

Economics of Crisis, Crisis of Economics

Course Meets

weekly on Wednesday afternoons from 14:00 to 17:00.

Course Theme

This course syllabus weaves multiple and interconnected threads together. It is an advanced course in comparative schools of thought with a special emphasis on non-mainstream approaches to economic phenomena. While, the syllabus foregrounds various class- (Marxian) and power-based (radical, Foucauldian) approaches to political economy, it does cover New Keynesian, Post Keynesian, and Minskyian interpretations of the 2008 Crisis. Nevertheless, the course will also survey a number of new fields of research (behavioural economics, mechanism design, experimental economics) that are emerging from within the mainstream of the discipline.

The general arc of the course is historical-theoretical and it is composed of 4 parts. The first part introduces Marxian and radical approaches with a particular emphasis on questions of knowledge (epistemology, science, etc.). The second part offers a survey of the post-WW2 economies and economics. Here the course does not only cover Marxian analyses of the post-war economies of advanced capitalist countries but also the trajectories of mainstream economics throughout this period. The third part focuses exclusively on the Crisis of 2008: starting with the macro- and micro-processes of financialization, the discussion first focuses on the different interpretations of the crisis and then on two competing accounts of the historical and subjective dimensions of the configuration that prepared the conditions of the Crisis. The fourth section turns the attention to the current state of the discipline of economics and investigates the directions that the mainstream may be heading after the four decade long hegemony of neoliberal thought.

Course Requirements

Reading and discussing. Writing brief discussion papers on the readings that you adopt & present in the seminar. And writing a final paper.

Since the sheer number of readings listed below is undoubtedly quite high (though for a graduate seminar it is actually within an acceptable range), we will have to **prioritize** (together, each week for the next week) some readings (everyone will do those readings) and **de-prioritize** the rest. Prioritized readings will be around 80-100 pages per week.

In addition, throughout the semester, each participant will **adopt & present** at least **two** bundles of readings that are de-prioritized. This process will be collectively decided in the classroom in the week prior, but participants can begin to plan ahead and negotiate among themselves the readings that they adopt.

The participants who adopt & present a bundle of readings are expected to circulate on the course list **brief discussion/summary papers** (2-3 pages) prior to the seminar so that the other participants have some prior idea about these de-prioritized readings.

The **final paper** (12 size font, double-spaced 20-25 pages) can be on any topic related to the course material but it can easily be on a topic that is related in some manner to participants thesis/dissertation work. Nevertheless, the process of writing the final paper will begin early in the semester (week 6) and the process will be structured in a manner that enables the instructor to guide the participant in the process. The participant will need to convince the instructor the relevance of the chosen topic for the course material.

Introduction

- Krugman, P. "How Did Economists Get It So Wrong?" *The New York Times Magazine* September 6, 2009.
- Cochrane, J. "How did Paul Krugman get it so Wrong?" Mimeo, September 16, 2009.
http://faculty.chicagobooth.edu/john.cochrane/research/Papers/krugman_response.doc
- Resnick, S. R. and Wolff, R. D. "The Economic Crisis: A Marxian Interpretation." *Rethinking Marxism* 22(2), 2010, pp. 170-186.
- Callari, A. "2008: A New Chapter for U.S. Imperialism." *Rethinking Marxism* 22(2), 2010, pp. 210-218.
- Marazzi, C. "The Violence of Financial Capitalism." In *Crisis in the Global Economy: Financial Markets, Social Struggles and New Political Scenarios*. Edited by Andrea Fumagalli and Sandro Mezzadra. Translated by Jason Francis Mc Gimsey. Los Angeles: Semiotext(e), 2010, pp. 17-60.
- Duménil, G. and Lévy, D. *The Crisis of Neoliberalism*. Cambridge, MA: Harvard University Press, 2011
Introduction & Parts I and II (1-70)

Part I. Basics

1. Science, Paradigm, Epistemology

- Kuhn, T. *The Structure of Scientific Revolutions*. Third Edition. Chicago: University of Chicago Press, 1996.
- Wolff, R.D. and Resnick, S. R. "Two Different Theories." In *Economics: Marxian versus Neoclassical*. Baltimore: John Hopkins University Press, 1987, pp. 1-38.
- Resnick, S. R. and Wolff, R. D. *Knowledge and Class: A Marxian Critique of Political Economy* Chicago: University of Chicago Press, 1987.
Chapter 1 & 2 "A Marxian Theory" (1-37) and "Marxian Epistemology: A Critique of Economic Determinism" (38-107).
- Ruccio, D. F. and Amariglio, J. L. "An Introduction to Postmodernism, for Economics." In *Postmodern Moments in Modern Economics*. Princeton: Princeton University Press, 2002, pp. 1-54.
- Bugra, A. "Kriz ve Krize Tepkiler." In *Iktisatçılar ve İnsanlar*. Istanbul: Remzi Kitabevi, 1989, 175-217.

2. Knowledge/Class: Marxian Political Economy

Theories of class

- Resnick, S. R. and Wolff, R. D. *Knowledge and Class: A Marxian Critique of Political Economy* Chicago: University of Chicago Press, 1987.
Chapters 3 & 4: "A Marxian Theory of Classes" and "Class Analysis: A Marxian Theory of the Enterprise"
- Duménil, G. and Lévy, D. *The Crisis of Neoliberalism*. Cambridge, MA: Harvard University Press, 2011
Chapter 5 & 6: "The Managerial and Popular Classes" and "A Theoretical Framework"

Theories of crisis

- Resnick, S.R. "Class, Contradiction and the Capitalist Economy." In *Phases of Capitalist Development: Booms, Crises and Globalizations*. Edited by R. Albritton, M. Itoh, R. Westra, and A. Zuege. Basingstoke and New York: Palgrave, 2001, pp. 179-194.
- Ruccio, D. F. and Amariglio, J. L. "Capitalism, Socialism, and Marxian Economics." In *Postmodern Moments in Modern Economics*. Princeton: Princeton University Press, 2002, pp. 216-251.
- Adaman, F. and Madra, Y. M. "Capitalism(s) and Marxism(s): From Logic of Accumulation to Articulation of Modes of Production." In *Twentieth Century Marxism: A Global Introduction*. Edited by Daryl Glaser and David M. Walker. London and New York: Routledge, 2007, pp. 212-229.

3. Knowledge/Power: Governmentality And Performativity

Governmentality

Foucault, M. "Governmentality." In *The Foucault Effect: Studies in Governmentality*. Edited by G. Burchell, C. Gordon, and P. Miller. Chicago: Chicago University Press, 1991, pp. 87-104.

Gordon, C. "Government Rationality: An Introduction." In *The Foucault Effect: Studies in Governmentality*. Edited by G. Burchell, C. Gordon, and P. Miller. Chicago: Chicago University Press, 1991, pp. 1-53.

Performativity

MacKenzie, D., Muniesa, F., and Siu, L. "Introduction." In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, and L. Siu. Princeton: Princeton University Press, 2007, pp. 1-19

Callon, M. "What does it mean to say that economics is performative?" In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, and L. Siu. Princeton: Princeton University Press, 2007, pp. 311-357.

Science Studies

MacKenzie, D. "Ten Precepts for the Social Studies of Finance." In *Material markets: How Economic Agents Are Constructed?* Oxford: Oxford University Press, 2009, pp. 8-37.

Hacking, I. "How should we do the history of statistics?" In *The Foucault Effect: Studies in Governmentality*. Edited by G. Burchell, C. Gordon, and P. Miller. Chicago: Chicago University Press, 1991, pp. 181-195

Didier, E. "Do Statistics 'Perform' the Economy?" In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, L. Siu. Princeton: Princeton University Press, 2007, pp. 276-310.

Part II. Post-war Economies and Economics

4. From New Deal to Great Society

Out of The Great Depression

Duménil, G. and Lévy, D. *The Crisis of Neoliberalism*. Cambridge, MA: Harvard University Press, 2011. Chapter 21 & 22 "Eighty Years Later" (267-280) and "Policies and Politics of the New Deal" (281-293).

Varoufakis et al. "Convulsion: 1929 and its legacy." In *Modern Political Economics: Making Sense of the Post-2008 World*. London: Routledge, 2011, pp. 177-226.

Political economy of welfare state

Mitchell, T. "Fuel Economy." In *Carbon Democracy: Political Power in the Age of Oil*. London: Verso, 2011, pp. 109-143

Donzelot, J. "The Mobilization of Society." In *The Foucault Effect: Studies in Governmentality*. Edited by G. Burchell, C. Gordon, and P. Miller. Chicago: Chicago University Press, 1991, pp. 169-79.

Keynesian uncertainty

Ruccio, D. F. and Amariglio, J. L. "Knowledge, Uncertainty, and Keynesian Economics." In *Postmodern Moments in Modern Economics*. Princeton: Princeton University Press, 2002, pp. 55-91.

5. Cold War and the Crisis of the 1970s

Trajectories of crisis

Varoufakis et al. *Modern Political Economics: Making Sense of the Post-2008 World*. London: Routledge, 2011.

Chapter 8 & 11 “A fatal triumph: 2008’s ancestry in the stirrings of the Cold War.” (227-249) “From the *Global Plan* to a *Global Minotaur*” (303-42).

Mitchell, T. “The Crisis That Never Happened.” In *Carbon Democracy: Political Power in the Age of Oil*. London: Verso, 2011, pp. 173-99.

Trajectories of post-war neoclassicism

Arrow, K. “Some Developments in Economic Theory Since 1940: An Eyewitness Account.” *Annual Review of Economics* 1, 2009, pp. 1-16.

Mirowski, P. “Twelve Theses concerning the History of Postwar Neoclassical Price Theory.” *History of Political Economy* 38 (annual suppl.), 2006, pp. 343-79.

Ruccio, D. F. and Amariglio, J. L. “The Body and Neoclassical Economics.” In *Postmodern Moments in Modern Economics*. Princeton: Princeton University Press, 2002, pp. 92-136.

Mirowski, P. *Machine Dreams: Economics Becomes Cyborg Science*. Cambridge: Cambridge University Press, 2002.

Chapters 5 & 6: “Do Cyborgs Dream of Efficient Markets?” (232-308) and “The Empire Strikes Back” (309-435).

6. Neoliberal Counter-revolution of the 1980s: The Case of Reaganomics

Marxian analyses

Resnick, S. A. and Wolff, R. D. *New Directions in Marxian Theory*. London and New York: Routledge, 2006.

Chapters 15 & 17: “The Reagan-Bush Strategy: Shifting crises from enterprises to households” (309-329) and “Exploitation, consumption, and ‘the uniqueness of US capitalism’” (341-353).

Davis, M. In *Prisoners of the American Dream*. London: Verso, 1986.

Chapters 5 & 6: “The Political Economy of Late Imperial America,” (181-230) and “Reaganomics’ Magical Mystery Tour,” (231-255).

Reaganomics as NeoCon economics

Bartley, R. L. “The Dread Deficit.” In *The Neocon Reader*. Edited by Irwin Stelzer. New York: Grove Press, pp. 181-192.

Kristol, I. “A Conservative Welfare State.” In *The Neocon Reader*. Edited by Irwin Stelzer. New York: Grove Press, pp. 143-148.

Postfordism

Donzelot, J. “Pleasure in Work.” In *The Foucault Effect: Studies in Governmentality*. Edited by G. Burchell, C. Gordon, and P. Miller. Chicago: Chicago University Press, 1991, pp. 251-80.

Gibson-Graham, J.K. “Postfordism as politics.” In *The End of Capitalism (as we knew it): A Feminist Critique of Political Economy*. London: Blackwell, 1996, pp. 148-173.

Part III. The Crisis of 2008

7. Financialization

Macro-processes

Duménil, G. and Lévy, D. *The Crisis of Neoliberalism*. Cambridge, MA: Harvard University Press, 2011.

Parts IV and V. (101-170)

Rajan, R. *Fault Lines: How Hidden Fractures Still Threaten the Economy*. Princeton: Princeton University Press, 2010.

Chapters 1-3 “Let Them Eat Credit,” “Exporting to Grow,” and “Flighty Foreign Financing.”

Micro-processes

MacKenzie, D. “Derivatives: The Production of Virtuality.” In *Material markets: How Economic Agents Are Constructed?* Oxford: Oxford University Press, 2009, pp. 63-84.

Engelen et al. “Reconceptualizing financial innovation: frame, conjuncture and bricolage.” *Economy and Society* 39(1) 2010, pp. 33-63.

MacKenzie, D. “Is economics performative? Option theory and the construction of derivative markets?” In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, and L. Siu. Princeton: Princeton University Press, 2007, pp. 54-86.

Lapinay, V.-A. “Decoding finance: Articulation and liquidity around a trading room.” In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, and L. Siu. Princeton: Princeton University Press, 2007, pp. 87-127.

8. 2008 Crisis (Everyone will adopt one approach)

Marxian

Varoufakis et al. “Crash: 2008 and its legacy.” In *Modern Political Economics: Making Sense of the Post-2008 World*. London: Routledge, 2011, pp. 343-441.

Duménil, G. and Lévy, D. *The Crisis of Neoliberalism*. Cambridge, MA: Harvard University Press, 2011.
Parts VI and VII. (173-263)

New Keynesian

Rajan, R. *Fault Lines: How Hidden Fractures Still Threaten the Economy*. Princeton: Princeton University Press, 2010.
Chapters 4-7 “A Weak Safety Net,” “From Bubble to Bubble,” “When Money Is The Measure of All Worth,” and “Betting the Bank”

New Classical

Brunnermeier, M. K. “Deciphering the Liquidity and Credit Crunch 2007-2008.” *Journal of Economic Perspectives* 23 (1), pp. 77-100.

Post Keynesian

Crotty, J. “Structural causes of the global financial crisis: a critical assessment of the ‘new financial architecture.’” *Cambridge Journal of Economics* 33(4), 2009, pp. 563–580.

Lawson, T. “The current economic crisis: its nature and the course of academic economics.” *Cambridge Journal of Economics* 33(4), 2009, pp. 759-777.

Minskyian

Dymski, G. A. “Why the subprime crisis is different: a Minskyian approach.” *Cambridge Journal of Economics* 34(2), 2010, pp. 239-255.

Weise, C. and Barbera, R. “Minsky meets Wicksell: Using the Wicksellian model to understand the Twenty-First Century Business Cycle.” In *Macroeconomic Theory and Macroeconomic Pedagogy*. Edited by G. Fontana and M Setterfield. Basingstoke and New York: Palgrave Macmillan, 2009, pp. xx-xx.

Austrian

- Prychitko, D. L. "Competing explanation of the Minsky moment: The financial instability hypothesis in light of Austrian theory." *Review of Austrian Economics*, 23, 2010, pp. 199-221.
- Horwitz, S. "Theory, History, and the Great Recession." Unpublished mimeo, 2010.

9. Understanding the scope and depth of neoliberal hegemony

Enduring Hegemony of Neoliberalism

- Hall, S. "The March of the Neoliberals." *The Guardian*, September 12, 2011.
<http://www.guardian.co.uk/politics/2011/sep/12/march-of-the-neoliberals>
- Hall, S. "The Neoliberal Revolution." *Soundings*, 48, 2011, pp. 9-27.
- Hall, S. and D. Massey. "Interpreting the Crisis." *Soundings*, 44, 2010, pp. 57-71.

Biopolitical Control

- Deleuze, G. "Postscript on the Societies of Control." *October*, no. 59, 1992, pp. 3-7.
<http://www.n5m.org/n5m2/media/texts/deleuze.htm>
- Hardt, M., and A. Negri. "Biopolitical Production." In *Empire*. Cambridge and London: Harvard University Press, 2000, pp. 22-41.
- Lucarelli, S. "Financialization as Biopower." In *Crisis in the Global Economy: Financial Markets, Social Struggles and New Political Scenarios*. Edited by Andrea Fumagalli and Sandro Mezzadra. Translated by Jason Francis Mc Gimsey. Los Angeles: Semiotext(e), 2010, pp. 119-138.
- Lemke, T. "'The birth of biopolitics': Michel Foucault's lecture at the Collège de France on neo-liberal governmentality" *Economy and Society* 30(2), 2001, pp. 190-207.
- Brown, W. "Neoliberalism and the end of Liberal Democracy." In *Edgework. Critical Essays on Knowledge and Politics*. Princeton and Oxford: Princeton University Press, 2005, pp. 37-59.

Administration of Enjoyment

- McGowan, T. *The End of Dissatisfaction: Jacques Lacan and the Emerging Society of Enjoyment*. New York: SUNY Press, 2003, pp. 1-57; 191-196.
- Madra, Y. M., and Özselçuk, C. "Jouissance and Antagonism in the Forms of the Commune: A Critique of Biopolitical Subjectivity." *Rethinking Marxism* 22(3), 2010, pp. 481-97.
- Özselçuk, C., and Madra, Y. M. "Enjoyment as an Economic Factor: Reading Marx with Lacan." *Subjectivity* 3(3), 2010, pp. 323-47.

Part IV. Whither Economics?

10. Is there a crisis of neoliberalism in economics?

- Madra Y. M. and Adaman F. "Neoliberal reason and its firms: De-politicisation through economisation." Unpublished manuscript.
- Varoufakis et al. "A most peculiar failure." In *Modern Political Economics: Making Sense of the Post-2008 World*. London: Routledge, 2011, pp. 250-288.
- DeMartino, G. "The Economic Crisis and the Crisis in Economics." In *Consequences of Economic Downturn: Beyond the Usual Economics*. Edited by M. Starr. Basingstoke and New York: Palgrave Macmillan, 2011, pp. 25-44.
- Mitchell, T. "The properties of markets." In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, and L. Siu. Princeton: Princeton University Press, 2007, pp. 244-275.
- Fine, B. "The Economics of Identity and the Identity of Economics." *Cambridge Journal of Economics* 33 (2), 2009, pp. 175-191.

11. Is it possible to design and implement markets-to-demand?

Mechanism Design Theory

- Lee, K. S. "Mechanism Design Theory Embodying an Algorithm-Centered Vision of Markets/Organizations/Institutions" *History of Political Economy* 38 (annual suppl.), 2006, pp. 283-304.
- Mirowski, P. "Machines Who Think versus Machines That Sell." In *Machine Dreams: Economics Becomes Cyborg Science*. Cambridge: Cambridge University Press, 2002, pp. 517-74.
- Sunder, S. "Economic Theory: Structural Abstraction or Behavioral Reduction?" *History of Political Economy* 38 (annual suppl.), 2006, pp. 322-42.
- Bardhan, P. and Roemer, J. "Market Socialism: A Case for Rejuvenation." *Journal of Economic Perspectives* 6(3), 1992, pp. 101-116.

Mechanism Design Practice

- MacKenzie, D. "Constructing Emission Markets." In *Material Markets: How Economic Agents Are Constructed?* Oxford: Oxford University Press, 2009, pp. 137-76.
- Mirowski, P. and Nik-Khah, E. "Markets made flesh: Performativity and a problem in Science Studies, augmented with consideration of the FCC Auctions." In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, and L. Siu. Princeton: Princeton University Press, 2007, pp. 190-224.

Epistemology of Planning

- Ruccio, D. F. "Essentialism and socialist economic planning: A methodological critique of optimal planning theory." In *Development and Globalization: A Marxian Class Analysis*. New York: Routledge, 2011, pp. 23-44.

Regulation?

- Rajan, R. *Fault Lines: How Hidden Fractures Still Threaten the Economy*. Princeton: Princeton University Press, 2010.
Chapters 8-10 "Reforming Finance," "Improving Access to Opportunity in America," and "The Fable of the Bees Replayed"
- Williams, J. W. "Envisioning financial disorder: financial surveillance and the securities industry." *Economy and Society* 38(3), 2009, pp. 460-491.

12. Does the future of economics lie in behavioral economics?

In defence

- Gintis, H. "Five Principles for the Unification of the Behavioral Sciences." Unpublished mimeo. May 13, 2008. <http://www.umass.edu/preferen/gintis/NewUnity.pdf>
- Bowles, S. and Gintis, H. "*Homo Economicus* and *Zoon Politikon*: Behavioral Game Theory and Political Behavior." Unpublished mimeo. October 26, 2004.
<http://www.umass.edu/preferen/gintis/Homo%20Economicus%20and%20Zoon%20Politikon.pdf>
- Bowles, S., & Hwang, S-H. "Social preferences and public economics: Mechanism design when social preferences depend on incentives." *Journal of Public Economics* 92(8-9), 2008, pp. 1811-20.

Critical assessments

- Mirowski, P. "Core Wars." In *Machine Dreams: Economics Becomes Cyborg Science*. Cambridge: Cambridge University Press, 2002, pp. 437-516.
- Guala, F. "How to do things with experimental economics." In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, and L. Siu. Princeton: Princeton University Press, 2007, pp. 128-162.

Muniesa, F. and Callon, M. "Economic experiments and the construction of markets." In *Do Economists Make Markets? On the Performativity of Economics*. Edited by D. MacKenzie, F. Muniesa, and L. Siu. Princeton: Princeton University Press, 2007, pp. 163-189.

Santos, A. "Behavioural and experimental economics: are they really transforming economics?" *Cambridge Journal of Economics* 35(4), 2011, pp. 705-728.