

Economic Crisis in Social Context

Soc495 · Section 2 · Fall 2010 · Mon & Weds 10-11:30 · 3242 LSA

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Office Hours: Mon 3-4 pm, or by appointment

Course Description

This class examines the economic meltdown from a sociological perspective, with a focus on the role financial markets played in creating the now-deflated credit and housing bubbles in the U.S. Our goal is to understand better the social, political, and cultural facets of finance, and to gain insight into how financial markets shape everyday lives. Questions we will address include: How did the housing bubble come about? Was it caused by quintessentially new forces and technologies, or did it have deeper structural roots? What roles do firms, economists, traders, technologies, and cultural understandings play in financial markets? Why was the crisis a global event? How did the housing bubble affect inequality in the U.S.? What role did the U.S. government play in creating the crisis, and what should it do going forward?

Required Texts & Course Website

Most of the required texts are posted on the course's website at <https://ctools.umich.edu>.

We will also read multiple chapters of the following books, which are on reserve at the library:

Davis, Gerald F. 2009. *Managed by the Markets: How Finance Reshaped America*. Oxford; New York: Oxford University Press.

Lewis, Michael. 1990. *Liar's Poker: Rising Through the Wreckage on Wall Street*. New York: Penguin Books.

MacKenzie, Donald A. 2006. *An Engine, Not a Camera: How Financial Models Shape Markets*. Cambridge, Mass.: MIT Press.

Course Requirements

Class Participation	10%
Reading Memos (8)	40%
Student-led Discussion	10%
Final Paper	40%

Class Participation and Attendance (10% of the grade)

When it comes to a seminar, a great class depends on great discussions, and great discussions depend on all participants showing up ready to discuss the readings. You should come to each class on Monday having prepared one or more questions or comments about the week's readings (most weeks, your reading memos will help you do that). We'll sometimes begin discussion by going around the room and sharing these questions and comments.

In order to get a decent class participation grade you have to actually participate, and in order to participate you have to show up. I'll take attendance during each class. You may miss up to four class meetings without letting me know why, and without it affecting your grade. Additional missed classes will lower your class participation grade. If you have a conflict or problem that will require you to miss more than four classes it is crucial that you let me know as soon as the issue arises.

Student-led Discussion (10% of the grade)

Starting the 3rd week of classes, teams of students will lead class discussions on Wednesdays. You should only spend 5-10 or minutes summarizing the text for your classmates. The bulk of your time should be spent leading a discussion or discussion-generating activity (like group work, games, video screenings, etc.). You will be graded on the extent to which the discussion covers the central points from the readings, makes connections with previous course readings, and involves everyone in class. All students are required to meet with me before leading discussion.

Reading Memos (8 memos, 5 points each, for a total of 40% of the grade)

You will be required to turn in eight reading memos. Reading memos will be two paged (double spaced) responses to the readings. In a reading memo you will take one or more of the readings and question them, challenge them, juxtapose them with some other text, or use them to reflect on a real-life situation. These are graded on a check, check-plus, check-minus basis (which equates to getting 3, 4, or 5 points per memo).

Each memo is due on ctools by midnight on Sunday before class. To submit your memo, go to the course's ctools site, select the "Discussion" page, click on the appropriate week, and then click on "Add topic" to post your memo.

Students should read each other's memos to prepare for class, and at times we'll refer to the memos in discussion. **Three of the memos are due before Fall Break (October 18th)**. You can only turn in one memo a week, and I do not accept memos for previous week's readings. Please plan ahead.

Final Paper (40% of the grade)

This will be a 7-10 page paper analyzing some aspect of the current economic crisis. It is due on the last class day of the semester, Dec 13th. I will provide additional details about this at the start of the semester.

Missed/Late Papers

For the reading memos, I'll deduct a point for each day late. I will not accept memos after Friday, or grade memos for previous weeks' readings. For the final, there will be a 10% grade reduction for every day a paper is late. It is possible to get an extension due to extenuating circumstances, but only if you let me know ahead of time.

Accommodations

If you need an accommodation for a disability or any other reason, please make an appointment to see me during office hours.

Academic Honesty

If you get caught plagiarizing or cheating, you will automatically receive **an F for the entire course**, and the violation may be formerly reported to the University. You are responsible for understanding the University's guidelines for plagiarism and academic integrity. If you have any questions about this, please speak with me. Please also consult the University guidelines (available online: <http://www.lib.umich.edu/academic-integrity/understanding-plagiarism-and-academic-integrity>).

Course Schedule

Week 1 (Sept 8): Welcome

Section 1: Historical Context

Week 2 (Sept 13, 15): Money, Finance and Market Society

Carruthers, Bruce G. and Ariovitch. 2010. *Money and Credit: A Sociological Approach*. Malden, MA: Polity Press. Introduction, and Pp. 69 (Starting at “Money and the “Corruption” of Social Life”) to 81.

Polanyi, Karl. 1960. *The Great Transformation*. Boston: Beacon Press. Introduction by Fred Block (pp. xviii – xxxvii): Pp. 71- 80: The Self Regulating Market and the Fictitious Commodities: Labor, Land and Money; Pp. 145 (“There was nothing natural about laissez-faire . . .”) to -148 (to the end of the second para: “. . . a more precise formulation of the issue is needed.”); Pp. 257 (“Nineteenth-century civilization . . .” to the bottom of 258 (“ . . . when the utopian experiment of a self-regulating market will be no more than a memory.”))

Week 3 (Sept 20, 22): A Look Back at U.S. Housing Finance

❖ *Video clip: Capra’s It’s a Wonderful Life (run on the bank).*

Jackson, Kenneth T. 1985. *Crabgrass Frontier: The Suburbanization of the United States*. New York: Oxford University Press: Pp 1-10 (Introduction); Pp 45-52 (Selections from “Chapter 3: Home Sweet Home: The House and the Yard”)

Freund, David M. P. 2007. *Colored Property: State Policy & White Racial Politics in Suburban America*. Chicago: University of Chicago Press. Introduction.

Oliver, Melvin L. and Thomas M. Shapiro. 2006. *Black Wealth, White Wealth: A New Perspective on Racial Inequality*. New York, NY: Routledge. Pp. 11-33 (“Race, Wealth, and Equality”); Pp. 52-54 (“The Sedimentation of Racial Inequality”); Pp. 110-112 (“A Place of One’s Own”)

Week 4 (Sept 27, 29): The Financial Turn

Davis, Gerald F. 2009. *Managed by the Markets: How Finance Reshaped America*. Oxford; New York: Oxford University Press: Chapter 1 (“The New Financial Capitalism”); Chapter 3 (“From Institution to Nexus: How the Corporation Got, Then Lost, its Soul”)

SKIM: Krippner, Greta. 2005. "The Financialization of the American Economy." *Socio-Economic Review* 3: 173-208

Section 2: Rise and Fall of Securitization

Week 5 (Oct 4, 6): Wall Street Traders and Mortgage Bonds

Lewis, Michael. 1990. *Liar's Poker: Rising through the Wreckage on Wall Street*. New York: Penguin Books. Chapter 5 ("A Brotherhood of Hoods"), Chapter 6 ("The Fat Men and Their Marvelous Money Machine"), Chapter 7 ("The Salomon Diet," pp. 134-140 only)

You should *also* read EITHER

Preda, Alex. 2008. "The Investor as a Cultural Figure of Global Capitalism." Pp. 141-162 in *The Sociology of Financial Markets*. New York: Oxford Univ. Press

OR

Hassoun, Jean Pierre. 2008. "Emotions on the Trading Floor: Social and Symbolic Expressions." Pp. 102 – 120 in *The Sociology of Financial Markets*. New York: Oxford University Press

Week 6 (Oct 11, 14): Bubble

Katz, Alyssa. 2009. *Our Lot: How Real Estate Came to Own Us*. New York: Bloomsbury. Chapters 1-3 (1-77)

"The Giant Pool of Money" *This American Life*, Episode 355. Listen online: http://www.thisamericanlife.org/Radio_Episode.aspx?sched=1242

Recommended but optional:

Davis, Gerald F. 2009. *Managed by the Markets: How Finance Reshaped America*. Oxford; New York: Oxford University Press: Chapter 4 ("From Banks to Markets: How Securitization Ended the "Wonderful Life"")

***** Reminder: three reading memos are due by this week *****
No Class on October 18: Fall Break

Week 7 (Oct 21): Crash!

❖ *Screening: Frontline's Inside the Meltdown*

Peck, Don. 2010. "How a New Jobless Era will Transform America." *The Atlantic Monthly*. March. Available online:
<http://www.theatlantic.com/doc/201003/jobless-america-future>

Katz, Alyssa. 2009. *Our Lot: How Real Estate Came to Own Us*. New York: Bloomsbury. Chapter 4

Recommended but optional:

Lewis, Michael. 2008. "The End" In *Portfolio Magazine* (Nov 11). Available online: <http://www.portfolio.com/news-markets/national-news/portfolio/2008/11/11/The-End-of-Wall-Streets-Boom/>

Week 8 (Oct 25, 27): Race, Inequality and Housing Finance through the Bubble

Review readings from week 3, especially Oliver & Schapiro and Freund.

Rugh and Massey. 2010. "Racial Segregation and the American Foreclosure Crisis." *American Sociological Review*. 75(5): 629-651

Stuart, Guy. 2003. *Discriminating Risk: The U.S. Mortgage Lending Industry in the Twentieth Century*. Ithaca: Cornell University Press. Introduction

Recommended but optional:

Oliver, Melvin L. and Thomas M. Shapiro. 2006. *Black Wealth, White Wealth: A New Perspective on Racial Inequality*. New York, NY: Routledge. Pages 210-221, 246-257.

Pager, Devah and Hana Shepherd. 2008. "The Sociology of Discrimination: Racial Discrimination in Employment, Housing, Credit, and Consumer Markets." *Annual Review of Sociology* 34:181-209.

Section 3: Post-Mortems

Week 9 (Nov 1, 3): Blame Markets?

Akerlof, George, and Robert Shiller. 2009. *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*. Princeton: Princeton University Press. Pp 1-56, 86-96, 149-156.

Week 10 (Nov 8, 10): Blame Models?

MacKenzie, Donald A. 2006. *An Engine, Not a Camera: How Financial Models Shape Markets*. Cambridge, Mass.: MIT Press. Chapters 1, 7 & 9

2010. "Game Changers: How Videogames Trained a Generation of Athletes." *Wired*. January 25. Online: <http://www.wired.com/magazine/tag/madden-nfl/>

Recommended but optional:

Cassidy, John. 2010. "After the Blowup: Laissez-faire economists do some soul searching-and-finger-pointing." *New Yorker* 84(44): 28

Lowenstein, Roger. 2008. "Triple-A Failure" *New York Times Magazine*, April 28. Available online: <http://www.nytimes.com/2008/04/27/magazine/27Credit.html?pagewanted=print>

Week 11 (Nov15, 17): Blame Firms?

Perrow, Charles. "The Meltdown Was Not an Accident." Paper for: *Markets on Trial: The Economic Sociology of the U.S. Financial Crisis* (Forthcoming in the Research in the Sociology of Organizations Series). Editors: Michael Lounsbury (University of Alberta) and Paul M. Hirsch (Northwestern University). Available online: <http://www.business.ualberta.ca/en/MarketsOnTrial/~media/University%20of%20Alberta/Faculties/Business/Faculty%20Site/MarketsOnTrial/Documents/Papers/Perrow.ashx>

And reader EITHER

Fligstein, Neil. 1990. *The Transformation of Corporate Control*. Cambridge: Harvard University Press. Chapter 1 ("Introduction") and Chapter 7 ("The Finance Conception of Control")

OR

Zorn, D., Dobbin, F., Dierkes, J., Kwok M-S. 2005. "Managing Investors: How Financial Markets Reshaped the American Firm." Pp. 269-289 in *The Sociology of Financial Markets* (ed. K Knorr Cetina, A Preda). London: Oxford University Press

Week 12 (Nov 22, 24): Blame Homeownership?

Harvey, David. 2008. "The Right to the City" *New Left Review* (53): 23-40

Roy, Ananya. 2003. "Paradigms of Propertied Citizenship: Transnational Techniques of Analysis." *Urban Affairs Review* 38:463-491.

Katz, Alyssa. 2009. *Our Lot: How Real Estate Came to Own Us*. New York: Bloomsbury. Epilogue

Recommended but optional: Dreier, Peter. 1982. "The Status of Tenants in the United States." *Social Problems* 30 179-198.

Week 13 (Nov 29, Dec 1): Blame the Government?

❖ *Video: Frontline's "The Warning"*

Carruthers, Bruce G. and Arthur Stinchcombe. 1999. "The Social Structure of Liquidity: Flexibility, Markets and States." *Theory and Society* 28: 353-382

Mitchell, Timothy. 1991. "The Limits of the State: Beyond Statist Approaches and Their Critics." *The American Political Science Review* 85:77-96.

Rajan, Raghuram 2010. "How Inequality Fueled the Crisis." *Project Syndicate*. Available online: <http://www.project-syndicate.org/commentary/rajan7/English>

Review the Polanyi readings from week 2.

Week 14 (Dec 6, 8): Looking Ahead

Baker, Tom, and Moss, David. 2009. "Government as Risk Manager." Pp. 87 – 109 in *New Perspectives on Regulation*, edited by David Miss and John Cistermino. Tobin Project

Harvey, David. 2009. "The Crisis and the Consolidation of Class Power: Is This Really the End of Neoliberalism?" *Counterpunch* (March 13). Available online: <http://www.counterpunch.org/harvey03132009.html>

Poole, William. 2009. "The Way Forward" *Cato Journal* 39(1): 201-207

Tett, Gillian. 2009. *Fool's Gold: How the Bold Dream of a Small Tribe at J.P. Morgan was Corrupted by Wall Street Greed and Unleashed a Catastrophe*. New York: Free Press. Epilogue

Week 15 (Dec 13, last class): Wrap-Up

❖ Final papers are due in class.