

Course Instructor: Benjamin Lozano  
Course Time: Tue/Thurs 6:00-7:45  
Course Assistant: Peter Towbin  
Course Room: Phys. Sci. 130  
Off. Hrs: TH 2:30-3:30pm  
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## ***POLI-139***

# ***Market Crisis & the Future of Capitalism***

### Introduction

This course examines the development and role of late 20<sup>th</sup> and early 21<sup>st</sup> century financial technologies in modern market crises. A rigorous approach to this topic requires an overview of financial markets (securities, OTC and exchange-traded derivatives), modern finance theory (portfolio theory, capital asset and options pricing models), related regulatory institutions (SEC, CFTC, FDIC, etc.), and an inquiry into what, if any, are their role in recent national and global financial crises. Why are there financial crises? What is the relation of financial technologies to financial crisis? What is the relation of human behavior to financial crisis? What is the future of market capitalism?

### General Trajectory of the Course

The general trajectory of the course will roughly proceed as follows:

*Week 1* will introduce our course objectives and begin to consider human behavior in institutions under conditions of risk and uncertainty. *Week 2* will establish a historical counterpoint to recent financial crisis by observing the 1929 stock market crash, and the regulatory institutions that developed in its aftermath. *Week 3* will establish some theoretical coordinates for analyzing financial markets, institutions, and technologies. Weeks 4-5 will examine financial technologies in more depth. Submission of the midterm essay (footnotes required) will follow.

*Week 6-7* will examine the 2008 financial crisis and the technologies involved therein. *Weeks 8-10* will begin to put our knowledge to work, as we theorize financial technologies and the future financialization of market capitalism. Submission of the final essay (footnotes required) and an open-note bluebook exam will bring the course to a close.

### Goal of the Course

This course serves as an introductory undergraduate course for the *Bruce Initiative on Rethinking Capitalism* (<http://www.rethinkingcapitalism.org>). This course aims to transcend the traditional and often unhelpful distinction between “conservative” and “progressive”, or “right-wing” vs. “left-wing” perspectives on finance and market capitalism, and in this respect seeks to pursue its object of analysis in much the same way a scientist would proceed –coolly, tentatively, perspicaciously, analytically, and relatively unencumbered by a specific political disposition. Students in this course are asked to bracket their personal *views* and *opinions* on finance, financial technologies, and market capitalism, upon entering the classroom each day *so that we might better learn about and discuss them*. Careful attention to the themes of this course, as well as maintaining an open, contemplative, and analytical disposition, will result in a historically and theoretically informed understanding of market crisis & the future of capitalism.

### Course Requirements

- A. Students are invited to attend all classes, arriving prepared to discuss the readings for that day – there are roughly 150 pages of reading each week.
- B. The grade breakdown is as follows: (1) Midterm Essay (5 pg) 20% (2) Final Essay (12 pg) 30% (3) Participation 20% (4) Final Exam 30%
- C. Miscellaneous: Consistent with the University’s Academic Integrity Policy, academic dishonesty will not be tolerated. Any infraction may be reported to the UC Academic Integrity Program for further investigation, and could result in disciplinary action. Those who are unclear of University policy on academic dishonesty are directed to the following sites:

[http://www.ucsc.edu/academics/academic\\_integrity/undergraduate\\_students/#process](http://www.ucsc.edu/academics/academic_integrity/undergraduate_students/#process)  
<http://library.ucsc.edu/science/instruction/CitingSources.pdf>

### Required Texts

Dave Kansas, *Wall Street Journal Complete Money & Investing Guidebook*, Three Rivers Press, 2005  
John Kenneth Galbraith, *The Great Crash: 1929*, Houghton Mifflin Company, 1954  
Burton Malkiel, *A Random Walk Down Wall Street*, WW Norton & Company, 2007  
Perry Mehrling, *Fischer Black and the Revolutionary Idea of Finance*, John Wiley & Sons, 2005  
Gillian Tett, *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*, Free Press, 2009  
George Akerlof & Robert Shiller, *Animal Spirits: How Human Psychology Drives the Economy and Why it Matters for Global Capitalism*, Princeton University Press, 2009  
Sigmund Freud, *Beyond the Pleasure Principle*, WW Norton, 1961  
-- *Group Psychology and the Analysis of the Ego*, WW Norton 1959  
Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, Routledge, 1992  
All other articles are found online (URL or \*) or through the ecommons course site

### Recommended Texts

John Kenneth Galbraith, *A Short History of Financial Euphoria*, Penguin Books, 1993  
Charles Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crisis*, Basic Books, 1979  
Joel Seligman, *The Transformation of Wall Street: A History of the Securities and Exchange Commission and Modern Corporate Finance*, Houghton Mifflin Co. 1982  
Meghnad Desai, *Marx's Revenge: The Resurgence of Capitalism & the Death of Statist Socialism*, Verso, 2002  
Simon Clarke, *Marx's Theory of Crisis*, St. Martin's Press, 1994  
Alfred Steinherr, *Derivatives: The Wild Beast of Finance*, John Wiley & Sons, 2000  
Raghuran Rajan, *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, Princeton University Press, 2010  
Nouriel Roubini and Stephen Mihm, *Crisis Economics: A Crash Course in the Future of Finance*, Penguin Press, 2010  
A. Shleifer, *Inefficient Markets: An Introduction to Behavioral Finance*, Oxford Univ. Press, 2000  
Robert Shiller, *Irrational Exuberance*, Princeton University Press, 2005

### Websites

Bruce Initiative on Rethinking Capitalism <http://www.rethinkingcapitalism.org>  
Securities & Exchange Commission <http://www.sec.gov>  
National Association of Securities Dealers <http://www.nasdaq.com>  
Commodity Futures Trade Commission <http://www.cftc.gov>  
CME Group <http://www.cmegroup.com/>  
Museum of American Finance <http://www.financialhistory.org>  
New York Stock Exchange <http://www.nyse.com>  
NASDAQ <http://www.nasdaq.com/>  
Market Watch <http://www.marketwatch.com>  
The Wall Street Journal <http://www.wsj.com>  
The Financial Times <http://www.ft.com/home/us>  
US Treasury Department <http://www.ustreas.gov>  
Federal Reserve <http://www.federalreserve.gov>  
Standard & Poor's <http://www.standardandpoors.com/home/en/us>  
US Bureau of Labor and Statistics <http://bls.gov>  
National Bureau of Economic Research <http://www.nber.org>  
Bank for International Settlements <http://www.bis.org/>  
International Swaps and Derivatives Association <http://www.isda.org/>  
Marxists Internet Archive <http://www.marxists.org>

# Schedule

## I. Introduction

### **A. 1/04-1/06. Preface**

#### Required

Peter Bernstein, "Introduction" to *Against the Gods: The Remarkable Story of Risk*, John Wiley & Sons, 1996 (pg. 1-8) (e)

Robert Shiller, *Irrational Exuberance*, Doubleday, 2006, Ch. 1-2 (e)

Karl Marx, "Letter to Ruge", September 1843

[http://www.marxists.org/archive/marx/works/1843/letters/43\\_09.htm](http://www.marxists.org/archive/marx/works/1843/letters/43_09.htm)

*Mahabharata*, "Story of Nala & Damayanti" Parts I-III

[http://www.mahabharataonline.com/stories/mahabharata\\_stories.php](http://www.mahabharataonline.com/stories/mahabharata_stories.php)

*The Book of Job* [http://etext.virginia.edu/etcbin/toccer-](http://etext.virginia.edu/etcbin/toccer-new2?id=KjvBJob.sgm&images=images/modeng&data=/texts/english/modeng/parsed&tag=public&part=all)

[new2?id=KjvBJob.sgm&images=images/modeng&data=/texts/english/modeng/parsed&tag=public&part=all](http://etext.virginia.edu/etcbin/toccer-new2?id=KjvBJob.sgm&images=images/modeng&data=/texts/english/modeng/parsed&tag=public&part=all)

*The Book of Genesis*, chapters 37-42, <http://www.bartleby.com/108/01/>

*The Wall Street Journal Complete Money & Investing Guidebook*, Dave Kansas, Three Rivers Press, 2005, Chapters 1-5, 8-9

#### Recommended

Ian Hacking, *The Emergence of Probability*, Cambridge University Press, 1975 (1-48) (e)

Alain Badiou, *Number and Numbers*, Polity Press, 2008 (1-4, 211-214) (e)

John Kenneth Galbraith, *A Short History of Financial Euphoria*, Penguin Books, 1993 (e)

Alex Berenson, *The Number: How the Drive for Quarterly Earnings Corrupted Wall Street and Corporate America*, Random House, 2003

Charles Mackay, *Extraordinary Popular Delusions and the Madness of Crowds*, Farrar, Straus and Giroux, 1841

#### Itinerary

1/04. Introduction to the Course

1/06. Numbers, Crisis, Risk: An Introduction to Financial Markets

### **B. 1/11-1/13. Historical Counterpoint: The Event of 1929**

#### Required

John Kenneth Galbraith, *The Great Crash: 1929*, Houghton Mifflin Company, 1954

Charles Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crisis*, Basic Books, 1979 (14-51) (e)

*The New York Times*, "Glass Steagall Act of 1933"

[http://topics.nytimes.com/topics/reference/timestopics/subjects/g/glass\\_steagall\\_act\\_1933/index.html](http://topics.nytimes.com/topics/reference/timestopics/subjects/g/glass_steagall_act_1933/index.html)

#### Recommended

Joel Seligman, *The Transformation of Wall Street, A History of the Securities and Exchange Commission and Modern Corporate Finance*, Aspen Publishers, 2003 (1-100)

Securities Act of 1933 <http://www.sec.gov/about/laws/sa33.pdf>

Securities Exchange Act (1934) <http://www.sec.gov/about/laws/sea34.pdf> (skim)

*Securities and Exchange Commission* "Release No. 66", December 21<sup>st</sup> 1934

[http://co403731.cdn.cloudfiles.rackspacecloud.com/collection/papers/1930/1934\\_12\\_21\\_SEC\\_Release.pdf](http://co403731.cdn.cloudfiles.rackspacecloud.com/collection/papers/1930/1934_12_21_SEC_Release.pdf)

Commodity Exchange Act (1936) [http://www.law.cornell.edu/uscode/7/usc\\_sup\\_01\\_7\\_10\\_1.html](http://www.law.cornell.edu/uscode/7/usc_sup_01_7_10_1.html)

Hyman Minsky, "Financial Stability Revisited: The Economics of Disaster, in Board of Governors of the Federal Reserve System, *Reappraisal of the Federal Reserve Discount Mechanism*, June 1972

[http://fraser.stlouisfed.org/historicaldocs/dismech/download/59037/fininst\\_minsky.pdf](http://fraser.stlouisfed.org/historicaldocs/dismech/download/59037/fininst_minsky.pdf)

PBS Frontline, "The Long Demise of Glass-Steagall"

<http://www.pbs.org/wgbh/pages/frontline/shows/wallstreet/weill/demise.html>

### Itinerary

1/11. The 1929 Stock Market Crash

1/13. Aftermath of the Event of 1929

## **II. Technologies**

### **A. 1/18-1/20. Market Crisis: Conceptual Foundations**

#### Required

Martin Nicolaus Forward to Karl Marx, *The Grundrisse: Foundations of the Critique of Political Economy*, Random House, 1857-1861 (7-66) (e)

Karl Marx, *Grundrisse: Foundations of the Critique of Political Economy*, Introduction (aka Notebook M), <http://www.marxists.org/archive/marx/works/1857/grundrisse/>

-- *Capital* Vol. I, Chapter 1-3, <http://www.marxists.org/archive/marx/works/1867-c1/cho1.htm>

Meghnad Desai, *Marx's Revenge: The Resurgence of Capitalism and the Death of Statist Socialism*, Verso, 2002 (36-103, 199-315) (e)

Simon Clarke, *Marx's Theory of Crisis*, St Martin's Press, 1994 (e)

#### Recommended

Karl Marx, "Economic and Philosophic Manuscripts of 1844"

<http://www.marxists.org/archive/marx/works/1844/manuscripts/preface.htm>

Karl Marx & Friedrich Engels, *The German Ideology*,

<http://www.marxists.org/archive/marx/works/1845/german-ideology/>

Karl Marx, *The Communist Manifesto*

<http://www.marxists.org/archive/marx/works/1848/communist-manifesto/>

Karl Marx, "Crisis Theory", (Ch. XVII) in *Theories of Surplus Value*,

<http://www.marxists.org/archive/marx/works/1863/theories-surplus-value/ch17.htm> Karl Raddatz,

*Karl Marx: A Political Biography*, Little, Brown & Company, 1978

Samezō Kuruma, "An Overview of Marx's Theory of Crisis", *Journal of the Ohara Institute for Social Research*, 1936 <http://www.marxists.org/archive/kuruma/crisis-overview.htm>

Adam Smith, *The Wealth of Nations*, The Modern Library, 2000

Syed Ahmad, Adam Smith's four invisible hands *History of Political Economy* 22: 1, 1990,

<http://hope.dukejournals.org.oca.ucsc.edu/cgi/reprint/22/1/137>

### Itinerary

1/18. Crisis Theory (part I)

1/20. Crisis Theory (part II)

### **B. 1/25-1/27. Efficient Markets and the Foundations of Finance**

#### Required

Harry Roberts, "Stock Market Patterns and Financial Analysis: Methodological Suggestions", *The Journal of Finance* 14 (No.1, March): 1-10, 1959\*

Eugene Fama, "Random Walks in Stock Market Prices", *Financial Analysts Journal*, Vol. 21, No5 (Sept-Oct, 1965)\*

Fischer Black, "Implications of the Random Walk Hypothesis for Portfolio Management", *Financial Analysts Journal* 27 (No.2, March/April 1971): 16-22\*

Burton Malkiel, *A Random Walk Down Wall Street*, WW Norton & Company, 2007 pg. 23-125

Harry Markowitz, "Portfolio Selection", *The Journal of Finance*, Vol. 7 No.1 (Mar. 1952) pg. 77-91\*

Peter Bernstein, *Against the Gods: The Remarkable Story of Risk*, John Wiley & Sons, 1996 (pg. 247-266) (e)

Lorie Dodd, Kimpton, *The Stock Market: Theories and Evidence*, Dow Jones-Irwin, 1985 (108-153) (e)

*The Economist*, "A Brief History of Derivatives", February 10<sup>th</sup> 1996\*

## Recommended

- Burton G. Malkiel, "The Efficient Market Hypothesis and Its Critics", *The Journal of Economic Perspectives*, Vol. 17, No. 1 (Winter, 2003), pp. 59-82\*
- Eugene Fama, "The Behavior of Stock-Market Prices", *The Journal of Business*, Vol. 38, No. 1 (Jan., 1965), pp. 34-105\*
- Eugene Fama, "Efficient Capital Markets: A Review of Theory and Empirical Work", *The Journal of Finance*, Vol. 25, No. 2, December, 28-30, 1969 (May, 1970), pp. 383-417\*
- Eugene F. Fama, "Efficient Capital Markets: II", *The Journal of Finance*, Vol. 46, No. 5 (Dec., 1991), pp. 1575-1617\*
- Irving Fischer, *The Theory of Interest as Determined by Impatience to Spend Income and Opportunity to Invest It*, Macmillan, 1930
- Harry Markowitz, "The Early History of Portfolio Theory: 1600-1960", *Financial Analysts Journal*, Vol. 55, No. 4 (Jul. - Aug., 1999), pp. 5-16
- Harry Markowitz, *Portfolio Selection: Efficient Diversification of Investments*, John Wiley & Sons 1959

## Itinerary

1/25. Efficient Markets & Random Walks

1/27. The Modern Financial Turn: Portfolio Diversification and an Introduction to Derivatives

## **C. 2/01-2/03. Finance Theory**

### **1. Origins: CAPM, Black-Scholes and More**

#### Required

- Burton Malkiel, *A Random Walk Down Wall Street*, WW Norton & Company, 1996 pg. 179-215
- P. Mehrling, *Fischer Black and the Revolutionary Idea of Finance*, John Wiley & Sons, 2005 pg. 1-98

#### Recommended

- John Lintner, "Security Prices, Risk, and Maximal Gains From Diversification", *The Journal of Finance*, Vol. 20, No. 4 (Dec., 1965), pp. 587-615\*
- William F. Sharpe, "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk", *The Journal of Finance*, Vol. 19, No. 3 (Sep., 1964), pp. 425-442\*
- <http://www.jstor.org/oca.ucsc.edu/stable/2977928>
- Michael Jensen, "Capital Markets: Theory and Evidence", *Bell Journal of Economics and Management Science*, Autumn, 1972\*
- Jack L. Treynor and Fischer Black, "How to Use Security Analysis to Improve Portfolio Selection", *The Journal of Business*, Vol. 46, No. 1 (Jan., 1973), pp. 66-86\*

### **2. Technologies: CAPM, Black-Scholes, and More**

#### Required

- Fischer Black and Myron Scholes, "The Pricing of Options and Corporate Liabilities", *The Journal of Political Economy*, Vol. 81, No. 3. (May - Jun., 1973), pp. 637-654
- <http://www.jstor.org/oca.ucsc.edu/stable/1831029>
- Myron Scholes, "Derivatives in a Dynamic Environment", *The American Economic Review*, Vol. 88 No.3, June 1998, pg. 350-370\*
- P. Mehrling, *Fischer Black and the Revolutionary Idea of Finance*, John Wiley & Sons, 2005 (99-165)
- The Economist*, "The Nobel Prize for Economics: The Right Option", Oct. 18<sup>th</sup> 1997\*

#### Recommended

- CRS Report, The Graham Leach Bliley Act: An Overview, December 16<sup>th</sup> 1999, <http://epic.org/privacy/glba/RL30375.pdf>
- CRS Report, The Commodity Futures Modernization Act, February 3<sup>rd</sup> 2003, <http://digital.library.unt.edu/ark:/67531/metacrs9288/m1/>
- Report of The President's Working Group on Financial Markets, *Over-the-Counter Derivatives Markets and the Commodity Exchange Act*, November 1999 <http://www.ustreas.gov/press/releases/reports/otcact.pdf>

Robert C. Merton, "Theory of Rational Option Pricing", *The Bell Journal of Economics and Management Science*, Vol. 4, No. 1 (Spring, 1973), pp. 141-183

<http://www.jstor.org/oca.ucsc.edu/stable/3003143>

Robert Merton and Myron Scholes, "Fischer Black", *The Journal of Finance*, Vol. 50, No. 5 (Dec., 1995), pp. 1359-1370\*

Graham Leach Bliley Act (1999) <http://www.gpo.gov/fdsys/pkg/PLAW-106publ02/content-detail.html>

*The Commodity Futures Modernization Act* (2000)

<http://www.cftc.gov/ucm/groups/public/@lrrulesandstatutoryauthority/documents/file/ogchr566o.pdf>

Perry Mehrling, "Economists and the Fed: Beginnings", *The Journal of Economic Perspectives*, Vol. 16, No. 4 (Autumn, 2002), pp. 207-218\*

Fischer Black, "How We Came Up with the Option Formula", *Journal of Portfolio Management*, Winter 1989 15(2) pg. 4-8 (e)

#### Itinerary

2/01. Risk in Time: CAPM, Black-Scholes, and more (part I)

2/03. Risk in Time: CAPM, Black-Scholes and more (part II)

## ***Midterm Essay Due in class 2/08***

### **III. The 2008 Financial Crisis**

#### **A. 2/08-2/10. Historical & Conceptual Backdrop to the Event of 2008**

##### Required

John Lanchester, "How Money Went Postmodern", *The New Yorker*, November 10<sup>th</sup> 2008 (80-84)

[http://www.newyorker.com/arts/critics/atlarge/2008/11/10/081110crat\\_atlarge\\_lanchester](http://www.newyorker.com/arts/critics/atlarge/2008/11/10/081110crat_atlarge_lanchester) John

Mackenzie and Tett, "Frozen in Time", *The Financial Times*, June 16<sup>th</sup> 2010,

[http://www.ft.com/cms/s/0/bf3fd548-78b6-11df-a312-00144feabdco.dwp\\_uuid=b323d604-11d6-11dd-9b49-0000779fd2ac.html#axzz187cNUDLB](http://www.ft.com/cms/s/0/bf3fd548-78b6-11df-a312-00144feabdco.dwp_uuid=b323d604-11d6-11dd-9b49-0000779fd2ac.html#axzz187cNUDLB)

John Cassidy, "What Good is Wall Street?", *The New Yorker*, Nov. 29<sup>th</sup> 2010,

[http://www.newyorker.com/reporting/2010/11/29/101129fa\\_fact\\_cassidy](http://www.newyorker.com/reporting/2010/11/29/101129fa_fact_cassidy)

##### Recommended

GAO Report, "Financial Derivatives: Actions Needed to Protect the Financial System", May 1994

<http://archive.gao.gov/t2pbat3/151647.pdf>

Merton Miller, *Merton Miller on Derivatives*, John Wiley & Sons, 1997 (e)

Global Derivatives Study Group (aka "Group of 30"), *Derivatives: Practices & Principles*, July 1993

Fischer Black, "How to Use Holes in Black-Scholes", *Journal of Applied Corporate Finance*, Winter 78-83, 1989 (e)

##### Itinerary

2/08. Video: *Frontline: The Warning* (2009)

2/10. Video: *American Casino*, Leslie and Andrew Cockburn (2009)

#### **B. 2/15-2/22. The Event of 2008: Subprime Loans, Swaps, SIV's, and Other Technologies**

##### Required

CRS Report, "Causes of the Financial Crisis", January 29<sup>th</sup> 2009 (1-10)

[http://assets.opencrs.com/rpts/R40173\\_20090129.pdf](http://assets.opencrs.com/rpts/R40173_20090129.pdf)

Gillian Tett, *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*, Free Press, 2009

Roger Alcaly, "How they Killed the Economy", NYRB, March 25<sup>th</sup> 2010\*

"Swaps Come Under Fire: U.S. Regulators, European Leaders Seek More Oversight on Trades in Derivatives", *Wall Street Journal*, March 10<sup>th</sup> 2010 (e)

## Recommended

James B. Stewart, "A Reporter at Large, Eight Days: The Battle to Save America's Financial System," *The New Yorker*, September 21, 2009\*

CRS Report, "Containing Financial Crisis", November 24<sup>th</sup> 2008

<http://www.fas.org/sgp/crs/misc/RL34412.pdf>

Jeffrey Friedman and reply by Jeff Madrick, "What Caused the Financial Collapse: An Exchange", *NYRB*, Vol. 57 No.1, January 14<sup>th</sup> 2010\*

*Emergency Economic Stabilization Act* (2008) [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110\\_cong\\_bills&docid=f:h1424enr.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h1424enr.txt.pdf)

*Report to Congress Pursuant to Section 102 of the Emergency Economic Stabilization Act*, 12/1/2008

<http://www.financialstability.gov/docs/AGP/sec102ReportToCongress.pdf>

"The Minds behind the Meltdown", Scott Patterson, *The Wall Street Journal*, January 22<sup>nd</sup> 2010\*

*Financial Crisis Inquiry Commission Hearing*, "Causes of the 2008 Financial Collapse", C-Span2, January 13<sup>th</sup> 2010, <http://www.c-spanvideo.org/program/id/217960>

Paul M. Barrett, "Rewriting the Rules" (book review of Gillian Tett's *Fool's Gold*), *NY Times Book Review*, June 12, 2009 <http://www.nytimes.com/2009/06/14/books/review/Barrett-t.html>

## Itinerary

2/15. From Housing & Subprime Loans to Financial Crisis

2/17. From Derivatives & Securitization to Financial Crisis

2/22. From Financial Crisis to Liquidity Freeze

## **IV. Theory**

### **A. 2/24-3/01. Behavioralism**

#### Required

George Akerlof & Robert Shiller, *Animal Spirits: How Human Psychology Drives the Economy and Why it Matters for Global Capitalism*, Princeton University Press, 2009

#### Recommended

D. Kahneman & A. Tversky, "Prospect Theory: An Analysis of Decision under Risk", *Econometrica* 47(2):263-9, 1979 <http://www.jstor.org/oca.ucsc.edu/stable/1914185>

A. Shleifer, *Inefficient Markets: An Introduction to Behavioral Finance*, Oxford Univ. Press, 2000 (e)

Kahneman, Slovic, Tversky, *Judgment Under Uncertainty: Heuristics and Biases*, Cambridge University Press, 1982 (e)

Robert Shiller, *Irrational Exuberance*, Doubleday, 2006 (e)

Fischer Black, "Noise", *The Journal of Finance*, Vol. 41, No. 3, Papers and Proceedings of the Forty-Fourth Annual Meeting of the American Finance Association, New York, New York, December 28-30, 1985 (Jul., 1986), pp. 529-543\*

Rene Descartes, *Treatise of Man*, Prometheus Books, 2003

#### Itinerary

2/24. Animal Spirits (Part I of II)

3/01. Animal Spirits (Part II of II)

### **B. 3/01-3/03. Theology**

#### Required

Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, Routledge, 1992

"US Citizens Spend More than They Earn", *The Financial Times*, May 5<sup>th</sup> 2010,

<http://www.ft.com/cms/s/0/d13b5452-57dc-11df-855b-00144feab49a.html>

J. Silver-Greenberg, "Boom in Debt Buying Fuels Another Boom -in Lawsuits", *Wall Street Journal*, Nov. 29<sup>th</sup> 2010, <http://online.wsj.com/article/SB10001424052702304510704575562212919179410.html>

Bill Maurer, "Repressed Futures: Financial Derivatives' Theological Unconscious", *Economy and Society*, Vol. 31, No. 1, February 2002: 15-36

Carl Schmitt, *Political Theology: 4 Chapters on the Concept of Sovereignty*, Univ. of Chicago Press, 1985 (selections) (e)

Itinerary

- 3/01. Economics and Theology (Part I of II)  
3/03. Economics and Theology (Part II of II)

**C. 3/08-3/10. Further Methodology outside the Lines**

Required

- Sigmund Freud, *Beyond the Pleasure Principle*, WW Norton 1961  
-- *Group Psychology and the Analysis of the Ego*, WW Norton 1959  
Jean Laplanche, "The Unfinished Copernican Revolution" (e)  
--- "Brief Note on Afterwardsness" (e)  
Quentin Meillassoux, "Time Without Becoming", May 2008  
[http://speculativeheresy.files.wordpress.com/2008/07/3729-time\\_without\\_becoming.pdf](http://speculativeheresy.files.wordpress.com/2008/07/3729-time_without_becoming.pdf)  
-- "Contingency and the Absolutization of the One" (\*)  
-- "Potentiality & Virtuality", in *Collapse Vol. II: Speculative Realism*, Robin McKay (ed.), Urbanomic, <http://www.urbanomic.com/>  
Bryan, Martin, Rafferty, "Financialization and Marx: Giving Labor and Capital a Financial Makeover", *Review of Radical Political Economics*, Vol. XX, No. X, Season XXXX (e)

Recommended

- Sigmund Freud, "Anxiety", in *Introductory Lectures on Psychoanalysis*, WW Norton 1966 (e)  
Alain Badiou, *Being and Event*, Continuum Books, 2005 (selections) (e)

Itinerary

- 3/08. Towards a Theory of the Financial Object & Subject  
3/10. Crisis Theory Revisited

***Final Exam: 12-3pm Friday March 18<sup>th</sup> 2011***  
***Final Essay due on Friday March 18<sup>th</sup> 2011***  
***No late essays will be accepted.***