Course Description

In 2008-09, remarkable events took place in the USA: Barrack Obama, an African American, was elected president and the worst economic downturn since the Great Depression. In this course we will examine the complexity of the current global recession with special emphasis on the United States, although we will discuss its impact worldwide. Section I of the readings will be devoted to identify some of the paradigms to explain the crisis. Section II will present a brief history of the Bretton Woods financial architecture, the development of mass-production/full-employment and industrialization in the Post-WWII period (in developed industrial countries and other countries outside this category). The course will also discuss the collapse of this architecture, including the origins and institutionalization of neo-liberal/structural adjustments and reforms leading to deindustrialization, economic deregulation, skewed income distribution and growing poverty, weakening and decomposition of the welfare state, and fiscal devolution in federal policy. Some of the foundations of the neo-liberal reforms were established during the Nixon administration in the early 1970’s, yet reforms accelerated during the Reagan administration in the US, and were spearheaded in Europe by Margaret Thatcher (UK). These policies were mostly continued and deepened during the administrations of George H.W. Bush, William J. Clinton and George W. Bush. In many developing countries and emerging economies (formerly Soviet Union), as a result of the debt crisis of the early 1980’s and the break down of the Soviet Union, neo-liberal reforms were implemented under the rubric of the Washington Consensus, largely sponsored of the World Bank and the IMF. Section III addresses the process of globalization and the new financial order, including the kinds of financial crises or “financial bubbles”, which preempted the most recent one, and the specific mechanisms and forces that triggered the crises in Russia, Mexico, Argentina, and Asia. These “currency crises”, as they were labeled, were attributed to the new hyper-mobility of capital fueled by the use of new technologies paired with deregulation and unrestrained free trade policies. We will also discuss the new instruments and practices which were responsible for the current crisis: deregulation, derivatives, securitization, hedge funds, credit default swaps, stocks shorting, and other risky financial practices. Section IV will be devoted to the efforts of the current Obama administration to stem the crisis and to address other economic structural problems: the Emergency Economic Stabilization Act of 2008, the 2009
Stimulus Package Plan, Troubled Asset Relief Program (TARP), auto industry bailout, and comprehensive economic regulatory reform.

**Required Text and Readings:**

The only required text is:


Available online at: [http://www.dollarsandsense.org/bookstore/infocrisis.html](http://www.dollarsandsense.org/bookstore/infocrisis.html)
We will not use the book until the 5th Week of Classes on Feb. 24, 2010.

All other readings are available through Hyperlinks directly from the syllabus or will be available in some other electronic format.

**Academic and Human Integrity, and Other Problems**

Being a member of this academic community entitles each of us to a wide degree of freedom and the pursuit of scholarly interests. With that freedom, however, comes a responsibility to uphold the high ethical standards of scholarly and human conduct. Academic violations include but are not limited to: plagiarism, inappropriate collaboration, dishonesty in examinations whether in class or take-home, dishonesty in papers, work done for one course and submitted to another without consulting professors, deliberate falsification of data, and interference with other’s students work. Uncivil behavior—racist, sexist, or other offensive behavior/statements—will not be tolerated. If other problems arise in the course of the semester, please consult the professor. For the UMASS-Amherst Student Code of Conduct please consult the following website: [http://www.umass.edu/dean_students/codeofconduct/](http://www.umass.edu/dean_students/codeofconduct/).

**Class Requirements and Grade Distribution:**

Students are expected to do the readings and participate in class discussions. Class lectures will not be a faithful summary of readings. The class grade will be based on:

(1) Two "reaction" papers based on the readings. Due dates are (Feb. 24 & March 31). The professor will distribute a list of questions. Each student will choose one question and write a 5-page, double space paper. These reaction papers are not simple summaries of the readings. Clear, expository writing and quality prose is expected. (30% of the grade)

(2) Students will be responsible for writing a critical review of one of the books in the list below. This is a 5 page (double-space) critical review, not just a summary of the book. It is recommendable that you read the following handout which defines a book review: [http://www.unc.edu/depts/wcweb/handouts/review.html](http://www.unc.edu/depts/wcweb/handouts/review.html). Reviews are due at
any point during the semester but no later than April 14, 2010. This deadline will be strictly enforced. (25% of the grade)

List of Books (Choose One):


3) Group Project and Presentation. Students will be divided into three groups. The groups will be assigned one of the following topics: (1) The International Diffusion of the Crisis; (2) The Government’s Response: Bailout, Stimulus, Institutions; (3) Social Impact and Inequality. Each group will develop a group project and a class presentation. Details about the structure of the project and presentation will be discussed further. (30% Group paper & Presentation 15%)

Course Outline and Readings

I  Overview and Paradigms

Jan 20: Introduction

Jan 27: Economists and Ideas About the Crisis

Available at: http://www.nea.org/assets/docs/HE/TA09EconomistGalbraith.pdf

Available at: http://www.levy.org/pubs/wp165.pdf

II  The Bretton Woods Order and the International Division of Labor

Feb 3: The Bretton Woods Architecture

Available at: http://www.polsci.ucsb.edu/faculty/cohen/inpress/bretton.html

**Feb 10: Industrialization and De-industrialization in the Post-WW II Era**


**Feb 17: Structural Adjustments**


**III Globalization & The New Financial Order**

**Feb 24: Money Manager Capitalism: Essential Concepts to Understand the New Financial Order**

**FIRST Reaction Paper Due**

BBC News. (2009). "The layman's finance crisis glossary." Available at:  

Available at:  

http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/2/hi/uk_news/magazine/7642138.stm?ad=1


Available at: http://www.levy.org/pubs/wp_578.pdf

March 3: Globalization & Connectedness


March 10: Previous Crises in the New Financial Order


March 17: (Spring Break-No Class)

IV The Current Global Crisis and Responses

March 24: General Explanations of the Current Crisis


March 31: The Housing Sector Crisis

SECOND Reaction Paper Due


April 7: The Banks, Wall St. and the US Government


April 14: Team 1: The International Diffusion of the Crisis

April 15: Team 2: The Government’s Response: Bailout, Stimulus, Institutions

April 21 (No Class Monday Schedule)

April 28: Team 3: More Inequality?