addresses a key question about the organization of capitalism: How did the mass market and the large, autonomous corporation become the dominant organizing principles in the nineteenth and early twentieth century American economy? In recent years, researchers have discovered that the organization of capitalist economies is variable and path-dependent. Moreover, the histories of capitalism are punctuated by “divides” or “branching points” in which economies and societies face and chose among a variety of viable organizing possibilities or regulatory principles. In fact, mass markets and giant, self-contained corporate hierarchies are neither universal, inevitable nor economically necessary features of capitalist development. Instead, they are exceptional, largely Anglo-American phenomena that result in significant ways from political factors, institutional conditions and social choices. Developing a political and historical sociology of how and why American firms, industries and states pursued a “markets and hierarchies” path of organizational development -- and not others -- is the aim of this course.

As we address research on the development of capitalism in the United States, we pursue substantive and methodological agendas. Specifically, we will: 1) extract the theoretical claims social scientists and historians employ to explain American capitalism, and 2) think systematically and critically about the evidence and research designs scholars use to support their claims. As we shall see, ongoing research regarding the development of capitalism in the US is interesting because it rolls out and tests major theoretical postures using historical data. Political scientists have a “new” approach they call “institutionalism” which differs from sociology’s “neoinstitutional theory” in some useful ways. These perspectives are generally applied to today’s problems, but the place to test their meddle is the nineteenth century. Economists also have their new institutionalism, a body of work that propelled Oliver Williamson to fame, and gave Douglas North his Nobel prize. This institutionalism likewise focuses on contemporary problems, but can likewise be best appreciated when economic historians apply it to the past.

Considerable diversity and controversy about the development of American capitalism exists within sociology as well. Some want to bring politics and the state “back in,” others want to wave the flags of organizational power and class domination, and others raise the importance of culture, cognitive frames and industrial communities. These approaches see history as the proper testing ground for sociological theory. And in one way or another, they take issue with the research produced by Alfred Chandler and his fellow travelers in the “new organizational synthesis.” History, according to that synthesis, is a river which brooks no sociological or political impediments, and which runs fast and true in a straight line toward the “modern corporation.” Such a conception runs the same theoretical rapids as work by institutional economists like Oliver Williamson, and founders on the same rocks. Indeed, much of our

disenchantment with the Chandlerian and new institutional economic accounts of US development stems from the successes of some Asian and European economies. These economies represent quite different -- and often more efficient or humane -- forms of capitalism than that which emerged in the US. As such, they invite us to look back at our own economic history, to consider the paths not taken, and to address the social choices, political factors and institutional conditions underlying the rise of a distinctively American corporate order.

Course outline: The course comes in four parts. Part I poses the rise of the giant corporation as a historically contingent outcome—one that depends on particular social, political and institutional conditions. We establish this contingency in two related ways. First, taking current developments as a reference point, we use the recent decline of the giant, integrated corporation to show how that form of economic organization is rooted in time and place. Second, we highlight how the giant integrated firm represents only one of a number of possible organizing paths for capitalist economies by documenting the existence alternative organizing principles.

Part II takes up the questions of economic determinism versus politics, social choice and multiple organizing possibilities through an analysis of the American railroads. We devote 3 weeks to the railroads for three reasons. First, the railroads were one of the first large-scale mass production industries and subjected the economy to a whole new set of economic and political problems. As such, the railroads prompted actors in the American economy to contemplate and experiment with a variety of organizational options. They produced political struggles, state building efforts, and legal and institutional solutions that closed off certain paths and defined key organizational parameters like the boundaries and autonomy of the firm, the relations between the economy and the state, and the relations between capital and labor. Second, organizational and regulatory outcomes in the railroad industry shaped the rest of the economy, setting the economic, political and institutional terms for organization in other sectors. These outcomes arguably biased the entire American economy toward a system based on national mass markets and the autonomous corporation. Third, the railroad industry has become the subject of debate among scholars working from very different perspectives and provides us with opportunities to explore the concepts, research designs and evidence employed by different theoretical approaches.

Part III broadens the analysis to examine the rise of economic systems based on national markets and autonomous corporate hierarchies in the American economy more generally. In this section, we address organizational developments in some other key sectors, show how alternatives to markets and hierarchies were eliminated from the agenda in those industries, and trace the institutionalization of mass production and the corporate form as the dominant organizational principles in the US economy. We also pay special attention to the “Great Merger Wave” of 1898-1904, and begin to address how labor markets and the (dis)organization of American labor affected American economic organization and facilitated the rise of the corporation. In this section, we briefly compare the US with other capitalist countries.

Part IV traces the political and legal ramifications of the rise of the giant corporation in the US, the populist reactions to “big business,” and the political settlements involved in the consolidation of the corporate order in the US. Here, we examine selected research on the Interstate Commerce Commission, the Sherman Anti-trust Act, and the Federal Trade

Commission and Clayton Acts of 1914. We are particularly interested here in: how regulation, state policy and anti-trust laws shaped or ratified American economic organization; how the boundaries among firms and between corporations and the state were negotiated and settled in the decades surrounding the turn of the century, and with further identifying the factors that shaped regulation, state policy and the divisions between private and public in the US.

Part V concludes by returning full circle to the contemporary period, adding a new wave of globalization and financialization to the network recomposition of the corporation as the key central organizational tendencies of late 20th and early 21st century American capitalism.

Course Assignments: In addition to the readings, students will write *three reading critiques*, and conduct a common research project involving a *series of short research reports, in-class presentations* on their research, and a *12 to 15 page final paper*. In weeks three through five, students will write two-page weekly critiques of assigned readings to get a feel for the issues involved in historical sociological research on economic organization. In week six, students will begin work on the common research project, which combines qualitative and quantitative analyses of the rise of the corporation across American industries in the early 20th century. This project will proceed in steps via a series of 4 structured exercises, culminating in a final report that develops and assesses hypotheses drawn from the literature regarding the conditions for corporate dominance.

Readings: The following *books* are required and are available at the Reed College bookstore.

- Annalee Saxenian. 1994. *Regional Advantage: Culture and Competition in Silicon Valley and Route 128*. Cambridge Harvard University Press
- Gerald Berk. 1994. *Alternative Tracks: The Constitution of an American Industrial Order, 1865-1917*. Baltimore: Johns Hopkins University Press
- Frank Dobbin. 1994. *Forging Industrial Policy: The United States, Britain and France in the Railway Age*. Cambridge: Cambridge University Press.
- Neil Fligstein. 1990. *The Transformation of Corporate Control*. Cambridge: Harvard University
- Michael Best. 1990. *The New Competition: Institutions of Industrial Restructuring*. Cambridge: Harvard University Press.
- Michael Piore and Charles Sabel. 1984. *Second Industrial Divide*. New York: Basic Books
- Gerald Davis. 2009. *Managed by the Market: How Finance Reshaped America*. Oxford: Oxford University Press.
- Greta Krippner. 2011. *Capitalizing on Crisis: The Political Origins of the Rise of Finance*. Cambridge: Harvard University Press.

Articles and *chapters* for this course are available on 2-hour reserve at the Reed College library

Course prerequisite: Sociology 211, Introduction to Sociology, is required for this course.

READING ASSIGNMENTS

PART I: PRESENT AS PRELUDE--THE DECLINE OF THE CORPORATION AND ALTERNATIVE ORGANIZING PRINCIPLES IN THE CURRENT PERIOD

Week 1: (Wednesday, August 29)

Introduction

Corporations: Inevitable? Necessary? Desirable?

Alfred Chandler. 1990. "Scale, Scope and Organizational Capabilities." Chapter 2 in *Scale and Scope: The Dynamics of Industrial Capitalism*. Cambridge: Belknap. (Book on reserve plus copy on reserve)

JR Hollingsworth, P. Schmitter and W. Streeck. 1994. "Capitalism, Sectors, Institutions and Performance." In Hollingsworth, Schmitter, Streeck eds., *Governing Capitalist Economies*. New York: Oxford Press. (Book on reserve plus copy on reserve)

Robert Dahl. 1986. "On Removing Certain Impediments to Democracy in the United States." In Robert Horowitz, ed. *The Moral Foundations of the American Republic*. (Book on reserve plus copy in reserve)

Week 2: (Wednesday, September 5)

Alternatives: Networks, industrial districts, associations

Annalee Saxenian. 1994. *Regional Advantage*, (Read in two clusters: Introduction, Chapters 1-4; and then Chapters 5-6, Conclusion.)

PART II: THE RAILROADS: FOUR VIEWS

Week 3: (Wednesday, September 12)

An economic determinism: Organizational and industry level dynamics

Alfred Chandler. 1977. "The Railroads," "Cooperation and Competition," "System Building" From *The Visible Hand*. Belknap: Harvard. (Copies of book on reserve)

State structure and its interaction with economic pressures and processes

Colleen Dunlavy. 1992. "Political Structure, State Policy, and Industrial Change." Pp. 114-154 in Sven Steinmo, K Thelen and F Longstreth, *Structuring Politics*: Cambridge: Cambridge University Press. (Copies of book on reserve)

Memo: Critical memo on Chandler and Dunlavy due September 12

Week 4: (Wednesday, September 19)

Industrial culture, regulation and prevailing theories of state sovereignty

Frank Dobbin. *Forging Industrial Policy: The United States, Britain and France in the Railway Age*. Chapters 1-2, Chapter 3, pp. 95-116, Chapter 5

Memo: Critical memo on Dobbin due September 19

Week 5: (Tuesday, September 25)

Regional economies, competing models of order, and the national railroad corporation

Gerald Berk. *Alternative Tracks*. (Intro, Chapters 1-5)

Memo: Critical memo on Berk due September 19

**PART III:
THE GREAT MERGER WAVE AND THE RISE OF THE CORPORATION AS A
GENERAL ORGANIZING FORM**

Week 6: (Thursday, October 4)

Economic determinism cont'd: Organization, industry dynamics and the Great Merger Wave

Alfred Chandler. 1980. "The United States: Seedbed of Managerial Capitalism." Pp 9-40
In *Managerial Hierarchies*, edited by Alfred Chandler and Herman Deams,
Cambridge: Harvard University Press (Book on reserve plus copy on reserve)

Naomi Lamoreaux. 1985. "Quantitative and Qualitative Evidence on the Great Merger
Wave," chapter 4 in *The Great Merger Wave in American Business, 1895-1904*.
New York: Cambridge Press. (Book on reserve plus copy on reserve)

Week 6-7: (Wednesday, October 3 and Wednesday, October 10)

Alternatives and their foreclosure I: Alternatives to mass production

Michael Piore and Charles Sabel. *Second Industrial Divide*, chapter 2, chapter 3, 49-65.

Michael Best. *New Competition*. Introduction and chapter 1.

Philip Scranton. 1984. "Milling About: Family Firms and Urban Manufacturing in
Textile Philadelphia, 1849-1865" *Journal of Urban History*, 3: 259-94. (reserve)

Gerald Berk and Marc Schneiberg. 2005. *Varieties in Capitalism, Varieties of
Association: Collaborative Learning in American Industry: 1900 to 1925*. *Politics
and Society* 33: 1-43

Project Memo 1: due Thursday, October 11

Spring Break

Week 8: (Wednesday, October 24)

Alternatives and their foreclosure II: Diffusing mass production, Ford vs. Toyota

David Hounshell. 1984. "Introduction" "The Ford Motor Company and the Rise of Mass Production in America," In *From the American System to Mass Production*. Baltimore: Johns Hopkins. (Copies of book on reserve)

Michael Best. *The New Competition*. Chapters 2, pp 51-8, 70-3, chapter 5

**PART IV:
FORECLOSING ALTERNATIVES/STABILIZING THE CORPORATE ORDER:
LABOR, FARMERS, THE STATE AND BEYOND**

Week 9: (Wednesday, October 31)

Politics and the Corporation I: Mass Production, Sectoral Control and Regulation

Michael Best. *The New Competition*. Chapter 3

Politics and the Corporation II: Farmers, Agrarian Protest and Regulation

Elizabeth Saunders. 1986. "Industrial Concentration, Sectoral Competition and Antitrust Politics in America, 1880-1980. *Studies in American Political Development* 1: 142-214. (Only read 142-184). (Copy on reserve)

Project memo 2: due SATURDAY NOVEMBER 3, 6PM

Week 10: (Wednesday, November 7)

Politics and the Corporation III: Labor, business unionism and Keynesianism

Kim Voss. 1996. "The Collapse of a Social Movement: The Interplay of Mobilizing Structures, Framing and Political Opportunities in the Knights of Labor." In *Comparative Perspectives of Social Movements*. McAdam, McCarthy and Zald (Copies of book on reserves)

Victoria Hattam. 1992. "Institutions and Political Change: Working Class Formation in England and the United States. 1820-1896." In *Structuring Politics*, S. Steinmo, et. al eds., Cambridge: Cambridge University (Copies of book on reserve)

Piore and Sabel. *Second Industrial Divide*, chapters 4-5.

Week 11: (Sunday, November 11)

Politics and the corporation IV: New Deal, Anti-trust and the Corporate Order

Theda Skocpol and Kenneth Finegold. 1982. "State Capacity and Economic Interventions in the Early New Deal." *Political Science Quarterly* 2: 255-78.

Neil Fligstein. 1990. *The Transformation of Corporate Control*. Chapters 1-4.

WHITHER AMERICAN CAPITALISM?: GLOBALIZATION AND FINANCIALIZATION?

Week 12: (Sunday, November 18)

Whither American Capitalism? Conglomerates, Finance capitalism, Financialization

Neil Fligstein. 1990. *The Transformation of Corporate Control*. Chapters 6-7.

Gerald Davis, *Managed by the Markets*. Chapters 1, 3-4, 6-7

Week 13: (Wednesday, November 28)

Whither American Capitalism? Financialization and Globalization

Marie-Laure Dejeu, "Introduction;" Introductions to Parts I-VI: "Cross National Transfer: Structural Types," "Conditions, Channels and Actors," "Mechanisms," and "National Limits;" and "Concluding Remarks," *Exporting the American Model* (on reserve)

Krippner, Greta. *Capitalizing on Crisis: Political Origins of the Rise of Finance*
Cambridge: Harvard University Press.

Project memo 3: due THURSDAY, NOVEMBER 29

Week 14: (Wednesday, December 5)

Whither American Capitalism? Centralization, Inequality and Growth

Lane Kenworthy. 1995. "Equality and Efficiency: The Illusory Tradeoff." *European Journal of Political Research* , 27: 225-254. (Copy on reserve)

Rogers Hollingsworth. 1997. "The Institutional Embeddedness of American Capitalism" pp. 133-47 in *The Political Economy of Modern Capitalism*, edited by Colin Crouch and Wolfgang Streeck.. London: Sage. (Copies of book on reserve)

FINAL REPORTS DUE SATURDAY, DECEMBER 8 at NOON