
The United States and the United Kingdom: Exploring the Diversity of Modern Capitalism

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Module Outline

The United States and the United Kingdom share an intertwined history and have played leading roles in the development of the modern international economy. Within Comparative Political Economy, the US and the UK are considered exemplars of a particular 'liberal market economy' variety of capitalism, oriented around a finance-driven 'Anglo-liberal' growth model. This shared vision of the economy is often conceptualised as neoliberalism, which places an emphasis on promoting market mechanisms at the expense of state intervention, flexible labour markets, low inflation targeting and other supply-side interventions. This model has often proved controversial, provoking the ire of Continental states lamenting the excesses of 'Anglo-Saxon' capitalism fostering financial instability and rising inequality.

Through a comparative examination of British and American capitalisms, as well as the investigation of particular themes, this lecture series critically evaluates the notion of a shared model of liberal Anglo-American capitalism. In order to do so, it introduces students to Comparative Political Economy, a sub-field of Comparative Politics that focuses upon capitalism as a holistic set of social, political and economic relations.

Viewing the UK and the US through the lens of Comparative Political Economy, we examine the rise of neoliberalism, welfare state changes, systems of financialisation and the Anglo-liberal growth model, the Global Financial Crisis and the political economy of income inequality. As such, by the end of the course, students will have developed a robust conceptual grasp of some of the key themes within Comparative Political Economy, a historically grounded knowledge of the development of market-state relations in the UK and the US, as well as an appreciation of some of the key transformations in post-war capitalism on both sides of the Atlantic. Students should be able to compare and contrast the trajectories of political-economic transformation in both countries.

Supervision essay questions:

1. To what extent does the Varieties of Capitalism framework provide a convincing account of the political economy of the US and UK?
2. To what extent are financialisation and neoliberalism part of the same phenomenon? Support your answer using an empirical analysis of the US and UK cases.

Separate essay guides will be distributed to students before each supervision.

Lectures and Readings:

Lecture 1: The Rise of Transatlantic Neoliberalism

Whilst both Britain and the USA are widely considered exemplars of Neoliberalism, the concept itself has been widely critiqued and there are questions as to the distinctiveness of Anglo-American Neoliberalism. As such, this lecture critically considers the merits of reducing our conception of both economies to being 'neoliberal' and we further assess the usefulness of such a framework for comparative purposes. To develop an understanding of Anglo-American capitalism, this introductory lecture explores the theoretical foundations of neoliberalism, the emergence of neoliberal economic policymaking in Britain and the USA, as well as the limitations of the concept, which provides a foundation for the remainder of the lecture series.

Required Readings:

1. WEIR, M. 1983. Ideas and Politics: The Acceptance of Keynesianism in Britain and the United States. In: HALL, P. (ed.). *The Political Power of Economic Ideas: Keynesianism Across Nations*. Princeton, Princeton University Press. (Chapter 3, pp. 53-86).
2. HAY, C. 2001. The "Crisis" of Keynesianism and the Rise of Neo-liberalism in Britain: An Ideational Institutional Approach', in CAMPBELL, J.L. & PEDERSEN, O. K. (eds) *The Rise of Neo-liberalism and Institutional Analysis*. Princeton, Princeton University Press. (Chapter 8, pp. 193–218).
3. BLYTH, M. 2002. *Great transformations*, Cambridge, Cambridge University Press (Chapter 6, pp. 152-201).

Additional Readings:

- CAMPBELL, J. L. & PEDERSEN, O. K. 2015. Policy ideas, knowledge regimes and comparative political economy, *Socio-Economic Review*, 13, 679–701 (Read pages relevant to US case only).
- CROUCH, C. 2011. *The Strange Non-Death of Neoliberalism*. Cambridge, Polity.
- GAMBLE, A. 2001. Neo-liberalism. *Capital & Class*, (75), 127-134.
- HARVEY, D. 2005. *A Brief History of Neoliberalism*. Oxford, Oxford University Press.
- KING, D., & WOOD, S. 1999. The political economy of neoliberalism: Britain and the United States in the 1980s. In KITSCHELT, H. et al. (eds) *Continuity and change in contemporary capitalism*. Cambridge: Cambridge University Press. 371-397.
- KRIEGER, J. 1986. Reagan, Thatcher, and the politics of decline. New York: Oxford University Press. (Chapters 1 and 8 particularly).
- MUDGE, S.L. 2008. What is neo-liberalism? *Socio-Economic Review*, 6, 703– 731.
- PRASAD, M. 2006. *The politics of free markets: The rise of neoliberal economic policies in Britain, France, Germany, and the United States (Vol. 19)*. Chicago: University of Chicago Press. (Chapters 1 and 2 in particular).
- SKIDELSKY, R. 1979. The decline of Keynesian politics. In: CROUCH, C. (ed) *State and Economy in Contemporary Capitalism*. London, Croom Helm. (For an overview of the collapse of Keynesian politics, particularly in the UK context).
- WIDMAIER, W. 2016. The power of economic ideas – through, over and in – political time: the construction, conversion and crisis of the neoliberal order in the US and UK, *Journal of European Public Policy*, 23, 338-356.

Lecture 2: Comparative Political Economy and The Varieties of Capitalism

This lecture outlines the Comparative Political Economy approach to examining advanced economies, which has come to be dominated by Hall and Soskice's 'Varieties of Capitalism' (VOC) framework. The key arguments and typologies of the VOC framework are critically examined and alternative approaches to studying Comparative Political Economy are also reviewed. The lecture then outlines the main conceptual challenge of the module by reflecting on the suitability of the UK and the US as exemplars of a particular, comparatively distinctive, orientation of capitalism.

Required Readings:

1. HALL, P. A. & SOSKICE, D. W. 2001. An Introduction to Varieties of Capitalism. In: HALL, P. A. & SOSKICE, D. W. 2001 (eds.) *Varieties of capitalism : the institutional foundations of comparative advantage*, Oxford, Oxford University Press. (pp 1-36)
2. COATES, D. 2014. The UK: Less a liberal market economy, more a post-imperial one. *Capital & Class*, 38, 171-182.
3. STREECK, W. 2011. E pluribus unum? Varieties and commonalities of capitalism. *The sociology of economic life*, 3, 419-455.

Additional Readings:

- BOHLE, D. & GRESKOVITS, B. 2009. Varieties of Capitalism and Capitalism « tout court », *European Journal of Sociology*, 50, 355–386
- BOYER, R. 2005. How and why capitalisms differ. *Economy & Society*, 34, 509–557
- BRUFF, I. 2011. What about the Elephant in the Room? Varieties of Capitalism, *Varieties in Capitalism. New Political Economy*, 16, 481-500.
- CLIFT, B. 2014. *Comparative Political Economy: States, Markets, and Global Capitalism*. Basingstoke, Palgrave Macmillan. (Chapter 9, pp 199-229).
- COATES, D. 2005. *Varieties of capitalism, varieties of approaches*. Basingstoke: Palgrave Macmillan.
- HALL, P. A. & GINGERICH, D. W. 2009. Varieties of Capitalism and Institutional Complementarities in the Political Economy: An Empirical Analysis. *British Journal of Political Science*, 39, 449–482.
- HALL, P. A. & SOSKICE, D. 2003. Varieties of capitalism and institutional change: A response to three critics. *Comparative European Politics*, 1, 241-250.
- HANCKÉ, B, RHODES, M. & THATCHER, M. 2007. *Beyond Varieties of Capitalism*: Oxford: Oxford University Press (pp 3-39).
- HANCKÉ, B. 2009. *Debating 'Varieties of capitalism': a reader*, Oxford, Oxford University Press.
- HAY, C. 2005. Two can play at that game... or can they? Varieties of capitalism, varieties of institutionalism. In: COATES, D. (ed.) *Varieties of Capitalism, Varieties of Approaches*. Basingstoke: Palgrave.
- HAY, C. 2020. Does capitalism (still) come in varieties? *Review of International Political Economy*, 27:2, 302-319.
- SCHMIDT, V. A. 2009. Putting the political back into political economy by bringing the state back in yet again. *World Politics*, 61, 516-546.
- THELEN, K. 2012. Varieties of Capitalism: Trajectories of Liberalization and the New Politics of Social Solidarity. *Annual Review of Political Science*, 15, 137-159.

Lecture 3: Welfare State Transformation in Britain and the USA

From a Comparative Political Economy perspective, different welfare state structures provide important insights into the specific characteristics of national forms of capitalism, particularly the balance between the market and the state. However, the scope and function of different national welfare state structures is a deeply contested issue. This lecture explores the particular welfare state forms in the UK and the US, starting with a review of different theoretical perspectives on the political economy of welfare state expansion and retrenchment. We then interrogate areas of convergence and divergence between the two welfare states, especially the post-1990s shift towards asset-based welfare based on private homeownership and personal indebtedness.

Required Readings:

1. ESPING-ANDERSEN, G. 1990. *The three worlds of welfare capitalism*. Cambridge, Polity Press. (Chapter 1, pp. 9-33).
2. KING, D. 1999. In *The Name of Liberalism: Illiberal Social Policy in the USA and Britain*. Oxford, Oxford University Press. (Chapters 7 & 8).
3. ANSELL, B. 2014. The Political Economy of Ownership: Housing Markets and the Welfare State, *American Political Science Review*, 108, pp. 383–402. (ignore the description of the quantitative analysis)

Additional Readings:

- GAMBLE, A. 2016. *Can the Welfare State Survive?* London: Polity.
- GIAIMO, S., & MANOW, P. 1999. Adapting the Welfare State: The Case of Health Care Reform in Britain, Germany, and the United States. *Comparative Political Studies*, 32, 967-1000.
- GOUGH, I. 1991. The United Kingdom. In Gough, I., Pfaller, A., & Therborn, G. (eds) *Can the welfare state compete? Comparative study of five advanced capitalist countries*. Basingstoke: Palgrave. 101-151.
- HAY, C. 2013. The Failure of Anglo-liberal Capitalism, Basingstoke: Palgrave Macmillan. (Chapter 5).
- KEMENY, J. 2005. "The Really Big Trade-Off" between Home Ownership and Welfare: Castles' Evaluation of the 1980 Thesis, and a Reformulation 25 Years on. *Housing, Theory and society*, 22, 59-75.
- KING, D. 1995. *Actively seeking work? The politics of unemployment and welfare policy in the United States and Great Britain*. University of Chicago Press.
- MONTGOMERIE, J. & BÜDENBENDER, M. 2015. Round the Houses: Homeownership and Failures of Asset-Based Welfare in the United Kingdom. *New Political Economy*, 20, 386-405.
- MORAN, M. 1999. *Governing the health care state: a comparative study of the United Kingdom, the United States, and Germany*. Manchester University Press.
- PFALLER A. 1991. The United States. In Gough, I., Pfaller, A., & Therborn, G. (eds) *Can the welfare state compete? Comparative study of five advanced capitalist countries*. Basingstoke: Palgrave. 45-99.
- PIERSON, P. 1996. The new politics of the welfare state. *World politics*, 48, 143-179.
- SOEDERBERG, S. 2014. *Debtfare States and the Poverty Industry*. Abingdon, Routledge.

Lecture 4: Anglo-American Financialisation

The rise of the financial sector, often termed financialisation, is one of the major transformations of the global economy since the 1980s. Britain and the USA are considered the two archetypes of a financialised economy, as both have large global financial sectors in the City of London and Wall Street respectively. However, financialisation cannot be reduced to 'high finance' operating above other sectors, but rather it has come to permeate other parts of the economy, most notably through the widespread adoption of household debt. We explore the importance of private debt to the British and American economies and how it relates to homeownership to support the development of a specific Anglo-Liberal growth model.

Required Readings:

1. GREEN, J. 2016. Anglo-American development, the Euromarkets, and the deeper origins of neoliberal deregulation. *Review of International Studies*, 42, 425-449.
2. KRIPPNER, G. 2005. The financialization of the American economy, *Socio-Economic Review*, 3, 173–208.
3. OREN, T. & BLYTH, M. 2019. From Big Bang to Big Crash: The Early Origins of the UK's Finance-led Growth Model and the Persistence of Bad Policy Ideas, *New Political Economy*, 24, 605-622.

Additional Readings:

- BARNES, L. 2016. Private Debt and the Anglo-Liberal Growth Model. *Government and Opposition*, 51, 529-552.
- CLIFT, B. 2014. Comparative Political Economy: States, Markets, and Global Capitalism. Basingstoke, Palgrave Macmillan. (Chapter 10, pp 230-244)
- CHRISTENSEN, J, SHAXSON, N & WIGAN, D. 2016. The Finance Curse: Britain and the World Economy. *The British Journal of Politics and International Relations*, 18, 255–269.
- DAVIS, G. F. & KIM, S. 2015. Financialization of the Economy. *Annual Review of Sociology*, 41, 203-221.
- DORE, R. 2008. Financialization of the global economy, *Industrial and Corporate Change*, 17, 1097–1112.
- HARDIE, I. & MAXFIELD, S. 2013. Market-Based Banking as the Worst of All Worlds: Illustrations from the United States and United Kingdom. In: HARDIE, I. & HOWARTH, D. (eds). *Market-Based Banking and the International Financial Crisis*. Oxford, Oxford University Press. (pp. 56-78.)
- HAY, C. 2013. *The Failures of Anglo-Liberal Capitalism*. Basingstoke, Palgrave.
- MONTGOMERIE, J. 2006. Giving Credit where it's Due: Public Policy and Household Debt in the United States, the United Kingdom and Canada. *Policy and Society*, 25, 109-141.
- SEABROOKE, L. 2006. *The Social Sources of Financial Power*. London, Cornell University Press. (For the UK, see pp. 54-83; for the US, see pp. 108-141).
- SPARKES, M. & WOOD, J. D. G. 2020. The Political Economy of Household Debt & The Keynesian Policy Paradigm. *New Political Economy*, 1-18.
- ZWAN, N. 2014. Making sense of financialization. *Socio-Economic Review*, 12, 99-129.

Lecture 5: The Causes and Consequences of the Global Financial Crisis

The 2008 Global Financial Crisis (GFC) has been widely considered one of the major events of the international economy since the Great Depression of the 1930s. The GFC emerged in the US sub-prime mortgage market and quickly spread to other countries, with the UK particularly effected. Although the GFC is often considered a crisis of and within Anglo-American capitalism, the US and UK experiences of the crisis, and the respective government policy responses to the crisis are distinct. In this lecture, we examine the similarities and differences in the British and US experiences of the crisis, as well as the 'austerity' policy responses implemented in its aftermath.

Required Readings:

1. THOMPSON, H. 2010. *China and the Mortgaging of America*. Basingstoke, Palgrave MacMillan. (Chapter 5, pp. 99-126).
2. CROTTY, J. 2012. The great austerity war: what caused the US deficit crisis and who should pay to fix it? *Cambridge Journal of Economics*, 36, 79–104.
3. HAY, C., 2011. Britain and the global financial crisis: The return of boom and bust. *Developments in British politics*, 9, 238-256.

Additional Readings:

- BLYTH, M. 2013. *Austerity: The History of a Dangerous Idea*, Oxford, Oxford University Press.
- CROTTY, J. 2009. Structural causes of the global financial crisis: a critical assessment of the 'new financial architecture', *Cambridge Journal of Economics*, 33, 563–580
- CULPEPPER, P. & REINKE, R. 2014. Structural Power and Bank Bailouts in the United Kingdom and the United States. *Politics & Society*, 42, 427-454
- DIAMOND, D. W. & RAJAN, R. G. 2009. The Credit Crisis: Conjectures about Causes and Remedies. *American Economic Review*, 99 (2), 606-610.
- HELLEINER, E. 2011. Understanding the 2007–2008 Global Financial Crisis: Lessons for Scholars of International Political Economy, *Annual Review of Political Science*, 14, 67-87.
- MCGAHEY, R. 2013. The Political Economy of Austerity in the United States. *Social Research*, 80, 717–748.
- MONTGOMERIE, J. 2016. Austerity and the household: The politics of economic storytelling. *British Politics*, 11, 418–437.
- SHIN, H. S. 2009. Reflections on Northern Rock: The Bank Run that Heralded the Global Financial Crisis. *Journal of Economic Perspectives*, 23, 101–119.
- STANLEY, L. 2014. 'We're Reaping What We Sowed': Everyday Crisis Narratives and Acquiescence to the Age of Austerity. *New Political Economy*, 19, 895-917.
- STOCKHAMMER, E. 2015. Rising inequality as a cause of the present crisis. *Cambridge Journal of Economics*. 39 (3), 935–958.
- THOMPSON, H. 2012. The Limits of Blaming Neo-Liberalism: Fannie Mae and Freddie Mac, the American State and the Financial Crisis, *New Political Economy*, 17, 399-419
- TOOZE, A. 2018. *Crashed: How a Decade of Financial Crises Changed the World*. London, Penguin. (Chapters 1-8)

Lecture 6: The Political Economy of Income Inequality in Britain and the USA

Britain and the USA are considered to be two of the most unequal advanced economies in the world, and in 2013, US President Barack Obama declared inequality as 'the defining challenge of our time'. In this lecture, we explore the neoclassical explanations of rising inequality, which can largely be reduced to skill-biased technological change, globalisation and the rise of labour market flexibility. However, we go beyond this to examine more structural issues, such as the role of the financial sector, which has been shown to increase inequality in both the US and UK more so than in non-Anglosphere economies.

Required Readings:

1. LIN, K. H. & TOMASKOVIC-DEVEY, D. 2013. Financialization and U.S. Income Inequality, 1970-2008. *American Journal of Sociology*. 118, 1284–1329. (You can skip the discussion of the quantitative model)
2. BELL, B & VAN REENEN, J. 2010. *Bankers' pay and extreme wage inequality in the UK*. Centre for Economic Performance, London School of Economics and Political Science.
3. GREEN J. 2015. Anglo-American Financial Interdependence and the Rise of Income Inequality. In: Green J., Hay C., Taylor-Gooby P. (eds) *The British Growth Crisis*. London, Palgrave Macmillan.

Additional Readings:

- DORLING, D. 2015. *Injustice: Why Social Inequality Still Persists*. Bristol, Policy Press.
- FLAHERTY, E. 2015. Top incomes under finance-driven capitalism, 1990–2010: power resources and regulatory orders. *Socio-Economic Review*. 13, 417–447.
- GREEN, J. & LAVERY, S. 2015. The Regressive Recovery: Distribution, Inequality and State Power in Britain's Post-Crisis Political Economy. *New Political Economy*, 20, 894-923.
- KAPLAN, S. N. & RAUH, J. 2013. It's the Market: The Broad-Based Rise in the Return to Top Talent. *Journal of Economic Perspectives*. 27 (3), 35–56.
- MARTINS, N. 2011. Globalisation, Inequality and the Economic Crisis. *New Political Economy*. 16 (1), 1–18.
- PIKETTY, T. 2014. *Capital in the twenty-first century*. Cambridge: Harvard University Press (Introduction, pp. 1-33).
- ROCCU, R. 2016. Inequality and Poverty in the Neoliberal Era', in A Cafruny et al. (eds.) *The Palgrave Handbook of Critical International Political Economy*. London: Palgrave MacMillan.
- ROBERTS, A. & KWON, R. 2017. Finance, inequality and the varieties of capitalism in post-industrial democracies. *Socio-Economic Review*, 15, 511-538.
- SZYMBORSKA H.K. 2019. Wealth structures and income distribution of US households before and after the Great Recession. *Structural Change and Economic Dynamics*, 51, 168–185.
- WILKINSON, R. & PICKETT, K. 2009. *The Spirit Level*. London, Bloomsbury Press.
- WOOD, J.D.G. 2020. Can household debt influence income inequality? Evidence from Britain: 1966-2016. *British Journal of Politics & International Relations*, 22, 24-46.

General Readings on Political Economy:

- BERAMENDI, P., HÄUSERMANN, S., KITSCHOLT, H. & KRIESI, H. 2015. *The Politics of Advanced Capitalism*. Cambridge, Cambridge University Press.
- CHANG, J. H. 2014. *Economics: the user's guide*. London: Pelican.
- CLIFT, B. 2014. *Comparative political economy: states, markets and global capitalism*. Basingstoke: Palgrave.
- COATES, D. 2014. *Models of capitalism: Growth and stagnation in the modern era*. Cambridge: Polity.
- MENZ, G. 2017. *Comparative Political Economy*. Oxford, Oxford University Press.

General Readings for Each Case:

- COATES, D. 2018. *Flawed Capitalism: The Anglo-American Condition and Its Resolution*, Newcastle: Agenda Publishing.
- EISNER, M. A. 2013. *The American Political Economy: Institutional Evolution of Market and State*. London: Routledge.
- GAMBLE, A. 1994. *Britain in Decline: Economic Policy, Political Strategy and The British State*. Basingstoke, Palgrave Macmillan.
- GAMBLE, A. 2009. *The Spectre at the Feast*. Basingstoke, Palgrave.
- HAY, C. 2013. *The Failure of Anglo-liberal Capitalism*, Basingstoke: Palgrave Macmillan.
- KRIPPNER, G. 2011. *Capitalizing on Crisis: The Political Origins of the Rise of Finance*. Cambridge, Harvard University Press.

General Readings on the Comparative Method:

- CLIFT, B. 2014. *Comparative political economy: states, markets and global capitalism*. Basingstoke: Palgrave. (Chapter 12).
- COLLIER, D. 1993. *The comparative method*. *Political Science: The State of Discipline II*, Ada W. Finifter (ed.), American Political Science Association.
- LIJPHART, A. 1971. *Comparative politics and the comparative method*. *American Political Science Review*, 65, 682-693.
- MCCORMICK, J., HAGUE, R. & HARROP, M. 2019. *Comparative Government and Politics*. Basingstoke, MacMillan International. (Chapter 3).
- PRZEWORSKI, A. & TEUNE, H. 1970. *The logic of comparative social inquiry*, New York, Wiley-Interscience.