

Wall Street in Crisis: A Genealogy

Julia Ott

LHIS 2865/CRN 6491

4 Credits

Spring 2011

Tuesday/Thursday 2:00 to 3:40pm

65 West 11th Street Room 258

Contact Information:

ottj@newschool.edu

Room 511, 80 Fifth Avenue

212.229.5100 x2065

Office hours held 2:30-4:30pm Wednesdays (please email for appointment)

Course Overview:

What is Wall Street?

For over two hundred years, Americans have debated whether Wall Street -- the nation's financial institutions, instruments, and markets -- has directed economic development and growth or whether it has offered elites and insiders a means to manipulate and monopolize the nation's resources? Time and again, Americans have asked if Wall Street violates the American work ethic or if it exemplifies risk-taking and ambition, those essential American character-traits? Does Wall Street poison civic virtue by facilitating the accumulation of wealth without productive labor? Or does it epitomize the free market, a foundation of a democratic political system? Has Wall Street degraded democracy by hardening class lines, or does it offer the self-made man the ultimate mechanism of upward mobility? In these recurring debates over Wall Street, Americans have expressed both their fears and their hopes concerning the effect of economic changes, such as: the eclipse of the family firm, the waning of a face-to-face economy, the advent of the corporate order, the concentration of wealth and power, the spread of corporate employment, and the ascendant of the financial sector, and the extent to which Americans' social and economic well-being came to be managed by financial markets in the last thirty years.

This course will provide both a long- and medium-term historical perspective on the recent turmoil in the financial markets and debates over regulatory reform. We will examine how Wall Street has evolved, both as a set of financial institutions and practices critical to the development of the American economy, and as a symbol and an idea. We will examine Wall Street's shifting relations with both Main Street and Washington. Major themes include the critical role of policy, politics, and political ideology in shaping the structure of financial markets and institutions; enduring debates over the proper relationship between financial markets, the 'real' economy, and the state; the effects of financialization and financial crisis on the distribution of economic power and wealth; the ability of economic crises to catalyze popular insurgency and social change.

Students will pursue two interrelated goals. First, students will learn basic American financial history and gain an understanding of basic financial concepts. Secondly, students will examine how Americans' perceptions of Wall Street have changed over time, and how those perceptions have been deployed in larger debates over political economy, i.e., the proper relationship between the state and the economy. After successfully completing this course, students will have enhanced their ability to critically engage contemporary debates involving corporate behavior, financial practices, and economic policy.

Major themes will include:

- ⌚ What role did, and should, the private capital markets vs. the state play in American economic development?
- ⌚ How have wars changed Americans' relationships with Wall Street?
- ⌚ How do financial markets act as a conduit of political power, and not just financial resources?
- ⌚ How have historical actors understood the functional and moral boundaries between speculation, gambling, and investment?
- ⌚ What types of actors have claimed expertise within the financial markets? What arguments have academics, legislators, and traders made regarding their ability to best direct the flow of the nation's capital?
- ⌚ Are stock market bubbles and crashes inevitable? Predictable? How do they relate to larger macroeconomic cycles of boom and bust?
- ⌚ Is it possible to curb speculation in order to modulate larger the larger economy, or would such efforts hamper the efficient flow of capital?
- ⌚ Is state oversight of the securities markets desirable? On what grounds have reformers called for regulation, and on what grounds have they been opposed?
- ⌚ How does economic risk-taking relate to the national democratic experiment?
- ⌚ How have various parties struggled to define and to shape an 'investor' point of view of political issues, especially regarding regulation, labor relations, and free trade? Is Wall Street inherently conservative?
- ⌚ Does private investment facilitate economic democracy and enrich political democracy?
- ⌚ What causes the prices of stocks and bonds to vary? Why do stock market levels to fluctuate? Do these variations represent the manipulations of a privileged few, or do they neutrally record the opinions of many regarding the value of corporations? Where do these completing explanations come from?

Requirements and Evaluation:

Regular, informed class participation will be critical to success in this course. Please complete all assignments before class and bring the assigned materials with you.

Each student will prepare two book reviews (500 words) over the course of the semester. A good book review will *briefly* recap the book's central argument and narrative trajectory, then move on to assess the strengths and weaknesses of the author's approach and findings. Students may chose from following texts: Mihm (2/10), (Cronon 2/15), Ott (3/22), Hyman (3/24), Kripper (3/29), Davis (3/31), Frank (4/7), Ho (5/2).

Each student will prepare two primary source analyses (500 words). An analysis may address the internal logic of the text and/or its historical context (ideally, it will do both).

For both reviews and analyses, students may wish to consider the following:

- pose and then answer a question(s) that you would like to discuss in class
- identify audience/purpose/argument
- critique the author's evidence and argument – what do you find compelling, what do you reject, and why?
- (how and why) should these ideas be taken seriously?
- how do you think the author's contemporaries responded to this piece?
- evaluate author's assumptions
- examine the meanings of key concepts (“production,” “speculation,” “freedom,” “nation” etc.), relate those key concepts to the author's argument
- select and then comment upon a key passage – explain the meaning to the author; examine its role in the overall argument; suggest its historical significance or consequences
- place writings in historical context
- compare to other authors
- trace change over time

Students may choose to turn in a primary source analysis in the following sessions: 2/3, 2/8, or 2/22. Each analysis should consider *all* the assigned primary sources for that week.

Both book reviews and primary source analyses will be due in hardcopy at the beginning of class. Students will receive one F grade for every reading response they are short at the end of the semester. Reading responses cannot be made up except in cases of dire illness or emergency (see policies below).

Lastly, students will complete a midterm research paper (3-5 pages) and a final essay (3-5 pages). The midterm assignment will involve independent original research. The final essay will invite students to reflect on our current moment in financial history in light of the course.

Final grades will be computed as follows:

- Book Reviews (500 words): 20% (10% each)
- Primary Source Analyses (500 words): 20% (10% each)
- Class Participation: 30%
- Midterm paper (3-5 pages): 15%
- Final essay (3-5 pages): 15%

Required Texts:

Students are responsible for obtaining copies of assigned materials. Students are responsible for bringing them – or their notes – to class.

Readings marked with an asterisk (*) are available via on-line course reserves.

<http://ereserves.newschool.edu>
password: h4m!lt0n

Readings marked with an apple (🍏) will be distributed by the instructor.

Unmarked assignments are books that may be obtained at Barnes and Noble (Fifth Ave. at 18th Street) and also may be found on reserve in Fogelman Library.

Gerald Davis, *Managed by the Market* (New York: Oxford, 2009)

Thomas Frank, *One Market Under God: Extreme Capitalism, Market Populism, and the End of Economy Democracy* (2000).

Karen Ho, *Liquidated: An Ethnography of Wall Street* (Durham, NC: Duke University Press, 2009)

Louis Hyman, *Debtor Nation* (Princeton: Princeton University Press, 2011)

Greta Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, MA: Harvard University Press, 2012).

Bethany McLean and Joe Nocera, *All the Devils Are Here: A Hidden History of the Financial Crisis* (New York: Portfolio, 2010)

Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Counterfeiters, Con-Men, and the Making of the United States* (Cambridge, MA: Harvard University Press, 2007)

Weekly Schedule and Assignments:

January 25: Introduction

January 27: Ascent of Money (I)

February 1: Ascent of Money (II)

February 3: The Problem with Financial Securities in Early America

*Excerpts from Alexander Hamilton, "Report on the Public Credit," January 14, 1790 and "Second Report on the Public Credit," January 16, 1795

http://www.wwnorton.com/college/history/archive/resources/documents/ch08_02.htm

http://press-pubs.uchicago.edu/founders/documents/a1_8_2s5.html

*Woody Holton, "Abigail Adams: Bond Speculator," *William and Mary Quarterly* LXIV no. 4 (October 2007), 821-837.

February 8: Financial Innovation in Early America

*"Nathan Appleton Explains How Banks Benefit Everyone" (1831) in ed. Regina Lee Blaszczyk and Philip B. Scranton, *Major Problems in American Business History* (New York: Houghton Mifflin, 2006), 113-5.

*“William M. Gouge Decries Banks as Corporations” (1833) in *Major Problems*, 115-118.

*Cathy Matson, “Financial Innovation in the New Nation” in *Major Problems*, 125-131.

*“A Credit Agency Monitors Businesses Nationwide, 1850-1880s” in *Major Problems*, 277-279.

*Alan Taylor, “The Early Republic’s Supernatural Economy: Treasure Seeking in the American Northeast, 1780-1830,” *American Quarterly*, vol. 38 (1986), 6-34.

February 10: A Nation from Markets

Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Counterfeiters, Con-Men, and the Making of the United States* (Cambridge, MA: Harvard University Press, 2007).

February 15: The Origins of Financial Derivatives

*William Cronon, Prologue, Ch. 2, Ch 3, in *Nature’s Metropolis: Chicago and the Great West*

February 17: The Civil War and its Aftermath

*Melinda Lawson, “Let the Nation Be Your Bank: Jay Cooke and the War Bond Drives,” in *Patriot Fires: Forging a New American Nationalism* (2002), 40-63.

*Michael O’Malley, "Specie and Species: Race and the Money Question in Nineteenth-Century America," *The American Historical Review*, vol. 99 (April 1994), 369-408.

February 22: Wall Street in the Gilded Age

*Richard White, “Information, Markets, and Corruption: Transcontinental Railroads in the Gilded Age,” *Journal of American History* vol. 90 no. 1 (June 2003), 19-43.

1 Tom Watson, “Wall Street: Conspiracies Against the American Nation,” *New York World Sunday Magazine* October 10, 1896

*Peter S. Grosscup, “The Rebirth of the Corporation,” *American Illustrated Magazine* (June 1906)

<http://www.cesj.org/researchtopics/grosscup/rebirthofthecorp-pg.htm>

February 24: The Advent of the Regulatory State

*Rohit Daniel Wadhvani, “Protecting Small Savers: The Political Economy of Economic Security,” *Journal of Policy History* vol. 18, no. 1 (2006), 126-145.

*M. D. Bordo and Hugh Rockoff, "The Classical Gold Standard as a ‘Good Housekeeping Seal of Approval,’" *Journal of Economic History* vol 56, no. 2 (June 1996)

1 Julia Ott, “The ‘Free and Open’ Market Responds” in *When Wall Street Met Main Street* (Cambridge, MA: Harvard University Press, 2011)

March 1: In-class Research Session

Hugh Rockoff, “The U. S. Economy in WWI”
<http://eh.net/encyclopedia/article/Rockoff.WWI>

Hugh Rockoff, “Capitalizing Patriotism: the Liberty Loan Campaigns of World War I”
<http://www.nber.org/papers/w11919>

March 3: Out-of-class Research Session

March 8: Presentations and Peer-editing

March 10: Presentations and Peer-editing

March 22: Wall Street’s Golden Age

Julia Ott, “The Postwar Struggle for the Financial Nation” (Ch. 5), “The Corporate Quest for Shareholder Democracy” (Ch. 7), “Finance Joins the Quest for Shareholder Democracy” (Ch. 8), “The People’s Market” (Ch. 9) in *When Wall Street Met Main Street*

MIDTERM PAPERS DUE IN CLASS

March 24: In Debt We Trust

Louis Hyman, Introduction, “Debt and Recovery: New Deal Housing Policy and the Making of National Mortgage Markets” (Ch.2), “Legitimizing the Credit Infrastructure: Race, Gender, and Credit Access” (Ch. 6), and “Securing Debt in an Insecure World” (Ch. 7) in *Debtor Nation* (Princeton: Princeton University Press, 2011)

March 29: Financialization and Neoliberalism

Greta Krippner, “What is Financialization” (Ch. 2), “The Social Politics of U. S. Financial Deregulation” (Ch. 3), “The Reagan Administration Discovers the Global Economy” (Ch. 4) in *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, MA: Harvard University Press, 2012).

March 31: Corporate Hierarchies vs. Financial Markets (I)

*“Economist Milton Friedman Urges Business to Focus on Profits” (1970) in *Major Problems*, 420-423.

Gerald Davis, “The New Financial Capitalism” (Ch. 1), “Financial Markets and Corporate Governance” (Ch. 2), “From Institution to Nexus: How the Corporation Got, Then Lost, Its Soul” (Ch. 3) in *Managed by the Market* (New York: Oxford, 2009)

Karen Ho, “Wall Street Historiographies and the Shareholder Value Revolution” (Ch. 3) in *Liquidated: An Ethnography of Wall Street* (Durham, NC: Duke University Press, 2009)

April 5: Corporate Hierarchies vs. Financial Markets (II)

*William Lazonick, “The Rise of the New Economic Business Model” (2: 39-79), “the Quest for Shareholder Value” (6: 197-248); “Prospects for Sustainable Prosperity” (7: 249-278) in *Sustainable Prosperity in the New Economy?* (Kalamazoo, MI: UpJohn Institute, 2009).

*William Lazonick and Mary O’Sullivan, “Maximizing Shareholder Value: A New Ideology for Corporate Governance,” *Economy and Society* vol. 29 (2000), 13-35.

*Ernie Englander and Allen Kaufman, “The End of Managerial Ideology: From Corporate Social Responsibility to Corporate Social Indifference,” *Enterprise and Society* vol. 5 (2004), 404-450.

April 7: The Ownership Society

Thomas Frank, *One Market Under God: Extreme Capitalism, Market Populism, and the End of Economy Democracy* (2000), 1-170.

April 12: Institutional Investors

Gerald Davis, “From Banks to Markets,” (ch 4) *Managed by the Market* 102-153

*Dirk Zorn, Frank Dobbin, Julian Dierkes, and Man-Shan Kwok, “Managing Investors: How Financial Markets Reshaped the American Firm,” ed. Karin Knorr-Cetina and Alex Preda, *Sociology of Financial Markets* (New York: Oxford University Press, 2005).

*Gerald F. Davis, “A New Finance Capitalism? Mutual Funds and Ownership Re-Concentration in the United States,” *European Management Review* vol. 5 (2008)

*Adam Harmes, “Institutional Investors and the Reproduction of Neoliberalism,” *Review of International Political Economy* vol. 5 (1998): 92-121

April 14: International Finance (I)

In-class screening: *Life and Debt*

April 19: The Current Crisis -- Failure of Regulation?

*Michael Greenberger, “Out of the Black Hole: Regulatory Reform of the Over-the-Counter Derivatives Market,” 99-106

<http://www.rooseveltinstitute.org/sites/all/files/OTC%20Derivatives.pdf>

Bethany McLean and Joe Nocera, Prologue and chapters 1, 6, 7, 8, 16 in *All the Devils Are Here: A Hidden History of the Financial Crisis* (New York: Portfolio, 2010)

*Roger Lowenstein, “Triple A Failure,” *New York Times Magazine* April 27, 2008, 36-41.

<http://query.nytimes.com/gst/fullpage.html?res=9900EFDE143DF934A15757C0A96E9C8B63>

April 21: The Current Crisis – Irresponsible Securitization?

*Neil Fligstein and Adam Goldstein, “The Anatomy of the Mortgage Securitization Crisis”

<http://sociology.berkeley.edu/profiles/fligstein/pdf/The%20Anatomy%20of%20the%20Mortgage%20Securitization%20Crisis5.pdf>

McLean and Nocera, Chapters 4, 5, 13, 18, 19, 20, 21 in *All the Devils Are Here*

April 26: The Current Crisis – Subprime Mortgage Lenders

McLean and Nocera, Chapters 2, 9, 10, 14, 15 in *All the Devils Are Here*

April 28: The Current Crisis – Government-Sponsored Entities

McLean and Nocera, Chapters 3, 12, 22 in *All the Devils Are Here*

May 2: The Current Crisis -- Contemporary Wall Street Culture

Karen Ho, Introduction, “Biographies of Hegemony” (Ch. 1), “Wall Street’s Orientation” (Ch. 2), “Downsizers Downsized” (Ch. 5) and “Liquid Lives” (Ch. 6) in *Liquidated: An Ethnography of Wall Street* (Durham, NC: Duke University Press, 2009)

May 5: The Current Crisis (Overview and Recap)

In-class screening: *Inside Job*

May 10: The Bailout

*Thomas Ferguson and Robert Johnson, “Too Big to Bail Part I,” *International Journal of Political Economy* vol. 38 no. 1 (Spring 2009), 3-34

*Ferguson and Johnson, “Too Big to Bail Part II,” *International Journal of Political Economy* vol. 32 no. 2 (Summer 2009), 5-45.

May 12: Conclusion

Distribution of final essay topics

FINAL PAPERS DUE 5/20 VIA EMAIL

Other Policies:

1. Tardiness and Failure to Attend Class:

Successful academic inquiry depends upon the students as much as the instructor; tardiness and absence places our collaborative project in jeopardy. Please make every effort to arrive promptly for each and every class. If a student misses or arrives late (by more than 10 minutes), it will count as an absence.

If you miss a class, please try to inform the instructor as soon as possible (preferably in advance) so that we can arrange a useful way to make up the absence.

Any absence may warrant a reduction of the final course grade. Upon a second absence, the student will automatically **fail the course**. Students at risk for failing a course due to inattendance should consult with an academic advisor to discuss options.

Jonathon White, Director of Academic Advising:
Room 120, 64 W. 11th Street
212.229.5100 x2282
whitej@newschool.edu

Absences will be excused only in the following extenuating circumstances:

- Extended illness requiring hospitalization or visit to physician (documentation required)

- Family emergency (with written explanation)
- Observance of religious holiday

2. Late Assignments:

Late work will result in a deduction of half a grade for each day late. Instructor may grant exceptions in the case of documented illness, emergency, or religious holiday.

3. Grading Standards:

Please see attached.

4. Grade appeals:

Students may petition for an academic grade review after they have requested a verbal explanation for the basis of the grade from the instructor. Students have 60 days after the grade was issued to make their appeal according to the steps outlined in the Lang College catalog.

5. Incomplete grade:

An incomplete grade may be granted – at the discretion of the instructor – under unusual and extenuating circumstances. An incomplete entitles the student to an additional four weeks to complete all work for the course. Please see the Lang College Catalog for full information.

6. Plagiarism:

Plagiarism is the unacknowledged use of someone else's work as one's own in all forms of academic endeavor (such as reader responses, essays, papers, theses, examinations, research data, creative projects, etc), intentional or unintentional. Plagiarized material may be derived from a variety of sources, such as books, journals, internet postings, student or faculty papers, etc. This includes the purchase or “outsourcing” of written assignments for a course. A detailed definition of plagiarism in research and writing can be found in the fourth edition of the MLA Handbook for Writers of Research Papers, pages 26-29. Procedures concerning allegations of plagiarism and penalties are set forth in the Lang catalog.

7. Statement on Disabilities:

In keeping with the University's policy of providing equal access for students with disabilities, any student requesting accommodations must first meet with Student Disability Services. Jason Luchs or a designee from that office will meet with students requesting accommodations and related services, and if appropriate, provide an Academic Adjustment Notice for the student to provide to his or her instructors.

The instructor is required to review the letter with the student and discuss the accommodations, provided the student brings the letter to the attention of the instructor. This letter is necessary in order for classroom accommodations to be provided.

Student Disability Services is located at 79 Fifth Avenue - 5th Floor. The phone number is (212) 229-5626. Students and faculty are expected to review the Student Disability Services webpage. The webpage can be found at <http://www.newschool.edu/studentaffairs/disability/> and the office is available to answer any questions or concerns.

Other University Resources:

1. Student Health and Counseling Services – www.newschool.edu/studentservices
2. New School Libraries Homepage - <http://library.newschool.edu/>
3. University Writing Center
Room 105, 65 W. 11th Street
212.229.5121
www.onlinenewschool.edu/ureserve/uwc

