

Political Science 101: the Politics of Debt

Northwestern University
Winter 2018
Tuesday and Thursday 9:30-10:50am
University Library 4722

Prof. Stephen Nelson

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Brief Course Overview

It is reasonable to assume that most of us owe (or will at some point owe) money to creditors from whom we've borrowed funds. Debt is pervasive in the United States: many people have outstanding debts in the form of student loans, credit card bills, open lines of credit with banks, or home mortgages. The U.S. government has also built up an impressively large debt load over the past sixty years (currently topping \$13 trillion). But while debt touches most people's lives in some fashion, the complex history and politics of modern debtor-lender relations remains, for most, essentially unknown territory. The central purpose of this course, then, is to deepen our understanding of how we got to this point. How did debt – both private and public – swell to current levels? How were markets for debt built? What were the politics of some key turning points in the history of debt? How did differences in the terms of access to credit produce and reinforce social inequalities? When do debt markets break down and how do societies recover from debt crises? Under what conditions are debts honored and when can (and should) debt contracts be repudiated?

This writing-intensive seminar covers six topics. In the first part of the course, we will discuss debt as a concept and explore the economic, political, and social foundations upon which modern debt markets were built. We will also discuss how debt markets reflect and exacerbate social inequalities. The orientation of this section of the course is historical, and we focus mainly on the case of the United States. Next, we move to the “financialization” of the economy and the fragility of financial markets that are heavily debt-dependent. In the third section we investigate the origins of the Eurozone debt crisis and engage the debate over austerity as a policy response to sovereign debt problems. The fourth topic moves away from the Eurozone and toward a more general discussion of sovereign indebtedness, repayment, and what happens when states cannot pay back their debts and international bailout programs, typically orchestrated by the International Monetary Fund (IMF), must be arranged. In the fifth topic we turn to arguments for and against debt forgiveness. In the final topic we look at the toxic political legacy of debt buildups and collapses.

While this course is led by a political scientist and is offered as part of the political science department's curriculum, the work that we will discuss comes from a wide range of disciplines –

we'll read work by anthropologists, economists, historians, lawyers, journalists, and sociologists (in addition to political scientists). The readings are intended to show us new evidence and new ways of thinking about this important but often poorly understood topic. My hope is that the selections will both help you think more deeply and more critically about these issues and, more importantly, will (along with our seminar discussions) generate interesting research *questions* that you can investigate in your papers.

Goals of the Course

By the end of this course students will:

- Deepen their understanding of the political history of markets for debt
- Better understand how legal and social inequalities govern access to credit
- Work with different theoretical perspectives on finance and debt market regulation
- Delve into the details of the 2008 crisis in the American financial system and the ongoing sovereign debt crisis in the Eurozone countries
- Improve their abilities to use analytical frameworks and empirical evidence when talking and writing about important debates in this issue area
- Sharpen their social scientific writing skills

Course Requirements and Grading

The weighting of the course requirements is as follows:

- Final paper: 40%
- Analytical essay assignment: 25%
- Short response papers (3): 15%
- Seminar participation: 20%

The largest share of your final course grade (40%) is a final paper. There are three paths to completing this course requirement: (1) write a paper based on your own research question inspired by something from the course; (2) write a research paper related to a debt-related topic that I am currently researching; (3) write a paper that answers exam-style questions that I will distribute (for students who choose this track) in the last seminar meeting of the quarter. I'll circulate more details on this course requirement in the first weeks of the quarter. You want to start thinking about which option seems best for you pretty soon – don't ignore this until the final weeks of the quarter! Regardless of which option you choose your final paper must be submitted to me by **5pm on Wednesday, March 21**.

A second component (25%) of your course grade is an analytical essay on a topic drawn from the course readings. In this assignment you will choose to answer one from several possible essay questions (details will be distributed as the date of the assignment approaches).

You must turn in printed copies of your papers. I will count your paper as received only when I have a hard copy in hand. Essays received after the deadline expires will be considered late and penalized one half-grade step (a B+ becomes a B). Additional half-grade reductions accrue for each 12-hour period after the announced deadline (e.g., a paper that is turned in a full 24 hours after the deadline expires will be marked down by a full grade, from an A to a B, for example).

Course participation accounts for a significant proportion (20%) of the final grade. Your performance on this component will be based on (1) the in-class writing activities that are periodically assigned during the quarter and (2) your contributions to the discussions of the course readings during our seminar meetings. Securing a good participation grade means regular attendance, closely reading the assigned material, and actively contributing to the conversation.

This course is designed to spur discussions about the topics at hand (encompassing the topic-specific content and the techniques and practices followed by good writers in the social sciences). It is not a lecture course (if you want that kind of instruction from me, look at the descriptions for my POL 341 and POL 348 courses), so your success will hinge on your willingness and ability to participate in the conversations.

The final component of your course grade is your performance on three short response papers that you will complete during the quarter. I will discuss the format and expectations for these short (approximately 2-3 double-spaced pages) papers during the first meeting of the course.

I will use some of the writing and research lessons delivered in Deirdre McCloskey's short, brilliant *Economical Writing* (Waveland Press, 2000) in this course. I have not assigned McCloskey's book as a required reading but I highly recommend grabbing a copy; her advice will serve you well in any writing-intensive social science coursework here at Northwestern (and I suspect it will continue to be useful after your time at Northwestern ends).

Respect and Discussion Rules

Every participant brings a different perspective to the classroom. Part of my job is to make sure that one viewpoint is not privileged over others. Dialogue in my course is expected to always be respectful. We all reserve the right to respectfully disagree with one another; we do not have the right to intimidate anyone. I will enforce all university policies concerning racial, ethnic, gender, sexual preference, or religious discrimination and harassment.

Academic Integrity

Plagiarism is a serious offense at Northwestern. If I suspect that you have knowingly misrepresented someone else's work as your own, I will report the violation of academic integrity; if the evidence indicates that the student committed an act that violated standards of academic integrity, this constitutes grounds for suspension or even dismissal from the university.

Northwestern's official policy regarding academic integrity is found at:
<http://www.northwestern.edu/provost/students/integrity/>

We will devote some time during the seminar to discussing academic integrity issues and the appropriate (and inappropriate) ways in which others' ideas can be integrated into your own writing.

Accessibility Services

Students that require any special academic accommodations must provide a letter prepared by AccessibleNU detailing the arrangements to me *no later than the end of the second week of*

classes. Please contact AccessibleNU (accessibleNU@northwestern.edu or 847-467-5530) for more information about services offered by Northwestern.

Medical illnesses and other emergencies

Regular attendance is crucial to your success in this course. If you have to miss class due to illness or family emergency, make sure to contact me as soon as you can. I require documentation for illness- and family emergency-related absences.

Policy on Posting Class Material (Slides, Notes, Readings)

The material from this course is *only* for students enrolled in this course. Please do not post any material from this course (including your own notes) on any online platforms (e.g., StudyBlue).

Reading and Assignment Schedule

Topic 1: introduction to the course; theorizing the origins and nature of debtor-creditor relations (January 9-25)

Part I: morality and indebtedness in the history of capitalism (January 11)

Reading

- David Graeber, *Debt: the First 5,000 Years* (Melville House, 2011), pp. 89-108; 113-124.

Part II: economic, political, and social foundations of the institutions and practices of modern debtor-creditor relations in the U.S. (January 16-18)

Reading

- Louis Hyman, “The Politics of Consumer Debt: U.S. State Policy and the Rise of Investment in Consumer Credit, 1920-2008,” *Annals of the American Academy of Political and Social Science* 644 (November 2012): pp. 40-49.
- Beth Akers and Matthew M. Chingos, *Game of Loans: The Rhetoric and Reality of Student Debt* (Princeton University Press, 2016), pp. 1-12; 40-62.
- David A. Moss and Gibbs A. Johnson, “The Rise of Consumer Bankruptcy: Evolution, Revolution, or Both?” *American Bankruptcy Law Journal* 73 (1999): pp. 311-351.

Part III: social stratification, inequality, and asymmetries of power in debt markets (Jan. 23-25)

Reading

- Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York: Liveright, 2017), pp. 3-10, 59-75.
- Matthew Desmond, “Forced out,” *New Yorker* online ed., 8 February 2016.
<<http://www.newyorker.com/magazine/2016/02/08/forced-out>>
- Marion Fourcade and Kieran Healy, “Classification Situations: Life-Chances in the Neoliberal Era,” *Accounting, Organizations, and Society* 38 (2013): pp. 559-572.

Topic 2: the politics behind the rise of “financialization” and the fragility of debt-fueled financial markets (January 30-February 6)

Readings

- Adair Turner, *Between Debt and the Devil: Money, Credit, and Fixing Global Finance* (Princeton University Press, 2016), pp. 51-73.
- Louis Hyman, *Debtor Nation*, pp. 220-239.
- Raghuram Rajan, *Fault Lines: How Hidden Fractures Still Threaten the World Economy* (Princeton University Press, 2011), pp. 21-45.

ANALYTICAL ESSAY DISTRIBUTED ON JAN. 30 (due date Feb. 8)

Topic 3: the Eurozone sovereign debt crisis and the politics of austerity
(February 8-15)

Readings

- Martin Wolf, *The Shifts and the Shocks* (Penguin, 2015), pp. 17-44.
- Michael Lewis, *Boomerang: Travels in the New Third World* (W.W. Norton & Co., 2011), pp. 41-82.
- Mark Blyth, *Austerity: The History of a Dangerous Idea* (Oxford University Press, 2013), pp. 1-15; 78-93.

Topic 4: sovereign borrowing, (non)repayment, and the new politics of international debt disputes (February 20-22)

Readings

- Simon Johnson and James Kwak, *White House Burning: The Founding Fathers, Our National Debt, and Why It Matters to You* (Pantheon, 2012), pp. 15-40.
- Anna Gelpern, “Testimony before the U.S. House of Representatives Subcommittee on Monetary Policy and Trade Committee on Financial Services,” 18 May 2017.
- Martin Guzman and Joseph E. Stiglitz, “How Hedge Funds Held Argentina for Ransom,” *New York Times* (online ed.), 1 April 2016.

Topic 5: the moral case for debt forgiveness (February 27-March 1)

Readings

- Sanjay G. Reddy, “International Debt: The Constructive Implications of Some Moral Mathematics,” in Barry, et al., eds. *Dealing Fairly with Developing Country Debt* (Oxford: Blackwell, 2007), pp. 33-48.
- Axel Gosseries, “Should They Honor the Promises of Their Parents’ Leaders?” *Ethics & International Affairs* 21, 1 (2007): 99-125

Topic 6: post-debt crisis politics (March 6-8)

Readings

- Atif Mian, Amir Sufi, and Francisco Trebbi, “Resolving Debt Overhang: Political Constraints in the Aftermath of Financial Crises,” *American Economic Journal: Macroeconomics* 6, 2 (2014): 1-28.
- Mark Blyth, “Global Trumpism: Why Trump’s Victory was Thirty Years in the Making and Why It Won’t Stop Here,” *Foreign Affairs* (online ed.), 15 November 2016.

WCAS Reading Week begins on TUES., MARCH 13
FINAL PAPERS DUE BY 5PM ON WEDNESDAY, MARCH 21