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# Capitalism: Its Origins and Evolution as a System of Governance

*Bruce R. Scott*

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**Bruce R. Scott : Capitalism: Its Origins and Evolution as a System of Governance** before purchasing it in order to gage whether or not it would be worth my time, and all praised Capitalism: Its Origins and Evolution as a System of Governance:

1 of 1 people found the following review helpful. Excerpt from Futurecasts review of Scott: "Capitalism::Its Origins Evolution."By Dan Blatt, Publisher, Futurecasts online magazinePart I: The Concept of Capitalism:Describing the elephant: So, what is "capitalism," anyway? For two centuries, whole library shelves have been filled with efforts to

answer that question. However, there is evidently always so much left unexplained. Theorists resemble at best the blind men describing the elephant by the part they find themselves examining. Bruce R. Scott demonstrates conclusively one major shortcoming of most efforts. The focus is too narrow. It inevitably leaves out much of the elephant. Scott provides a scholarly explanation of the inherent ineptness of narrowly focused modern economics and its mathematical versions. Government and private institutions and political policy sometimes facilitate and sometimes hinder market mechanisms and do much that is destructive or absolutely necessary. Only with the broader interdisciplinary scope of political economy, including sociology, law, political science and institutional administration, can valid explanations be developed for such vital phenomena as 1) economic growth or decline, 2) the business cycle, 3) the underperformance of many social democratic economic systems, and 4) the many failures of economic development policy. The Futurecasts book review at [...] covers a sampling of other issues raised by Scott that cannot be adequately analyzed within the narrow focus of modern economics, including 1) market disciplinary mechanisms and administered alternatives, 2) financial oligarchs, 3) Constitutional constraints on federal economic policy, 4) stakeholder capitalism, 5) how markets are "tilted," 6) industrial policy, 7) abuse of the economic commons, 8) government enterprises, and 9) competition in political markets. As might be expected, the author and Futurecasts have some agreements and some disagreements on these issues. However, Scott's book is clearly the most important book Futurecasts online magazine has reviewed in its dozen year history. It is scholarship at its rigorous best. With impeccable logic, Scott raises interdisciplinary issues of fundamental importance that economists must address or risk irrelevance. Indirect governance through regulated competition: The capitalist system is characterized by Scott as "indirect governance through regulated competition" both in economic and political markets. Scott explains the interdependence of the political and economic markets and how they influence each other. Competitive economic markets provide economic discipline and accountability through the trading process, and competitive political markets provide political discipline and accountability through the election process. Strenuous efforts are always directed at tilting the political and economic markets in favor of narrow interests. However, in the U.S., both markets have robust procedures that have enabled them to perform often surprisingly well despite constant efforts to bias their outcomes. They have repeatedly recovered from periods of political or economic excess. Scott notes that the political markets are unbounded by natural constraints. However, the checks and balances wisely included in the Constitution impose considerable obstacles to political excess and, most important, political entities are dependent on the wealth generated by the economic markets for their revenues. Government authorities in the courts, administrative agencies and especially in the legislatures possess the power to shape economic markets as they wish. However, they lack the economic resources or knowledge possessed by participants in the economic markets. It is an economically, politically and legally empowered civil society working through the political markets and the courts that maintains limits on political excess. Thus, the maintenance of competitive capitalist markets that meet the broad economic needs of the people and the nation depends on the political markets and courts functioning properly to assure that both political and economic markets work for the people instead of just for the politically influential and economically powerful. This, Scott explains at great length and in great depth, is the stuff of political economy.

1 of 1 people found the following review helpful. Capitalism by Scott By Arnie I had just finished an on-line course on the history of American Capitalism and wanted a reference book for all my unanswered questions. I tried the library and this was the only book I found that not only dealt with history but also gave a well thought out current global perspective.

0 of 0 people found the following review helpful. perfect condition By zamir bhimji hardcover, like-new. great buy. really helps with class because it was written by my prof but it flows like an intelligent conversation

Two systems of governance, capitalism and democracy, prevail in the world today. Operating simultaneously in partially distinct domains, these systems rely on indirect governance through regulated competition to coordinate actors; inevitably, these systems influence and transform each other. This book rejects the simple equation of capitalism with markets in favor of a three-level system, a model which recognizes that markets are administered by regulators through institutions and governed by a political authority with the power to regulate behavior, punish transgressors, and redesign institutions. This system's emergence required the sovereign to relinquish some power in order to release the energies of economic actors. Rather than spreading through an unguided natural process like trade, capitalism emerged where competitive pressures forced political authorities to take risks in order to achieve increased revenues by permitting markets for land, labor, and capital.

Professor Scott presents the development of capitalism as a political process, the result of conflicts among social actors, with capitalists and government officials as the main actors. While focused on the United States, this book has the great merit of showing that American capitalism was a contingent and not inevitable outcome, and that different balances of forces and different circumstances created distinct varieties of capitalism in other countries and historical moments. This book's insights deserve careful consideration from historians, social scientists, and all those who address economic issues in the political realm. Richard Lachmann, Professor of Sociology College of Arts and Sciences University at Albany

From the Back Cover Two systems of governance, capitalism and democracy, prevail in

the world today. Operating in partly overlapping domains, these systems influence and transform each other, but the nature of this interaction is often misunderstood -- largely because capitalism has not been recognized as a system of governance. Rejecting the simple definition "capitalism = actions of firms in markets," Harvard's Bruce R. Scott offers instead a conception of capitalism as a three-level system akin to organized sports, in which games (markets) are conducted according to rules administered by referees (regulators), which in turn are shaped and directed by sports' governing bodies (political authorities). Tracing the evolution of capitalism from a variety of perspectives, Scott shows how governance has always been key to the system. Historically, capitalism was not a natural outgrowth of trade; it could not have emerged without political authorization for the creation of markets for land, labor, and capital. Urgently needing funds for military defense, regimes ceded some power to a new class of economic actors, spelling out their rights and responsibilities with corporate charters. The United States Constitution was anomalous in reserving to individual states the power to grant such charters, with the result that states compete to offer firms the least regulation. The Constitution also gave exceptional powers to the Supreme Court, which has interpreted the Constitution as mandating laissez-faire policies. It is impossible to adequately understand capitalism without understanding the role played by governance. This book challenges the notion of a "universal" model of capitalism, particularly one based on the US system, and illuminates the broader frameworks upon which markets depend.

About the Author  
Professor Bruce Scott spent his entire professional career at Harvard Business School, except for 5 years spent with an affiliated school in Switzerland. During that Swiss interval, in the 1960s, he researched the role of French national planning on its industrial sector. This research played a significant role in the subsequent decision by the French government to discontinue its "indicative planning" for industry. At the same time it also reoriented all his subsequent work to the study of economic governance and economic strategies of nations as contrasted with firms. The fruits of that new orientation were first published by Springer Verlag in 2009 as a monograph called *The Concept of Capitalism*, and subsequently in its entirety as a 700 page book, also by Springer, called *Capitalism, its Origins and Evolution as a System of Governance*. Professor Scott made an abbreviated presentation of his ideas on the relationship between capitalism and democracy in the nation building process in the Libyan context at a TEDx meeting in Tripoli in February, 2012, a presentation which was attended by the Deputy Prime Minister and a number of cabinet members and which was taped for reuse by the TED organization. Professor Scott is scheduled to teach a full semester course called *Capitalism as a System of Governance* at Harvard Extension School beginning in January 2013 (<http://www.extension.harvard.edu/courses/capitalism-system-governance>). A full description of the course is available through the Extension School, including day by day reading assignments and suggested study questions. The course is built around readings from two primary sources; *Capitalism*, by Professor Scott, and *Why Nations Fail*, by Daron Acemoglu and James Robinson (published by Crown Business). The basic thesis of the course is that capitalism has emerged only where limited monarchy and the rule of law have already prevailed, and thus with generally inclusive and therefore egalitarian institutions. Thus capitalism seems to date to Venice circa 1200. The basically complementary thesis of Acemoglu and Robinson is that "extractive" institutions and oppressive governance have characterized the failures. Acemoglu and Robinson argue that the first notable example of inclusive and relatively egalitarian institutions dates to England and its "glorious revolution" of 1688-89, which paved the way for the industrial revolution and economic progress. Capitalism is not featured in their account.