

Capitalism in the Age of Revolution

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21H.382
Spring 2020
MW 2:30-4pm
Office hours: Tu 10-12pm

This course examines the critical period from roughly the late 17th to the early 19th centuries during which the North Atlantic economies (France, Britain, the Netherlands, and their colonial dependencies) developed recognizably modern, capitalist institutions and practices. We will explore the rise of publicly traded joint-stock companies, the relationship between war and state debt, the creation of stock markets, and the transition from metallic to paper currency. We will learn how eighteenth-century communities responded to the rise of speculation and the experience of financial disaster. We will consider the role of plantation slavery and other forms of extreme inequality that accompanied the expansion of credit markets throughout the Americas. The final segment of the course will look at some of the key institutions of contemporary finance capital in light of its history: how did financial capitalism become the model for organizing economic systems around the globe, and what are the key sources of its strengths and vulnerabilities?

Course Materials:

All readings will be made available via Stellar (as downloadable PDF attachments, via hyperlinks, or e-reserves).

Class format, evaluation, and attendance:

We meet twice a week for a mix of lectures and seminar-style discussion. This format places a premium on keeping up with the assigned readings and coming prepared to discuss them. If you must miss a class, please let me know in advance and send me, by email before the start of that class, a one-page critique of the assigned readings.

The use of laptops and tablets is permitted provided that students use them only for notetaking, viewing the assigned readings for that day, or looking up materials on the internet that are relevant to the discussion at hand.

Grades are based on class participation (40%) and a series of three written exercises spaced throughout the seminar (60%), apportioned as follows:

1. A five-page paper on the Mississippi and/or South Sea bubbles. Your paper should make use of the readings for our February class meetings. Due in class on Feb. 26. [15%]

2. A six- to seven- page paper on the American, French, and/or Haitian revolutionary materials. Your paper should make use of the readings for our March and early April class meetings. Due in class on Apr. 6. [20%]
3. A draft of a nine- to ten- page speech on behalf of your favorite candidate for president of the United States explaining what policies he or she intends to adopt with respect to the economy and the financial markets in light of the history of financial capitalism. Your paper should focus on the readings for the final third of the course (April 8 and on), though you may draw upon any materials you feel are helpful to your argument. Due in class on May 11. [25%]

Further guidelines regarding the format of and expectations for these papers will be provided as we approach each of the individual deadlines.

Writing Help:

I encourage you to come see me if facing challenges with any of the writing assignments for this course, whether at the level of substance or process. Know also that the MIT Writing and Communication Center (WCC) offers students one-on-one professional advice from communication experts (MIT lecturers who have advanced degrees and who are all published writers). The WCC helps you strategize about all types of academic writing as well as about all aspects of oral presentations. The WCC also helps with non-native speaker issues, from writing and grammar to pronunciation and conversation practice. The WCC is located in E18-233, 50 Ames St. To register with the WCC's online scheduler and to make appointments, go to <https://mit.mywconline.com/>.

Schedule of Meetings and Readings:

Part One: Introduction

Feb. 3: Introduction

Feb. 5: Perspectives on Capitalism

- a) Jürgen Kocka, *Capitalism: A Short History* (Princeton, NJ: Princeton University Press, 2016), 1-24.
- b) William H. Sewell, Jr., "The Capitalist Epoch," *Social Science History* 38, no. 1-2 (2014): 1-11.

Feb. 10: What is Financial Capitalism?

- a) Barry Eichengreen, "Financial History, Historical Analysis, and the New History of Finance Capital," *Capitalism: A Journal of History and Economics* 1, no. 1 (Fall 2019): 20-58.

- a) Hyman Minsky, “The Financial Instability Hypothesis,” Working Paper no. 74 (May 1992), Levy Economics Institute of Bard College, at www.levyinstitute.org/pubs/wp74.pdf.

Feb. 12: Dutch Financial Innovation and the South Sea Bubble

- a) Larry Neal, “Venture Shares of the Dutch East India Company,” in *The Origins of Value: The Financial Innovations that Created Modern Capital*, ed. William N. Goetzmann and K. Geert Rouwenhorst (New York: Oxford University Press, 2005), 165-176.
- b) Edward Chancellor, *Devil Take the Hindmost: A History of Financial Speculation* (New York: Farrar, Straus and Giroux, 1999), 58-95.

Feb. 18: The Mississippi Bubble (I)

- a) James Macdonald, *A Free Nation Deep in Debt: The Financial Roots of Democracy* (New York: Farrar, Straus and Giroux, 2003), ch. 5 (pp. 179-205).
- b) Antoin E. Murphy, “John Law: Innovating Theorist and Policymaker,” in *The Origins of Value: The Financial Innovations that Created Modern Capital*, ed. William N. Goetzmann and K. Geert Rouwenhorst (New York: Oxford University Press, 2005), 225-238.

Time permitting, in class today we will see part or all of a short film on the Mississippi and Enron bubbles: Niall Ferguson, “Blowing Bubbles: The Emergence of Stock Trading” (BBC Worldwide, 2008).

Feb. 19: The Mississippi Bubble (II)

- a) Malick W. Ghachem, “The Mississippi Bubble in Haiti,” in *Boom, Bust, and Beyond: New Perspectives on the 1720 Stock Market Bubble*, ed. Stefano Condorelli and Daniel Menning (De Gruyter: Munich, 2019), 95-116.
- b) Joan DeJean, “John Law's Capitalist Violence and the Invention of Modern Prostitution, 1719–1720,” *Capitalism: A Journal of History and Economics* 1, no. 2 (Fall 2019): 10-19.

Feb. 24: Political Reverberations of the Bubbles

- a) John Trenchard and Thomas Gordon, *Cato's Letters, or Essays on Liberty, Civil and Religious, and Other Important Subjects*, vol. 1 (1720-1721), preface (read only the first few pgs., beginning at p. 11 of the PDF posted on Stellar) and letters 1-11 (beginning at p. 26 of the PDF).
- b) Montesquieu, *The Persian Letters* (1721), trans. C.J. Betts (New York: Penguin, 1993), letters 138, 142, and 146.

Feb. 26: Plantation Capitalism (I)

- a) Robin Blackburn, *The Making of New World Slavery: From the Baroque to the Modern, 1492-1800* (London: Verso, 1997), ch. 9.
- b) Karl B. Koth and John E. Serieux, "Sugar, Slavery and Wealth: Jamaica Planter Nathaniel Phillips and the Williams Hypothesis (1761–1813)," *Capitalism: A Journal of History and Economics* 1, no. 1 (Fall 2019): 59-91.

First paper due today in class.

Mar. 2: Plantation Capitalism (II)

- a) Trevor Burnard and John Carrigus, *The Plantation Machine: Atlantic Capitalism in French Saint-Domingue and British Jamaica* (Philadelphia: University of Pennsylvania Press, 2016), intro. and ch. 7.

Mar. 4: Money (I)

- a) Christine Desan, "Money as a Legal Institution," in *Money in the Western Legal Tradition: Middle Ages to Bretton Woods*, ed. David Fox and Wolfgang Ernst (Oxford, UK: Oxford University Press, 2016), 18-35.

Mar. 9: Money (II)

- a) E. James Ferguson, "Currency Finance: An Interpretation of Colonial Money Practices," *William and Mary Quarterly* 10, no. 2 (1953): 154-180.
- b) Cotton Mather, "Some considerations on the bills of credit now passing in New-England" (1691).
- c) The 1764 Currency Act (April 19, 1764).

Mar. 13: The East Indies and the American Revolution

- a) Philip J. Stern, "Companies: Monopoly, Sovereignty, and the East Indies," in *Mercantilism Reimagined: Political Economy in Early Modern Britain and its Empire*, ed. Philip J. Stern and Carl Wennerlind (New York: Oxford University Press, 2014), 177-195.
- b) James R. Fichter, *So Great a Profit: How the East Indies Trade Transformed Anglo-American Capitalism* (Cambridge, MA: Harvard University Press, 2010), 232-251.
- c) Emma Rothschild, "The Politics of Globalisation circa 1773," *OECD Observer* no. 228 (Sept. 2001),
http://oecdobserver.org/news/fullstory.php/aid/539/The_politics_of_globalisation_circa_1773.html.

Mar. 16: Economic and Financial Origins of the French Revolution (I)

- a) Gail Bossenga, "Financial Origins of the French Revolution," in *From Deficit to Deluge: The Origins of the French Revolution*, ed. Thomas E. Kaiser and Dale K. Van Kley (Stanford, CA: Stanford University Press, 2011), 37-66.
- b) Robert Darnton, *George Washington's False Teeth: An Unconventional Guide to the Eighteenth Century* (New York: W.W. Norton, 2003), 137-155.

Mar. 18: Economic and Financial Origins of the French Revolution (II)

- a) Lynn Hunt, "The Global Financial Origins of 1789," in *The French Revolution: A Global Perspective*, ed. Suzanne Desan, Lynn Hunt, and William Max Nelson (Ithaca, NY: Cornell University Press, 2013), 32-43.
- b) Michael Kwass, "The Global Underground: Smuggling, Rebellion, and the Origins of the French Revolution," in *The French Revolution: A Global Perspective*, ed. Suzanne Desan, Lynn Hunt, and William Max Nelson (Ithaca, NY: Cornell University Press, 2013), 15-31.

Mar. 30: Money, Property, and the French and the Haitian Revolutions

- a) Rebecca Spang, "The Ghost of Law: Speculating on Money, Memory, and Mississippi in the French Constituent Assembly," in *Historical Reflections/Réflexions historiques* 31, no. 1 (Winter 2005): 3-25.
- b) Mary Dewhurst Lewis, "Legacies of French Slave-Ownership, or the Long Decolonization of Saint-Domingue," *History Workshop Journal* 83, no. 1 (Spring 2017): 151-175.

Apr. 1: The Normalization of the Corporate Form in Early America

- a) Pauline Maier, "The Revolutionary Origins of the American Corporation," *William and Mary Quarterly* 1993 50(1): 51-84.

Apr. 6: The Early American Republic

- a) Gordon S. Wood, "The Enemy is Us: Democratic Capitalism in the Early Republic," *Journal of the Early Republic* 16, no. 2 (Summer 1996): 293-308.
- b) Winifred Barr Rothenberg, "The Invention of American Capitalism: The Economy of New England in the Federal Period," in *Engines of Enterprise: An Economic History of New England*, ed. Peter Temin (Cambridge, MA: Harvard University Press, 2000), 69-108.

Second paper due in class today.

Apr. 8: Antebellum Slavery and American Capitalism (I)

- a) Matthew Desmond, "If you want to understand the brutality of American capitalism, you have to start with the American plantation," The 1619 Project, *The New York Times*, August 14, 2019, <https://www.nytimes.com/interactive/2019/08/14/magazine/slavery-capitalism.html>.
- b) Sven Beckert and Seth Rockman, *Slavery's Capitalism: A New History of American Economic Development* (Philadelphia: University of Pennsylvania Press, 2016), 1-27.

Apr. 13: Antebellum Slavery and American Capitalism (II)

- a) John J. Clegg, "Capitalism and Slavery," *Critical Historical Studies* 2, no. 2 (Fall 2015): 281-304.
- b) Alan L. Olmstead and Paul W. Rhode, "Cotton, slavery, and the new history of capitalism," *Explorations in Economic History* 67 (Jan. 2018): 1-17.

Apr. 15: Marx and the Critique of Capitalism

- a) Selections from Karl Marx, *Capital*, vols. 1 (1867) and 3 (1894), in *The Marx-Engels Reader*, ed. Robert C. Tucker, 2d ed. (New York: W.W. Norton, 1978).
- b) Walter Johnson, "The Pedestal and the Veil: Rethinking the Capitalism/Slavery Question," *Journal of the Early Republic* 24, no. 2 (2004): 299-308.

Apr. 22: Ideology, Inequality, and the Global Economic Order

- a) Selections from Thomas Piketty, *Capital and Ideology* (Harvard University Press, 2020).
- b) Deirdre Nansen McCloskey, *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (Chicago, IL: University of Chicago Press, 2016), xi-xxxvi.

Apr. 27: The Mechanics of Contemporary Finance Capital (I): Private Equity

- a) Felix Barber and Michael Goold, "The Strategic Secret of Private Equity," *Harvard Business Review* (Sept. 2007), at <https://hbr.org/2007/09/the-strategic-secret-of-private-equity> (read also the sidebar "How Private Equity Works: A Primer").
- b) Paul Gompers, Steven Kaplan, and Vladimir Mukharlyamov, "What Private Equity Investors Think They Do for the Companies They Buy," *Harvard Business Review*, June 18, 2015, at https://hbr.org/2015/06/what-private-equity-investors-think-they-do-for-the-companies-they-buy?referral=03758&cm_vc=rr_item_page.top_right/

- c) Neil Irwin, “How Private Equity Buried Payless,” *The New York Times*, Jan. 31, 2020, at <https://www.nytimes.com/2020/01/31/upshot/payless-private-equity-capitalism.html>.

Apr. 29: The Mechanics of Contemporary Finance Capital (II): SIVs and CDOs

- a) William W. Bratton & Adam J. Levitin, “A Transactional Genealogy of Scandal: From Michael Milken to Enron to Goldman Sachs,” *Southern California Law Review* 86, no. 4 (May 2013).

May 4: The Legal Framework of Contemporary Capitalism

- a) Selections from Katharina Pistor, *The Code of Capital: How the Law Creates Wealth and Inequality* (Princeton, NJ: Princeton University Press, 2019).

May 6: Capitalism and Democracy Today

- a) Nancy Fraser, “Legitimation Crisis: On the Political Contradictions of Financialized Capitalism,” *Critical Historical Studies* 2, no. 2 (Fall 2015): 157-189.
- b) Michael Dawson, “Hidden in Plain Sight: A Note on Legitimation Crises and the Racial Order,” *Critical Historical Studies* 3, no. 1 (Spring 2016): 143-161.

May 11: Student Presentations

Final projects due today. Please be sure to bring your laptops to class today: we will spend 10-15 minutes at the start of class filling out the online subject evaluations.